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# Evaluation of privatization in sports with the approach of assessing the strengths and weaknesses

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## ABSTRACT

*Improving the process of privatization depends on the way it is implemented and its scientific and professional management. Therefore, looking at privatization policies, it has been tried to assess its implementation in sports. An analytic-descriptive methodology was adopted in this field study. The population included experts working in the administration of Youth and Sports of Sistan & Baluchestan Province and all its related towns [n=60]. The sampling method was a researcher-made questionnaire extracted from the existing questionnaires was used as the research tool. The obtained data were analyzed by KMO<sup>1</sup> test, one sample t-test, and a one-way analysis of variance ANOVA, with the level of significance set at  $\alpha \leq 0.05$  using an SPSS software, version 18. The results of the study indicated that financial, educational-structural and managerial problems in addition to violating the rights of clients significantly affected ineffective implementation of privatization. From the evaluated strengths, the factors: reducing government's expenditures, a basis for experts' activities, improving efficiency were identified to be significantly effective whereas no significant effects were observed in promoting management, developing sports places and respecting the rights of clients. Overall, it seems that privatization involves more disadvantages than advantages.*

**Keywords:** sports, privatization, strengths, weaknesses

## INTRODUCTION

Broadly defined, privatization refers to the ways of reducing the role of government and is to the private section as well as following the logic of market in all economic decisions [11]. Privatization may include a wide range which sometimes prohibits the limited role of the government and sometimes creates partnerships between the government and the private section while the government is still playing the lead role [10]. In privatization, the main idea is that the atmosphere of competition and the ruling system in the market forces the private corporations and units to have a better performance compared to the public sector [19]. Under these circumstances, transfer of ownership and management of the company from the public sector to private sector through privatization process usually lead to enhancement of performance and productivity of economic corporations in individual level since ownership is one of the most crucial factors in the effectiveness of the corporations [13]. The modern, classical viewpoint recommends reducing government possessions in order to enhance efficiency [8]. At present, selling government-owned corporations to the private section and competitive markets are regarded as the essence of the world's general policies [30]. Supporting privatization, the World Bank emphasizes that privatization leads to efficiency if

understood and implemented correctly and encourages investment as well as enhancing financial conditions of the companies and improving quality of process thus leading to development and creation of new job opportunities in infrastructures and social plans [29]. Nowadays, the issue of privatization has received attention in all industries and sports industry is not an exception. Privatization of sports in western developed countries are quiet crucial and has been investigated vigorously. The economic importance of sports and healthy recreation is one of the most important reasons to this [27]. Having an up-to-50-percent growth in a decade, the 400 billion dollar sports industry in the U.S has been introduced as one of the top 10 industries [6]. Sports play a crucial role in several commercial fields and plans including multi-national media and entertainment [9]. Perjuda (2002) describes the role of sports organizations to be increasingly difficult in the free market condition and contends that financial supply through traditional approaches such as central and local budget is decreasing and inefficient. He points out modifying the organizational and legal structure, managerial approaches and techniques to make rapid changes in the performance of sports organizations [20]. Shortage of sports places and their optimal and correct distribution by considering the population of urban areas and scant government monetary resources to expand sports places is one of the biggest problems facing cities especially large ones. According to recent statistics, sports places per capita in the country are much fewer than international standards; there is a need, thus, to a modern look in management to develop sports management [28]. There is a direct correlation between the share of sports in national economy and the amount of investment made in sports section which is far less than developed countries due to restrictions and bottlenecks the private section is faced with for contributing in the development of sports. As a result, the proportion of sports economy to gross national product is 2% in Italy, 1.7% in Britain, and 1.4% in Germany while it is 0.38% in Iran [28]. The results of research in less economically developed countries indicated that the success of privatization necessitates suitable environment in order to enable the private sector to act under those circumstances. Major economic reforms, enhancing legal and legislative frameworks, improving monetary system, removing obstacles to competition and reducing bureaucracy from the goods and services market are necessary to create such a setting. Zank (1991) considers reasonable planning crucial to a successful privatization program believing that administering the privatization program without any pre-made plans is nothing but erosion of public trust in the free market [31]. Ramamureti (1999) regards economic stability, economic liberalization and reducing bureaucracy as indispensable requirements to success of privatization plan [21]. Also, Ames and Robert (2007) investigated the effects of privatization on productivity in 2164 companies in Poland and observed a 3-to-20-percent increase in productivity after 3 years of privatization [4]. Many studies in industrial countries have been conducted about negative and positive effects of privatization, minimizing, and purchasing services form contractors, which indicate an increase in economical effects of these changes for organizations and a decrease in work morale, depression, mental pressures or even an increase in the staff's physical and psychological diseases [7]. In a research done on implementing the structure of athletics in Iran through privatization in the year 2006, based on the managers' opinions in this relation, the researchers concluded that by minimizing the existing structure through selling and conveying places and entering private section in investment, the work speed and efficiency is increased and services are enhanced [24]. Razavi (2005) pointed out in studying the effects of privatization on increasing efficiency on sports that privatization in sports leads to enhancing efficiency and improving the structure of sports in the country [23]. Unfortunately, based on the existing statistics, the presence of the private section in sports is confronted with many hurdles which may not be acknowledged unless a realistic approach is taken and conscious, up-to-date policies are adopted. The Physical Education Organization as the brain of this administration should pay special attention to that. The results of a study about the problems of privatization in sports revealed that high costs of building and purchasing sports equipments, scarcity of public facilities, lack of people's interest in spending on sports, people's financial constraints to use private sections' services, inability to provide salary and wages for human resources, parallel interference of the Physical Education Organization and government institutions are among the main obstacles to privatization in the area of sports. Moreover, to these factors it should be added: inadequate advertising and educating in press and media about privatization in sports, inappropriate context to set prices for the private clubs' services, unsafe short and long-term investment and poor condition of the laws of work, insurance and taxes, strict rules of government institutions and managerial problems and assuring safety for private clubs [21]. Being unable to detect and identify conveyable places, selecting an inappropriate financial advisor, inconsistency in technical and legal issues, inadequacy of laws and regulations and incorrect valuation of properties and its unsuitable process are serious issues for privatization especially in sports [15]. Realization of goals in privatization depends on the way it is implemented and its scientific and professional management. Therefore, by considering the problems of privatization process in sports it seems necessary to run studies to assess advantages and disadvantages of its implementation. Thus, the present research was designed and conducted with the aim of assessing privatization in sports through measuring weaknesses and strengths.

## MATERIALS AND METHODS

An analytic-descriptive method was adopted in this research which belongs to the category of applied research were gathered using a researcher-made questionnaire including 44 items with a 5-value Likert scale in 2011. The validity of questionnaire was evaluated and confirmed by 10 academic experts. Furthermore, the reliability of the questionnaire was estimated to be 0.87 using Cronbach Alpha. The population in the present research was consisted of experts working in the Administration of Youth and Sports of Sistan & Baluchestan province and all its towns (N=60). All the experts working in the province were included as samples of this study. Of this, 49 responses were collected and 2 of them were distorted. Eventually, 47 questionnaires were left for the analysis. By studying other texts and using the existing questionnaires, the items were designed in two sections: demographic traits (age, gender, education, field of study, job, work experience and knowledge about privatization) and the main section which included 44 items on privatization. Eighteen items out of 44 were concerned with measuring the strong points which included 6 factors: increasing efficiency, enhancing management, reducing costs, employing experts, expanding sports places, and recognizing client rights) and 26 items measuring weak points including 5 factors: (financial problems, educational – cultural problems, structural problems, managerial problem, violating the rights of internal and external clients of the organization). The items of questionnaire were then ranked based on a 5-value Likert scale from "strongly disagree" equal to 1 to "strongly agree" equal to 5. Number 3 was selected as borderline to which the scores of factors were compared using a one sample t-test. In order to analyze the data, descriptive statistics (mean, tables and figures) and inferential statistics (Kolmogrov-Smirnov test, one sample t-test, and one way analysis of variance ANOVA with the significance level  $\alpha < 0.05$ ) were used as well as Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity which validate the adequacy of sampling. These analyses were done using an SPSS software version 18.

## RESULTS

Evaluating demographic information indicated that the mean age of respondents was 36.3 years and the mean of their work experience was 10.85. Thirty-two out of 47 responding experts majored in physical education and 15 studied unrelated fields.

**Table 1. Descriptive statistics of some demographic traits of the sample**

personal traits	Descriptive statistics	Percentage value
Gender	Male	42
	Female	5
Education	Diploma	9
	Associates Degree	12
	B.A, B.Sc	22
	M.A, M.Sc	4
Employment condition	Official	39
	Contract employees	8
Age	25-35	27
	36-46	12
	47 and higher	8
Work experience	Up to 10 years	23
	Up to 20 years	15
	More than 20 years	9

In order to evaluate the adequacy of the amount of the sample, a KMO test was used. A value of 0.538 was gained which validated the adequacy of sampling. The Bartlett's Test of Sphericity was also significant ( $P=0.00$ ).

Based on the results of the t-test the only significant factors of strong points were: increasing efficiency ( $P=0.04$ ) reducing costs ( $P=0.00$ ), employing experts ( $p=0.01$ ). The rest of the factors under investigation i.e. enhancing management ( $P=0.12$ ), expanding sports places ( $P=1.00$ ) and respecting the rights of clients ( $P=0.20$ ) were not considered as the strong points of implementing privatization. Among the factors of strength, reducing costs and employing experts were recognized as the most important factors in implementing privatization (Table 2).

**Table 2. One sample t-test for factors of strength of privatization**

factors of strengths	M±SD	t	p
efficiency	3.30 ±0.85	2.07	0.04*
enhancing management	2.77±0.83	-1.59	0.12
reducing costs	3.57±0.83	3.97	0.00*
employing experts	3.37±0.81	2.65	0.01*
expanding sports places	3.00±0.70	0.00	1.00
respecting the rights of clients	3.03±0.86	0.20	0.84

The result of one sample t-test for the factors of weakness also indicated that all the issues under investigation were regarded as weak points of implementing privatization. Among these, managerial problems and violating the rights of internal (the staff) and external clients of the organization were introduced as the main factors of weakness for privatization (Table 3).

**Table 3. One sample t-test for factors of weakness of privatization**

factors of weakness	M±SD	t	p
financial problems	3.71±0.65	6.35	0.00*
educational – cultural problems	3.72±0.71	5.88	0.00*
structural problems	3.78±0.70	6.48	0.00*
managerial problems	3.79±0.51	8.94	0.00*
violating the rights of internal and external clients of the organization	3.76±0.55	8.01	0.00*

Moreover, evaluating total weak and strong points with a t-test showed that the weak points of implementing privatization outweighed its strong points (Table 4).

**Table 4. One sample t-test for the total factors of strength and weakness of privatization**

Variable	M±SD	t	p
<b>Weaknesses</b>	3.75± 0.43	10.17	0.00
<b>Strengths</b>	3.14± 0.62	1.30	0.20

The one- way analysis of variance ANOVA for strengths and weaknesses of privatization, showed no significant difference between factors of weakness of privatization whereas there was a significant difference between the factors of strength (Table 5).

**Table 5. One-way analysis of variance for the total factors of strength and weakness**

	variable	sum of squares	mean of squares	F	P
<b>strengths</b>	between groups	5.04	0.26	4.78	0.00
	within groups	7.65	0.26		
	Total	12.69			
<b>weaknesses</b>	between groups	0.17	0.04	0.21	0.93
	within groups	5.93	0.20		
	Total	6.10			

## DISCUSSION

Among the major findings of the present study it should be noted that although the policy of privatization has been at work for more than a decade in the country's sports to enhance efficiency and productivity in sports and it has entailed positive results, it was shown in this research that unfortunately, implementing privatization involved more disadvantages than advantages. This is in line with Shahbandarzadeh (1993), Abdollah pour (1994), Naghavi (2008) and Nasrollahi (2009) [1,17,18,26]. The reasons behind these results may include: lack of planning and prediction of necessary executive plans, implementing privatization plans with haste and lack of a related comprehensive plan, multiplicity of leadership and management, ignoring economic- cultural and social factors in management, uncoordinated implementing of plans and not following the principles of privatization in general. Furthermore, setting the necessary intellectual and cultural grounds within the society, creating an efficient information system, creating suitable monitoring and advising system as well as setting appropriate legal-judicial grounds are especially important. SaffarzadehParizi (2002) in investigating the factors affecting unsuccessful implementation of privatization policy mentioned lack of transparency in pricing, economic instability, stringent rules, inefficiency of

capital market, restrictive function of banks, incorrect attitudes of private sector toward public sector and incorrect performance of some executers[25]. Hosseini et al (2008) in a study titled "the outcomes of privatization in companies submitted to the private sector" stated that however it sounds that conveyance of some companies yielded positive results, but there are downfalls or potentials to alter the status quo and to turn the effects of privatization negative. In case these potentials are not controlled appropriately, the conveyed companies will be sent back to the public sector in a worse condition [12] that can be said to be consistent with the present research in terms of incorrect implementation of privatization as well as the necessity of constant assessing of achieving goals of privatization. Examining privatization in different countries Kianpuor (2009) concluded that the benefits of privatization are received when the government guarantees a competitive environment, provides suitable procedures to reduce costs, enhances quality and promotes small and medium-sized corporations, sets efficient laws to reduce injustice and corruption, enacts appropriate regulations to correctly implement privatization, is transparent in submissions and monitors after submission and prevents from monopoly in the private sector[14]. Nasrollahi (2009) evaluated the stock returns procedures of privatized companies and concluded that privatization did not have a positive effect on stock returns [18]. Nejat (2010) assessed the effects of privatization on the performance of government companies. He pointed out that privatization has not improved the performance of companies and even in some cases resulted in a decrease in profitability; the reason to this might be wrong policies taken in privatization plans [19]. Moshiri (2010) investigated privatization and economic growth in a cross-countries study using 117 developing countries and indicated that privatization has a neutral effect on economic growth. He also showed that compatibility and continuity of implementing privatization policy, a competitive environment and transparency in policies, had a greater impact on economic growth [16]. Therefore, based on the result of the present study economic growth is likely to happen if privatization in sports along with overcoming weaknesses continued. Afjeh(2011) conducted a research to explore the behavior of privatization with an emphasize on job motivation, organizational commitment and work morale. The results showed that after privatization, commitment, work morale and job motivation of the staff decreased which is in accord with the present study's result that violating the rights of internal clients of the organization (the staff) is regarded as a weak point to privatization [2]. In a study entitled "evaluating achievement of the goals of privatization plans of privatized sections of sports places" Naghavi concluded that the factors such as: competition, financial resources and profitability, efficiency, evaluation and monitoring, supporting the benefits of consumers, employing specialties were enhanced while there were no significant results for factors such as: deregulation, occupation and wages and expanding possession[17] which is somehow in line with this study in terms of increasing efficiency, reducing government costs and setting the grounds to employ more experts as the strong points of implementing privatization. Asgharzadeh (1995) contended in his study, that privatization increases efficiency and directly influences economic growth. Ahmadi (2006) also in a study entitled "studying hardships and hurdles in privatization of sports" pointed out that by considering economic experience of western countries, enhancing efficiency is possible through decentralized decision making and distribution of investments; both these result were consistent with the present study in terms of enhancing efficiency as one of the positive achievements of implementing privatization [3,15].Razavi (2006) also in a study called "privatization and improving the structure of athletics in Iran" concluded that by entering private sector in investment, work pace and efficacy is increased and it is essential to develop and expand sports to adopt a privatization policy [24].

### CONCLUSION

To sum up, based on the results obtained in the present study, implementing privatization involved several problems, though there were some strengths in some factors. Therefore, creating an efficient administration to handle affairs related to development of sports in appropriate employment of privatization policy is crucial. It is suggested that an extensive program is developed by studying other countries successful experiences and by considering particular native and local circumstances and existing potentials and facilities Thus, a need to similar studies to estimate the extent of achievement of privatization periodical goals in the ministry of Youth and Sports and making necessary improvements while implementing it seems essential to realize the goals of privatization in the country's sports.

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