

Full Length Research Paper

Employees' attitudes toward company privatization as possible predictors of a high-performance work system

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Factorial structure of employees' attitude towards enterprise privatization has been identified in the present privatization procedure of one of the largest Serbian insurance company. It is established that the most important issue is the present enterprise climate as a result of privatization. On the other hand, the research has identified a direct relation between the employees' attitudes and economic efficiency of the company evaluated through business operations economic indicators. According to the research, there is a direct relation between positive employee attitude towards the change of ownership and relevant economic indicators of company's business operations. Generally, with the employees' positive attitude towards the change in ownership structure in the Serbian economy, this will result in more efficient business operations (HPWS).

Key words: Transition economy, privatization, human resources management (HRM), attitudes, high performance working system (HPWS), prediction.

INTRODUCTION

A transition economy or transitional economy is an economy which is changing from a centrally planned economy to a free market. Transition economies undergo economic liberalization (letting market forces set prices and lowering trade barriers), macroeconomic stabilization where immediate high inflation is brought under control, and restructuring and privatization in order to create a financial sector and move from public to private ownership of resources. These changes often may lead to increased inequality of incomes and wealth, dramatic inflation and a fall of gross domestic product (GDP). Transition process is usually characterized by changing

and creating institutions, particularly private enterprises; changes in the role of the state, thereby, the creation of fundamentally different governmental institutions and promotion of private-owned enterprises, markets and independent financial institutions. The existence of private property rights may be the basic element of market economy and therefore implementation of these rights is the main indicator of transition process. According to the International Monetary Fund the main ingredients of the transition process are:

1. Liberalization—the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies;
2. Macroeconomic stabilization—bringing inflation under control and lowering it over time, after the initial burst of high inflation that follows from liberalization and the

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release of pent-up demand. This process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments;

3. Restructuring and Privatization—the creation of a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and transferring their ownership into private hands;

4. Legal and institutional reforms—redefining the role of the state in these economies, establish the rule of law, and introduce appropriate competition policies.

Transition trajectories can be idiosyncratic. Some nations have been experimenting with market reform for several decades, while others are relatively recent adopters (e.g., Republic of Macedonia, Serbia and Montenegro). In some cases reforms have been accompanied with political upheaval, such as the overthrow of a dictator (Romania), the collapse of a government (the Soviet Union), a declaration of independence (Croatia), or integration with another country (East Germany). In other cases economic reforms have been adopted by incumbent governments with little interest in political change (China, Laos, Vietnam). Transition trajectories also differ in terms of the extent of central planning being relinquished (e.g. high centralized coordination among the CIS states) as well as the scope of liberalization efforts being undertaken (e.g. relatively limited in Romania).

According to the World Bank's "10 Years of Transition" report Mr. Vito Tanzi, Director of the International Monetary Fund's Fiscal Affairs Department, gave definition that the transformation to a market economy is not complete until functioning fiscal institutions and reasonable and affordable expenditure programs, including basic social safety nets for the unemployed, the sick, and the elderly, are in place. Mr Tanzi stated that these spending programs must be financed from public revenues generated through taxation without imposing excessive burdens on the private sector. Although the term "transition economies" usually covers the countries of Central and Eastern Europe and the Former Soviet Union, this term may have a wider context. There are countries outside of Europe, emerging from a socialist-type command economy towards a market-based economy (e.g. China). Moreover, in a wider sense the definition of transition economy refers to all countries which attempt to change their basic constitutional elements towards market-style fundamentals. Their origin could be also in a post-colonial situation, in a heavily regulated Asian-style economy, in a Latin American post-dictatorship or even in a somehow economically underdeveloped country in Africa.

In 2000, International Monetary Fund listed following countries as transition economies: Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, China, Croatia, Georgia, Czech Republic, Estonia, Hungary, India, Laos,

Latvia, Lithuania, Kazakhstan, Kyrgyz Republic, Republic of Macedonia, Moldova, Poland, Romania, Russia, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and Vietnam. In addition, in 2002 the World Bank defined Bosnia and Herzegovina, and Federal Republic of Yugoslavia (later Serbia and Montenegro) as transition economies.

Transition in Serbia

After the political changes from 5th October 2000, a so called transitional government has been formed in Serbia which started the privatization of approximately 500 best enterprises according to the law from 1997. On 12th February 2001 the parliament passed the changes and amendments of the law on property transformation which temporarily stopped the privatization of new enterprises. The Serbian government from 2001 has chosen a somewhat modified model of classical sales focusing on corporative management in the post-privatization period and opted to sell the majority of shares (70%) of the societal/state capital to a single investor, thereby allowing the single majority owner to take the full control over the enterprise in order to facilitate rather complex process of rearrangement of enterprises in the post-privatization period.

The law on privatization also specifies free distribution of equities, this time to the employees and citizens as well. Employees, former employees and pensioners of the subject have the right to acquire up to 30% of equities in enterprises sold at auction and up to 15% in enterprises privatized by tender, while citizens may acquire not less than 15% of the subject's equities privatized by tender and of public companies with the majority of state owned capital. Hence, this law is more righteous than its predecessors were, enabling all to acquire equities instead of enabling only the employees. The individual right remains the same: €200 for every year of service. Two methods of sale have been granted by the law: auction, that is, bidding for smaller and weaker enterprises and tender for the larger. Up to 70% of the non-privatized capital is sold (the rest of 30% distributed to the employees, former employees, pensioners and citizens). Methods of sale exclude real bargain between the state and buyer, since it is too risky and enables corruption. Weak enterprises would be either restructured or bankrupted. To provide maximum transparency of processes, that is, to eliminate corruption and other misbehavior in privatization, exclusively competitive methods have been used. The most important novelty is the right of Privatization Agency to start the process of sale of the societal capital in all enterprises, thereby abrogating voluntary privatization in the Republic of Serbia and enabling privatization to come to an end. The Law on privatization provides that 5% of every sale is directed towards future compensation of nationalized property,

thereby implicitly recognizing the claims of former owners, claims of former owners, but the law itself fails to prejudge the solutions from the law on denationalization. Enterprises without real chances to find a buyer in their present condition will be restructured to prepare them for privatization.

There are two main ideas how to help them out: first, to divide some of them into several enterprises and to sell the attractive ones, and those without buyers to bankrupt; second, to write off a part of the debt towards the state and thus, raise their value above zero.

The Serbian Government adapted the changes to the Law on privatization that identified 31 December 2008 as the deadline for privatization societal enterprises. By this time invitation for tender or auctioneer sale must be announced for the rest of enterprises in societal ownership. Requirements to participate in privatization procedure have been tightened since individuals convicted for criminal acts or those who are under investigation for criminal acts are prohibited to compete for buying the capital or property of enterprises. By changes in the Law on privatization the preparation procedure for privatization is simplified, enabling the distribution of extra incomes from the sale of property of the restructuring enterprises to the employees, after the creditors were paid off. Employees are also better protected after privatization.

In the future, it will be possible to sell enterprises originating from the property of enterprises from the former Socialistic Federative Republic of Yugoslavia, and the money earned from sale will go to a separate account. By prohibition of debt collection from state creditors in the tender and auction procedure in order to avoid confiscation and public sale of the property, the creditors are protected. It is foreseen that after the cessation of agreement in the procedure of tender sales, the runner-up bidder is being invited to negotiations. In case of cessation of agreement, state interests will be better protected since the buyer will be prevented from increasing the value of his capital by investments and recapitalization. There are little chances for the period of wealth to arrive immediately after the system change, since privatization is one of the transition process strongholds which is a fact to be accepted. The question is: was there any righteous privatization anywhere? The answer is: in history there was no righteous privatization. It is sufficient to remind that the term "privatization" originates from the Latin word "privare", which means "to deprive". Privatization is an unavoidable process and the state failed as an owner, mainly because of the lack of resources for the costs of public services.

Human resource management

Driven by market imperatives to develop more efficient organizational structures and practices, there is an increasing emphasis among both academics and

practitioners on behavioral competitive strategies that rely on core competencies and capabilities among employees, not only because they provide the most effective response to market demands, but also because they are not easily copied by competitors (Stalk et al., 1992). With much emphasis on the effective implementation of corporate strategies as their content, organizational policies and infrastructure are increasingly considered a potential source of sustained competitive advantage. Within that context a broadly defined High Performance Work System (HPWS)¹ can be viewed as a key strategic lever, both as a means to develop and sustain core competencies and as a necessary condition for strategy implementation (Dyer, 1993).

Such systems include rigorous recruiting and selection protocols, performance management and incentive compensation systems, and employee training and development activities that are designed to acquire, refine, and reinforce employee skills and behaviors necessary to implement the firm's competitive strategy (Huselid, 1995).

¹ According to Barnes (2001), High Performance Work System (HPWS) is a name given to a set of management practices that attempt to create an environment within an organization where the employee has greater involvement and responsibility. More specifically, HPWS has been defined by Bohlander et al (2004) as "a specific combination of HR practices, work structures, and processes that maximizes employee knowledge, skill, commitment and flexibility". Barnes (2001) writes that the concept and ideas for high performance work systems has existed for quite some time and has its roots in the late twentieth century amid the upheaval in the United States manufacturing environment (Barnes, 2001). During this period, the manufacturing industry in America had realized that global competition had arrived and they needed to rethink the 'tried and true' manufacturing processes. The concepts that arose out of these turbulent times are items that eventually would become key components of a high performance work system. The first component is the concept of increased opportunity to participate in decisions for employees. The ability for an employee to participate in the decision making process is considered to be one of the key elements of an HPWS because it allows the employee to make decisions that effect their immediate environment, which in turn effect the entire organization. This participation provides leads to employees feeling more empowered, which leads to a more committed workforce, at least in theory. The second component is training. This training provides employees with the necessary skills to perform their jobs in a more effective manner as well as the opportunity to assume greater responsibility within an organization. Training also gives organizations a way to cross-train employees in different skills and roles to ensure that employees understand many roles within an organization. The third component is employee incentives. The two previous elements help to prepare employees and organizations for successful HPWS implementation and operation, but without incentives, the system will most likely fail. Organizations need to find a way to link pay with performance in order to incentivize an employee to focus "on outcomes that are beneficial to themselves and the organization as a whole" (Bohlander & Snell, 2004). Incentives can take many forms, with some examples being stock options and other equity plans, profit sharing plans, pay raises, bonuses for meeting performance targets and other monetary incentives. In addition, incentives can take the form of non-monetary options such as time off, flextime, group lunches and other special employee benefits. In addition to the three components of *involvement, training and incentives*, there is also a fourth element that makes up another key component of modern day high performance work systems. Technology is everywhere in the world today and must be considered as part of any organizational development exercise. Within high performance work systems, technology does not have to be leading edge technology solutions, but it does provide an "infrastructure for communicating and sharing information vital to business performance" (Bohlander & Snell, 2004).

While there has been a strategic Human Resources Management (HRM)² literature for more than a decade (Schuler and MacMillan, 1984) more recent work in this area is motivated less by the locus of decision making and more by the locus of influence.

Earlier work in strategic human resources emphasized those activities within the province of the HRM function (e.g., HRM planning), though there was little empirical evidence that such activities had any direct influence on firm performance.

In contrast, the new dimension of this literature focuses explicitly on the impact of the HRM management system, irrespective of whether that system is a product of the HRM function, general management, or some combination.

The motivating assumption is that if the HRM system is to be considered a strategic lever in the organization, it has to have an impact at the strategic level; namely, the firm's financial success.

While there is a substantial and developing literature on the impact of HPWS on plant level and other intermediate measures of firm performance, the empirical evidence supporting what could be termed the strategic impact of HRM, between the HRM system and the firm's bottom line, is quite limited.

HRM AND HPWS

According to Huselid (1995), the prior conceptual literature speaks both to the mechanism through which the HR management system might affect firm performance as well as the necessary conditions for these systems to have a strategic impact. The behavioral perspective (Jackson et al., 1987) suggests that an effective HR management system will acquire, develop and motivate the behaviors necessary to enhance firm performance (Jackson et al., 1987; Schuler and MacMillan, 1984). Complementary work argues that HRM systems provide additional value when they are purposively designed to be internally consistent and are thereafter linked with firm competitive strategy (Jackson and Schuler, 1995; Milgrom and Roberts, 1995). In essence, prior theoretical work in this area concludes that competitive advantage is in part a product of HRM systems that elicit employee behaviors consistent with the firm's broader strategic and environmental contingencies, writes Huselid (1995). Promoting desirable employee behaviors, however, is not sufficient to create a strategic impact. Following the resource-based view of

the firm (Barney, 1991) it is clear that if HRM systems are to in fact create sustained competitive advantage, they must be difficult to imitate. HPWS are characterized by at least two features that are associated with inimitability: path dependency and causal ambiguity (Collis and Montgomery, 1995). Path dependency describes organizational practices that are developed over time and cannot be simply purchased in the market by competitors. A competitor can understand that a practice is valuable and would like to do the same thing, but is precluded from immediate imitation by the time required to fully implement the strategy. Causal ambiguity is reflected in policies that are easily understood in concept, but in practice require numerous and subtle interrelationships that are not readily observed by those outside the firm. An example is the challenge of aligning HRM practices with the firm's strategy and their larger "embeddedness" in management practice (Lengnick-Hall and Lengnick-Hall, 1988; Lado and Wilson, 1994).

The behavioral perspective describes how the HRM system creates new firm capabilities, while resource-based theory emphasizes the attributes required for these capabilities to generate competitive advantage. These complementary dimensions are consistent with recent theoretical work in the field of strategic management (Amit and Shoemaker, 1993) that develops the concept of strategic assets as the set of difficult to trade and imitate, scarce, appropriable, and specialized resources and capabilities that best of the firm's competitive advantage. Our view is that HRM strategies that successfully develop and implement a coordinated HPWS create "invisible assets" (Itami, 1987) that both create value and are difficult to imitate. These asset values are maximized when the HPWS is so embedded in the operational systems of the organization that it enhances a firm's capabilities. Therefore, unlike more traditional "personnel" activities, organizational HPWS have a strategic impact at the level of the firm.

RESEARCH SUBJECT AND GOALS

There has been very little work exploring the direct relationship between HRM systems and firm performance. Only two prior studies have examined the impact of a comprehensive range of HRM practices on corporate financial performance. In the first of these, Ichniowski (1990) constructed a range of HRM strategies based on survey data collected from business lines contained in the Compustat database. Binary responses to the presence or absence of particular HRM practices were categorized using cluster analysis. Ichniowski's scale ranged from the prototypical unionized environment of rigid job design and seniority based promotion-from-within to the "progressive" high commitment strategies emphasizing flexible job designs, training, and communication. The second study (Huselid, 1995) is the only published research that combines both a comprehensive measure of the HRM system with measures of corporate financial performance for a broad sample of U.S. firms. In

² Human Resource Management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business. The terms "human resource management" and "human resources" (HR) have largely replaced the term "personnel management" as a description of the processes involved in managing people in organizations. In simple sense, HRM means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirement.

Table 1. Demographic profile of sample (n = 197).

Feature	Description	Sample	%
Service years	Less than 10	59	35
	Between 10 and 20	57	33
	Between 20 and 30	42	18
	Between 30 and 40	39	14
Position in enterprise	Manager	40	15
	Internal worker sales person	51	27
	Percentage sales person	35	10
	Internal support worker	71	47
Age	21-30	38	9
	31-40	68	51
	41-50	48	24
	51-60	43	15
Gender	Male	101	53
	Female	96	47

contrast to Ichniowski, Huselid measured both the presence and depth of coverage of a firm's HRM practices, which in turn were factor analyzed. Following Bailey (2001), the resulting factors were termed Employee Skills and Organizational Structures and Employee Motivation. Both dimensions were positively related to a measure similar to Tobin's q, though the impact of the Employee Motivation dimension was more stable and economically significant. Alternatively, only the Employee Skills and Organizational Structures dimension had a statistically and economically significant influence on a measure of accounting profits.

METHODOLOGY

Research

The subject of this research is to establish connections between the actual indicators of business operation of one of the largest insurance companies in Serbia in privatization environment and the attitudes of employees towards the change of the ownership structure (so we can say that this article is some kind of case study research). Also it is very important to identify the elements of the employees' attitude towards privatization which directly predict the change of indicators of business operation.

In situation of owner-ship transformation of one of the largest insurance companies in Serbia such research is highly useful, since it will clearly indicate the components of attitudes that should be changed and how to do it; which direction the changes should take to improve the indicators of business operation. Also, it is our intention to indicate the necessary type of the HR management's (Amit and Shoemaker, 1993) strategic influence on the entire management in order to create a HPWS (Itami, 1987) from the

privatization process. It is clear that in these circumstances, the promotion of the employees' desired behavior is not sufficient to create a HPWS.

It is our intention to capture emotive and cognitive dimension of those attitudes in order to create an adequate strategic influence of the HRM. Afterwards, these employee attitudes and indicators of the company's business operation will be related in order to identify the attitudes which are valid predictors of the company's business operation in privatization circumstances, thereby enabling the company's competitive position and creation of new value (Lado and Wilson, 1994).

This research has been accomplished in two stages. In the first stage, the company's officers³ were given a Questionnaire constructed specially for the purpose of this research. The research itself was anonymous in order to obtain answers as sincere as possible. In the second stage of research we have collected relevant economic indicators of the company's business operation in order to relate economic and human factors. The independent variables of our research are as follows: Number of the examinees' service years; The examinees' position in the enterprise.

The dependent variables of our research are as follows: The examinees' attitudes towards the consequences of the company's privatization; The company's market share on the Serbian insurance market; Gross invoiced premium; The company's business success (business and financial incomes). Life insurance; Voluntary health insurance; Insurance against the consequences of accident; Insurance of property against fire and other threats; Other property insurances.

Sample of examinees

³ We selected a single insurance company for the study because DDOR before privatization was the greatest Serbian insurance company (33% of market share). Our opinion was that because of this fact DDOR is representative company for this study.

The questionnaire drawn up for this occasion was answered by 197 officials of the company of various position, age, service years and sex. From Table 1 it could be seen that the largest contribution was made by employees with less than 10 years of service (35.1%); the

smallest contribution is that of those with 30 to 40 service years (14.4%). The research included all employee positions in the insurance company; most of them were from internal support (47.4%) and the least from percentage salesperson (10.3%). It is interesting to note that 15.5% of the sample was on position of managers (Table 1). The general conclusion is that despite of some of its disadvantages, our sample is representative for the entire employee population in the insurance company according to the above mentioned relevant characteristics.

Assumptions of the research

General assumptions of this research are as follows:

1. The attitudes of employees towards the company privatization influence the business operation indicators
2. According to the attitudes of employees it is possible to identify the predictors of change of the business operation indicators

Specific assumptions:

1. There is a statistically significant relation between the factorial scores of the examinees' attitudes towards the company privatization and the percentage on the company's contribution to insurance market.
2. There is a statistically significant relation between the factorial scores of the examinees' attitudes towards the company privatization and the gross invoiced premium.
3. There is a statistically significant relation between the factorial scores of the examinees' attitudes towards the ownership transformation and the company's business success.
4. Factorial scores of the examinees' attitudes predict the percentage of the company's contribution to the Serbian insurance market.
5. Factorial scores of the examinees' attitudes predict the gross invoiced premium.
6. Factorial scores of the examinees' attitudes predict the company's business success.

RESULTS

For the purpose of research, a questionnaire was drawn up consisting of 18 items considering the employees' attitudes towards the company privatization. Examinees answered the questions according to the five-point Likert item⁴. Results were subjected to explorative factorial

⁴ A Likert item is simply a statement which the respondent is asked to evaluate according to any kind of subjective or objective criteria; generally the level of agreement or disagreement is measured. Often five ordered response levels are used, although many psychometricians advocate using seven or nine levels; a recent empirical study found that a 5 or 7 point scale may produce slightly higher mean scores relative to the highest possible attainable score, compared to those produced from a 10 point scale, and this difference was statistically significant. In terms of the other data characteristics, there was very little difference among the scale formats in terms of variation about the mean, skewness or kurtosis. The format of a typical five-level Likert item is:

analysis, yielding with two factors which together explain 46.812% of variances⁵ of the phenomena being considered. These factors were rotated by Varimax method in order to assure their independence. It is clear that 2 factors were extracted and there is neither negative factorial saturation with items nor item projection on both factors. The first factor which explains 27.406% of variances of the phenomenon under consideration was projected by the following item of our questionnaire:

1. Human relations, positive factorial saturation, 0.725
2. Communication within the company, positive factorial saturation, 0.731
3. Hierarchy structure, subordinate-superordinate relationship, positive factorial saturation, 0.821
4. Business environment change resulting from changes, positive factorial saturation, 0.664
5. Possibility of dismissal due to the "redundant labour", positive factorial saturation, 0.431
6. Job satisfaction, positive factorial saturation, 0.590
7. Job motivation and rewarding system, positive factorial saturation, 0.674
8. Contacts and communication with superordinates, positive factorial saturation, 0.708
9. Possible conflict situations with superordinates, positive factorial saturation, 0.563
10. New organizational changes, positive factorial saturation, 0.663
11. Various uncertain information, positive factorial saturation, 0.368

Based on the analysis of the item of the questionnaire projected to the first extracted factor, it could be called ORGANIZATIONAL CLIMATE. Hence, the employees consider the change of ORGANIZATIONAL CLIMATE as consequence of its privatization. The second factor which explains 19.4065% of variances of the researched phenomenon was projected by the following item of our Questionnaire:

1. Amount of work, positive factorial saturation, 0.846
2. Possible overtime work, positive factorial saturation, 0.561
3. Working pace, positive factorial saturation, 0.886
4. Clarity of tasks, responsibilities and obligations, positive factorial saturation, 0.465
5. New job tasks, positive factorial saturation, 0.779

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1. Strongly disagree
 2. Disagree
 3. Neither agree nor disagree
 4. Agree
 5. Strongly agree

⁵ The variance and the closely-related standard deviation are measures of how spread out a distribution is. In other words, they are measures of variability. The variance is computed as the average squared deviation of each number from its mean.

6. Frequent trainings for improvement, positive factorial saturation, 0.531

7. Possible conflict situations with customers, positive factorial saturation, 0.763

Due to the analysis of the items of the questionnaire projected to the first extracted factor, it could be called WORKING CONDITIONS. Hence, the employees recognize the change of WORKING CONDITIONS as the consequence of its privatization. The next step in data analysis is a qualitative analysis of the examinees' attitudes towards privatization. There were four similar attitudes in the questionnaire, and thus, here are the examinees' attitudes towards privatization:

According to the results most of our examinees partially agree that the company's privatization will be advantageous for them (43%), while 15% disagree with this opinion. Also, 47% of our examinees partially agree with the opinion that company's business operation will be improved by privatization, while 22% disagree. It is interesting to note that only 7% of examinees think that it is all the same. According to the results almost 63% of the examinees disagree that the impact of privatization on their work ability will be negative. Approximately 24% of examinees think that the impact will be negative, and that it is almost every fourth employee and that is an important parameter which indicates that the examinees distrust new owners' objectivity. Interestingly, the attitude of 13% of examinees is completely neutral with regard to this issue. Results showed us also, that it is obvious that most of the examinees (57%) are not afraid of changes, while some of them (42%) are, in one way or another; and 3% of the examinees reflect explicit fear of changes. Thus, it is obvious how dramatically these changes are experienced by the examinees, since 42% of them in some way are afraid of changes. Thus, there is a question how honest our examinees were, regardless to the anonymity of the research? Therefore, it could be a verifying question of the research. The authors think that the percentage of those afraid of changes is higher and it could be concluded that the examinees were not completely honest since probably they disbelieve in complete anonymity of this research.

In order to find out whether our examinees' attitudes towards the changes (the four specific items) are affected by independent variables (sex, service years, position in the enterprise, age), a one-way ANOVA variance analysis of the examinees' attitudes was carried out. The results show that our examinees' attitudes towards privatization are affected only by one independent variable of the research (the examinees' position in the enterprise). Hence, it could be concluded that examinees' attitudes towards the changes are the same, regardless to their sex, age and service years. The exception is their position in the enterprise.

According to the ANOVA results it is obvious that the attitude In my opinion as an employee, the company's

privatization is an advantageous change ($F=3.145$, $p=.029$) is affected significantly by the examinees' position in the enterprise. It could be concluded that this statement is agreed at the most by directors and internal salespeople, while at the least by salespeople who get a percentage from every item sold. It seems that this is the position in the company that fears changes the most, considering the nature of its status and also the way of rewarding, which is proportional.

The authors of the paper are particularly interested in whether the economical parameters of the company's business operation may be predicted by factorial scores of the examinees' attitudes towards the consequences of privatization and the examinees' attitudes towards privatization. Therefore, considering the quantitative nature of research data, linear regression analysis was carried out. Regression analysis indicates that the attitudes towards changes *might be* predictors of the business operation's economic parameters. The economic parameters subjected to regression analysis were as follows: The company's share on the Serbian insurance market; Gross invoiced premium; Business incomes of the company; Life insurance; Voluntary health insurance; Insurance against the consequences of accident; Insurance of property against fire and other threats; Other property insurances. Predictors used in regression analysis were as follows:

1. Factorial scores of the extracted factors of the examinees' attitudes towards the consequences of change (ORGANIZATIONAL CLIMATE, WORKING CONDITIONS);
2. Attitude towards the impact of the company's privatization on examinees as employees;
3. Attitude towards the impact of privatization on the company's business operation;
4. Attitude of examinees towards the impact of the company's privatization on their work ability;
5. The examinees' fear of changes.

Only those economic parameters with statistically significant predictors will be shown in the table. According to the results presented in Table 2 it is obvious that the attitude The company's business operation will be significantly improved by privatization is a statistically significant predictor of the Voluntary health insurance ($t = 1.744$ $p = .042$) economic parameter and Insurance of property against fire and other threats ($t = 1.733$ $p = .055$).

Hence, it could be concluded that economic parameter considering voluntary health insurance and insurance of property against fire and other threats will also grow alongside with the increase of the employees' positive attitude towards the effects of privatization on business operations. Also, it is obvious that the attitude The company's business operation will be significantly improved by privatization is a statistically significant predictor of the Other property insurances ($t = 1.824$ $p = .037$) economic parameter. Hence, it could be concluded that with

increase of the employees' positive attitude towards the effect of privatization on the business operation, the economic parameter concerning the Other property insurances will also grow.

DISCUSSION

The above presented results clearly suggest that according to the examinees' opinion, privatization of their company is a major change. The examinees who represent the entire company have rather high expectations with regard to privatization. Essentially, these expectations are positive since they mostly hope

Table 2. Economical parameters with statistically significant predictors

Significant model element	Unstandardized beta	t value	p value
Other property insurances			
The company's business operation will be significantly improved by privatization	66692.34	1.824	0.03
Voluntary health insurance			
The company's business operation will be significantly improved by privatization	20148.51	1.744	0.04
Insurance of property against fire and other threats			
The company's business operation will be significantly improved by privatization	25070.92	1.731	0.05

that privatization will be good for them as employees and that the company's business operation will be improved by changes and also their work abilities will develop (Jackson, Schuler and Rivero, 1987). Similarly, the examinees stated that they are not afraid of changes which is a rather unrealistic indicator and reflects dishonesty. On the other hand, if they were honest, then the absence of fear is a rather unusual situation that may indicate their need for changes at any price or a sort of emotional numbness considering general condition of our society, which would be a bad news. On the other hand, this research has verified the assumption that attitudes towards the consequences of changes have their latent factorial structure consisting of two factors:

1. Organizational climate
2. Working conditions.

Hence, changes of both organizational climate as well as working conditions are predominant consequences of company's privatization in direction that requires improved working activities (Huselid, 1995).

Results show that according to the examinees' opinion, the organizational climate has been somewhat improved by the change of the owner, but working conditions have

been worsened significantly. Hence, according to the examinees' reflection, privatization resulted with clearly positive and negative consequences. It is necessary to note that the highest concern with regard to ownership change is that of the employees working for percentage on sales, while the lowest is that of directors. This is a rather strange data which deserves deeper analysis by company's management. The examinees' attitudes towards the changes and their consequences are not predictors of these general economic indicators. But the examinees' attitude that improvement in the company's business operation will be affected by privatization is a predictor of even three economic indicators of the insurance company's business operation:

1. Voluntary health insurance;
2. Insurance of property against fire and other threats;
3. Other property insurances.

This economic indicators also indicate market changes in Serbia. Insurance companies have a difficult task to sell specific products. Lack of money in Serbia putting insurance companies in position to create very positive working climate in them and to caring about sellers because they are some kind of their market fighters first lines.

Thus, the research has shown that if employees are convinced during the ownership change that it will improve business operation, certain economic parameters of the enterprise business operation will grow (Hamel and Prahalad, 1994). Hence, the relation between certain employees' characteristics and economic parameters is not a myth, but reality proved with this research. This finding confirms that privatization is a good method of creating HPWS in Serbia only if it actually improves business operation (Itami, 1987). The obtained data also suggest that it is rather realistic to expect the employees' attitudes to be statistically significant predictors of general indicators of company's business operations.

Results have confirmed the theoretic assumption that the influence of HRM is insufficient for creating HPWS, but the choice of an adequate strategy for the company's business operation is also needed. However, the most important factor of success in creating HPWS is primarily a positive environment in the country towards the privatization process. Only if this requirement is met, these findings speak in favour of synergy impact of HRM and the company's strategic management as a starting point for creating HPWS.

LIMITATIONS AND FURTHER RESEARCH

Despite optimistic findings considering further possibilities

to predict economic indicators by employees' attitudes, the research has the following serious limitations:

Sample of examinees

With larger sample of examinees and their absolute confidence in anonymity, more reliable results will be obtained.

Research questionnaire

A questionnaire was drawn up for the purpose of this research, but it would be particularly interesting to carry out a research with standardized instruments measuring employees' basic characteristics (emotions, intelligence, motivation above all) and then to relate those results to economic indicators.

Choice of economic indicators

Obviously, it is necessary to monitor representative economic parameters on monthly basis over a period of one year and then relate them to the previously measured employee's characteristics. Thus, in future researches it is essential to define precisely those employee's characteristics which are the object of research, as well as carefully monitor the relevant

economic parameters on monthly basis in order to obtain adequate data format for the purpose of further analyses.

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