The Impact of Privatization on Management Control Systems in Less Developed Countries

Comparative Case Study from Egypt

A thesis submitted to The University of Manchester for the degree of Doctor of Philosophy in Accounting and Finance in the Faculty of Humanities

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Abstract

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Thesis title: The Impact of Privatization on Management Control Systems in Less Developed Countries - Comparative Case Study from Egypt

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Candidate’s name: Ahmed Khairy Mohamed Derbala

The current research is motivated by the controversy between the proponents and opponents of privatizing SOEs in LDCs concerning its impact on the MCSs designed and implemented in these companies. On the one hand, proponents expect privatization to foster the design and implementation of market-based, consensual and transparent MCSs. On the other hand, opponents are more critical about the ‘actual’ changes that privatization might entail to SOEs’ MCSs as they expect it to entail the design and implementation of non-transparent, coercive MCSs.

When examined closely, this conflict was found to be rooted in the different theoretical perspectives adopted by each side. While proponents base their arguments, mostly, on ‘traditional’ agency and property-rights theories that underplay the role of structure in shaping the MCSs designed and implemented in privatized companies, many of the opponents base their arguments on neo-Marxist theories that underplay the role of agency in that process (namely labour process theory- LPT). The current research contributes to this debate through developing a power-informed theoretical model that acknowledges the role of both agency and structure in shaping the nature of the pre- and post-privatization MCSs designed and implemented in companies operating in LDCs. The model provides an attempt to develop the Hopper et al (2009) model through integrating into it a theory of power informed by the works of Lukes (1974 and 2005) and Gaventa (1980 and 2007) while adopting the integrative agency-structure approach suggested by Mahoney and Snyder (1999).

Once developed, the model is used to guide the analysis of the relevant literature pertaining to Egypt’s supra-national and national power relations and structural factors throughout its state and market capitalism eras as a first step towards comparatively analysing the pre- and post-privatization power relations and MCSs manifesting in two Egyptian companies. The empirical data was mainly collected through conducting semi-structured interviews in the two companies and with some of the government officials involved in their privatization. Other sources of data include the companies’ internal records and financial reports, government publications, and newspapers.

The comparative analysis shows how the power-informed model can help shed more light onto the nature of, and the dynamics of change in, MCSs transformations in LDCs; without having to abandon LPT as one of the main theoretical perspectives informing the analysis. While doing so, the nature of a company’s MCSs (be it coercive, consensual, or irrelevant) is found to reflect the power relations manifesting in that company (namely, powerful management, comparatively powerful management and labour, or powerful labour, respectively). Furthermore, as the comparative analysis shows, it is found that privatization is more likely to result in changing the nature of a SOE’s MCSs when it entails altering the power relations shaping these MCSs.
Declaration

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<td>ABC</td>
<td>The pseudonym of the first case company</td>
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<td>AISs</td>
<td>Accounting information systems</td>
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<td>AT</td>
<td>Agency theory</td>
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<td>BODs</td>
<td>Board of directors</td>
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<td>CFO</td>
<td>Chief financial officer</td>
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<td>CMA</td>
<td>Critical management accounting</td>
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<td>DCs</td>
<td>Developed countries</td>
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<tr>
<td>ETUF</td>
<td>Egyptian Trade Union Federation</td>
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<td>EWF</td>
<td>Egyptian Workers Federation</td>
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<tr>
<td>GM</td>
<td>General manager</td>
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<td>HC</td>
<td>Holding company</td>
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<td>IFIs</td>
<td>International financial Institutions</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDCs</td>
<td>Less developed countries</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>LPT</td>
<td>Labour process theory</td>
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<td>MA</td>
<td>Management accounting</td>
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<td>MASs</td>
<td>Management Accounting Systems</td>
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<td>MC</td>
<td>Management control</td>
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<td>Management control systems</td>
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<td>PRT</td>
<td>Property rights theory</td>
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<td>R&amp;Ls</td>
<td>Regulations and laws</td>
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<td>SOEs</td>
<td>State-owned enterprises</td>
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<tr>
<td>TMTHC</td>
<td>The Textile Manufacturing and Trading Holding Company</td>
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<tr>
<td>TUs</td>
<td>Trade unions</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>XYZ</td>
<td>The pseudonym of the second case company</td>
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Dedication

To my Family

For their undying and unconditional love and support
1. Introduction

The current research examines the impact of privatization on management control systems (MCSs) in companies operating in less developed countries (LDCs). It is motivated by the controversy between the proponents and opponents of privatizing state-owned enterprises (SOEs) in LDCs concerning its impacts on the MCSs within these companies. On the one hand, the proponents of privatization expect it to foster the design and implementation of market-based, consensual, transparent MCSs within which accounting information systems (AISs) are assigned a significant role in their maintenance. On the other hand, opponents of privatization are more critical about the ‘actual’ changes that privatization might bring to these MCSs. They expect privatization to involve the design and implementation of non-transparent, coercive MCSs wherein AISs serve the informational needs of the private owners rather than facilitate the maintenance of the ‘ideal’, consensual, and transparent MCSs expected by the proponents of privatization. The current thesis contributes to this debate by developing a theoretical model that allows for explaining the existence of different, and sometimes contradictory, empirical evidence concerning the impact of privatization on the MCSs in companies operating in LDCs.

The current chapter introduces the thesis. It starts by setting the scene for the current research by summarizing the broader debate on privatization and its applicability in LDCs. Section (2) discusses the relationship between privatization and MCSs in detail. Section (3) pinpoints the relationship between privatization, power, and MCSs. Section (4) identifies the research motivation and objectives. Section (5) presents the research questions. Finally, section (6) presents the thesis’ structure.

1.1. Setting the scene

Following a period of worsened economic conditions and challenging budgetary deficits, many LDCs reached out for help from International Financial Institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank (WB) (Ramamurti, 1992; Uddin and Hopper, 2001; Stiglitz, 2002; Letza et al., 2004). On their part, the IFIs conditioned their help on the LDCs’ willingness to replace their centrally planned economic policies with market-based ones (Ramamurti, 1992; Stiglitz, 2002). LDCs had little, if any say in accepting or rejecting the IFIs’ ‘recommendations’. Given their poor economic conditions and their heavy reliance on international aid and loans, LDCs were in no condition to challenge, let alone reject the policies ‘recommended’ by the IFIs.
Consequently, the last three decades have witnessed the sale of many SOEs to the private sectors in LDCs.

Nevertheless, such widespread privatization in LDCs does not suggest, in any way, an unchallenged acceptance of its positive outcomes. On the contrary, the debates on privatization (Vickers and Yarrow, 1988; Ogden, 1995b; Shaoul, 1997; Arnold and Cooper, 1999; Megginson and Netter, 2001; Robinson, 2003; Willner, 2003; Bourguignon and Sepulveda, 2009; Denisova et al., 2012), its appropriateness for LDCs (Cook and Kirkpatrick, 2003; Uddin and Hopper, 2003; Parker and Kirkpatrick, 2005; Gassner et al., 2009; Josiah et al., 2010), and its impact on both firm performance (Parker, 1995; Ogden, 1997; Ogden and Watson, 1999; Shirley and Walsh, 2001; Redda, 2007), and the MCSs designed and implemented in privatized companies (Ogden, 1995a; Uddin and Hopper, 2001; Macías, 2002; Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005; Redda, 2007; Rodríguez et al., 2007; Hopper et al., 2009; Tsamenyi et al., 2010) are yet to be settled.

While privatization is usually equated, by politicians, to commercialization and deregulation (Redda, 2007), for the purposes of the current research, the word privatization refers to

‘... the transfer from the public to the private sector of the ownership and/or control of productive assets, their allocation and pricing, and the entitlement of the residual profit flows generated by them.’ (Adam et al., 1992, p. 6)

According to this definition, privatization includes any act made on the State’s part to transfer the control of SOEs from the public to the private sphere through divesting from these SOEs and/or through management contracts that grant the board of directors (BODs) of the concerned company reasonable autonomy in running these companies. Accordingly, partial privatizations that maintain the State’s controlling interest in the concerned companies, and thus limit the private investors’ ability to control the concerned company, are excluded from the current research.

According to its advocates, privatization should help LDCs achieve fiscal, as well as, efficiency gains leading to improvements in their macro and micro economic indicators (Adam et al., 1992). The fiscal gains are to be achieved by avoiding the losses suffered by many of the concerned countries’ SOEs, reducing the governments’ expenditures to subsidise these SOEs, and with the proceeds received from the privatization of SOEs (Van de Walle, 1989; Jomo, 1995). Furthermore, privatization is to promote productive as well as allocative efficiency (Nellis and Kikeri, 1989; Van de Walle, 1989; Adam et al., 1992;
Cook and Kirkpatrick, 1995; Jomo, 1995). The assumption was - and still seems to be - that given the existence of competitive markets, it would be more efficient to produce goods and services under the direction of private, rather than public, owners (Nellis and Kikeri, 1989; Adam et al., 1992; Kikeri and Nellis, 2002; Cook and Kirkpatrick, 2003; Gassner et al., 2009).¹ More specifically, the advocates of privatization link SOEs’ poor performance to their public ownership. In turn, public ownership is linked to the high levels of political intervention in SOEs’ operations (which is not necessarily directed towards the maintenance of SOEs’ economic feasibility) (Donahue, 1989; Adam et al., 1992; Gadal and Shirley, 1995; Robinson, 2003); the dilution of profit maximization with the other competing, and sometimes contradictory social, political, and personal goals sought by the government officials overseeing the operations of these SOEs (Hemming and Mansoor, 1988); the protection of SOEs from the competitive markets’ pressures that motivate their efficient use of resources (Vickers and Yarrow, 1988; Adam et al., 1992; Willner, 2003); and with SOEs’ protection from capital market pressures (such as the risk of bankruptcy and/or hostile takeover) that are expected to trigger the creation of incentive schemes conducive to the design and implementation of the ‘efficient’ MCSs necessary for SOEs’ economic survival (Vickers and Yarrow, 1988; Adam et al., 1992).

Advocates of privatization consider private ownership to be the answer to most, if not all, of these problems (Gassner et al., 2009). More specifically, they expect private investors to pursue the ‘shared’ objective of profit maximization away from the political interference from government officials. Furthermore, when privatization is accompanied by the creation of a regulatory framework ensuring the liberalization of the markets within which privatized companies operate, and strengthening the capital markets governing the financing of these companies, private ownership is expected to entail the design and implementation of ‘effective’, market-based MCSs conducive for reducing the costs of production (i.e. improve productive efficiency) and, eventually, decreasing the gap between the consumer prices charged by these companies and their marginal costs of production (i.e. improve allocative efficiency) (Vickers and Yarrow, 1988, p. 39; Adam et al., 1992; Hopper et al., 2009, 2012). These benefits of private ownership are assumed to be realizable in both developed and less developed countries (Cook and Kirkpatrick, 2003; Redda, 2007; Hopper et al., 2009; Graham and Annisette, 2012). Accordingly, privatization is expected, at least implicitly, to entail the design and implementation of

¹ This argument has been further substantiated through a number of informal discussions that I have made with a number of the researchers employed by the WB during a BWPI/IPD workshop in 2011. Furthermore, it has been substantiated through official interviews conducted with two of the WB’s senior researchers.
market-based, transparent, and consensual MCSs and AISs (Uddin and Hopper, 2003; Wickramasinghe et al., 2004; Redda, 2007; Hopper et al., 2012).

Nevertheless, opponents of privatization have questioned the extent to which the advocated benefits of privatization actually materialized in real life, especially where LDCs are concerned². For example, the assumption that privatization generates significant fiscal gains has been found to be overstated, as the proceeds realized from the privatization process were usually used by LDCs to finance their short term budget deficits rather than long term development plans (Hemming and Mansoor, 1988; Van de Walle, 1989; Adam et al., 1992). In addition, the extent to which privatization promoted productive and allocative efficiency gains has been questioned in light of the observed continued political interference in the operations of many of the privatized SOEs (Hemming and Mansoor, 1988; Wickramasinghe et al., 2004).

Furthermore, the assumption that privatization entails the design and implementation of market-based, transparent, and consensual MCSs in LDC’s privatized companies has been vigorously challenged in the critical management accounting (CMA) literature. More specifically, many CMA researchers consider the changes in MCSs and AISs expected by the proponents of privatization to be more ‘ideal’ than ‘real’. They have, convincingly, argued that the nature of the post-privatization MCSs in LDC’s SOEs is more likely to be shaped by the country-specific contextual factors prevailing in these countries than to be a taken-for-granted consequence of transferring the ownership of these SOEs to private investors (Uddin and Hopper, 2001; Wickramasinghe et al., 2004; Hopper et al., 2009, 2012). Even though the valid concerns conveyed by the opponents of privatization are reflected, to some extent, in the more recent, LDCs’ focused, pro-privatization literature³, the prevailing argument continues to support the supremacy of ownership change as the answer to the poor performance of SOEs (Gassner et al., 2009). The following section discusses in more detail the main arguments concerning the relationship between privatization and MCSs.

² See for example, Hemming and Mansoor (1988), Van de Walle (1989), Adam et al. (1992), Uddin and Hopper (2003), Wickramasinghe and Hopper (2005), Hopper et al. (2009), Josiah et al. (2010) and Hopper et al. (2012).
³ See for example, Shirley and Walsh (2001), Zinnes et al. (2001), Kikeri and Nellis (2002) and Gassner et al. (2009).
1.2. Privatization and MCSs

The theoretical perspectives informing the arguments proposed by the proponents of privatization can be traced back to two different, yet related (Macias, 2002), theories: property rights theory (PRT) and agency theory\(^4\) (AT). From the PRT perspective, the dispersed nature of the public ownership property rights is considered to entail loose pre-privatization MCSs in SOEs (as no individual owner has the incentive to bear the costs of exercising control over the management of SOEs due to the fact that the benefits to be achieved from doing so cannot be easily received by that individual alone) (Adam et al., 1992). In contrast, private ownership is expected to be free from this problem as the

‘...[r]e-concentration of ownership in the private hands allows the benefits of control to be internalized by the owners of the asset and thereby creates incentives to bear the costs of information gathering and management monitoring.’

(Adam et al., 1992, p. 13)

AT’s focus is slightly different. Its main concern is the problems that may occur in an agency relation\(^5\) and their solutions. The most important of these problems is the conflict of interest arising when the goals of the principal (owners of capital) differ from those of their agent(s) (top management), especially when it is difficult or expensive for the principal to monitor what the agent does (Eisenhardt, 1985, 1989). In such contexts, the solution to this agency problem lies largely in the formulation of the optimal contract that governs the relationship between the owners of capital and top management while fostering the congruence of their goals (Eisenhardt, 1989). While doing so, the owners of capital usually (especially when the number of owners is big enough to separate ownership from control) employ BODs. The BODs are responsible for monitoring the behaviour of top management (Adam et al., 1992) and establishing the incentive structure that would link managerial remunerations to financial performance through such mechanisms as profit-related bonuses and share option schemes (Vickers and Yarrow, 1988, p. 13).

Accordingly, from an agency perspective, one of the main implications of privatization is aligning the behaviour of management (agents) with the goals of their ‘new’, private owners of capital (principals) (Vickers and Yarrow, 1988; Adam et al., 1992; Macías, 2002; Rodríguez et al., 2007). This ‘alignment’ requires the design and implementation of

\(^4\) According to (Baiman, 1990), agency theory have three main branches in management accounting research: the principal-agent literature, transaction cost economics, and the Rochester model literature based on the works of (Jensen and Meckling, 1976) as well as the positive theory of accounting introduced by (Watts and Zimmerman, 1986) (see section 2.2.1 for more details).

\(^5\) Agency relations refer to relations wherein ‘... one or more individuals (called principals) hire others (called agents) to delegate responsibilities to them’ (Baiman, 1990:342).
MCSs and AISs that would serve two main purposes. Firstly, they would transparently stipulate the performance-based remuneration systems that would foster the goal congruence between the principals (owners of capital) and their agents (BODs and top management). Secondly, they would provide a viable mechanism for the BODs to monitor and evaluate the agents’ performance towards the realization of the organizational objectives (Subramaniam, 2006). These MCSs and AISs are expected to be consensual in nature as they are designed to motivate through incentives (Gietzman, 1991), rather than coerce top management’s cooperation in achieving the ‘shared’ goal of profit maximization.

This view implies three main contestable assumptions (for a fuller account of the critiques to agency-based, as well as other 'conventional', perspectives on accounting see Hopper et al., 1987). Firstly, despite the explicit focus in AT on the role of human agency in shaping the MCSs designed and implemented in private sector organizations (including privatized, as well as, private-from-inception organizations), it pays little, superficial, attention to the human agents subjected to these MCSs (i.e. labour). In its basic form, the agency perspective expects labour to adhere quiescently to the MCSs designed by the BODs and top management of their respective companies. More specifically, issues related to workers’ resistance are expected to be avoidable through the employment contracts devised by labour and capital and by holding dear the assumption that the goal of profit maximization is equally shared by the company’s workers (Hopper et al., 1987).

Furthermore, even if there existed instances of resistance to an organization’s MCSs initiated by labour, such resistance is deemed dysfunctional and rectifiable through the penalties embedded in these MCSs (Chua, 1986; Hopper et al., 1987). Accordingly, AT un-problematizes the behaviour of human beings within the organization and renders issues such as labour resistance and labour-capital power relations (both within and without the concerned organization) beyond the boundaries of the agency-based research in management accounting (Chua, 1986; Hopper et al., 1987; Subramaniam, 2006; Wickramasinghe and Alawattage, 2007). More specifically, from the ATs’ perspective, the ‘actual’ MCSs implemented in an organization’s day-to-day operations are expected to resemble, if not completely mirror, the organization’s official, ‘designed’ MCSs.

The second and third problematic assumptions emanate from AT’s neo-classical-economics theoretical roots (Hopper et al., 1987). The second is the implicit assumption that a multi-levelled, social, political, economic, and ideological phenomenon such as privatization can be explained exclusively in terms of the intellectual categories of
economics (i.e. economic reductionism). The third is and the implicit assumption that the owners of capital and their organizational agents are ‘free’ to experiment with alternative MCSs and AISs and choose those that best match their internal organizational realities with their surrounding environments (i.e. political voluntarism) (Tinker, 1984). In my opinion, these three assumptions are the main reasons behind the privatization-related AT-based-research’s tendency to detach the various organizational agents implicated in the privatization of SOEs in LDCs from the various structures within which they interact (such as modes of production [MOPs]; culture; ethnicity and race; regulations and laws [R&Ls]; international finance; political systems; and labour markets).

Several attempts have been made as shown in the CMA literature to consider these structural factors when studying the impact of privatization on MCSs in LDCs (see, for examples, Uddin and Hopper, 2001; Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007; Hopper et al., 2009). In these studies, the ‘unanticipated’ impacts (from an AT’s perspective) of structural factors such as MOPs (Wickramasinghe and Hopper, 2005), culture (Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007), ethnicity and race (Efferin and Hopper, 2007), and politics (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007) on the MCSs and AISs designed and implemented in companies operating in LDCs are highlighted\(^6\). Throughout most of these studies, a neo-Marxist version of labour process theory (LPT), namely that of Michael Burawoy (1978, 1979, 1985), has been used to inject an element of subjectivity (i.e., human agency) into the structurally-deterministic, orthodox, LPT research in CMA. By doing so, it was hoped that the ensuing study of the impact of privatization on the MCSs in companies operating in LDCs will acknowledge the country-specific social, political, and cultural contexts within which these MCSs are designed and implemented while, at the same time, acknowledging the ability of labour to resist the implementation of the MCSs designed by the BODs and top management of the concerned companies.

Nevertheless, while these studies offer enlightening empirical evidence concerning the MCSs-related uncertainties associated with privatizing SOEs in LDCs, they can be criticized for two main reasons. Firstly, despite the centrality of issues of power to LPT-based research in accounting in general, and in MCSs in particular (Hopper et al., 1987), none of these studies provide a multi-levelled, theoretically-informed analysis of the

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\(^6\) For a summary of the findings of these studies, as well as findings from other studies related to MA transformations in LDCs, see Hopper et al. (2009)
different power relations manifest between the various agents implicated in the privatization of SOEs in LDCs. Furthermore, none of these studies examine the extent to which these power relations affect, and are affected by, the structural factors within which they are developed. In turn, they have failed to examine the impact of these power relations and structural factors on the nature of the MCSs and AISs designed and implemented in the concerned companies - a tendency that comes at the expense of explicitly analysing the dynamics of change within these organizations in a systematic, power-focused, and theoretically-informed, manner. Secondly, in its attempt to overcome the political voluntarism inherent in AT, LPT-based research in the CMA literature overemphasized the role of structure in shaping the pre- and post-privatization MCSs and AISs designed and implemented in companies operating in LDCs to the extent that the role of human agency in shaping these MCSs and AISs was side-lined. More specifically, throughout these studies, whenever labour was found to be able to resist, and reshape the nature of the MCSs and AISs implemented in their companies, this ability was, almost always, explained in terms of the social structures within which labour and capital interacted and not in terms of the workers’ exercise of their own human agency towards developing a strong-enough power position enabling them to renegotiate the nature of the MCSs implemented within their own organizations (see, for example, Wickramasinghe and Hopper, 2005).

From an orthodox LPT perspective, these social structures are considered to ‘mould’ the subjectivity of the various human agents interacting within and outside organizations to the extent that these agents are split into particular social classes (such as the bourgeois and the proletariat) that share different class-particular consciousness (Marx, 1976[1867]). Furthermore, social classes are expected to have specific social relationships with each other. In a capitalist society, the social relations between capitalists (from the bourgeois class) and labour (from the proletariat class) are perceived as those of capitalists dominating labour towards the maximization of the surplus value generated through the utilization of the labour power sold by labour in return for wages (Aronowitz, 1978).

Even though Burawoy (1978, 1979, 1985) has introduced subjectivity (i.e. human agency) to the LPT literature by shifting the focus of LPT analysis from the study of domination to the study of reproducing social relations (mainly those between labour and capital) (Burawoy, 1985, p. 14), his work can be criticized for two main reasons. Firstly, while Burawoy (1985) attempted to move away from the structural determinism of orthodox LPT research by acknowledging the separation between human agency and the political,
ideological, and economic structures surrounding it (as he considered these structures to be ‘... independent of the particular people who came to work, of the particular agents of production’, Burawoy, 1985, p. 39), he showed little interest in examining the extent to which these structures could be challenged, and even changed, by the agents affected by them. Secondly, while attempting to study the reproduction of capitalist social relations (i.e., those of capitalists dominating labour) by examining the ways in which, and the extent to which, capital’s domination over labour could be masked through the manufacturing of labour’s consent, Burawoy took for granted the ability of capital to dominate labour. He implicitly excluded the possibility of labour exercising its human agency towards the attainment and mobilization of enough power resources that would enable it to ‘overpower’ capital and be emancipated from its dominance. Given their reliance on Burawoy’s works, these two critiques can be extended to the Burawoy-informed, LPT-based, research in CMA. Consequently, even though the neo-Marxist, Burawoy-informed, LPT research in the CMA literature did aid towards understanding MCSs transformations in LDCs, these studies failed to robustly account for, in a theoretically-consistent way, situations wherein labour was powerful enough to shape either these transformation processes (towards the negotiation of ‘labour-acceptable’ MCSs) and/or the structures within which these MCSs are designed and implemented.

1.3. Privatization, power, and MCSs

Power is one of the most debated concepts in both sociology and political science literatures (Martin, 1971; Haugaard, 2002; Lukes, 2005; Clegg et al., 2006) and as such, it does not have a single, agreed-upon, definition. A fuller account for these different views on power is provided in the following chapter. Yet, it is important to state here that the current research adopts the view on power advanced by Steven Lukes (2005[1974]) and further developed by John Gaventa (1986 and 2007). According to this view, power is defined as ability to make, receive, or resist change (Lukes, 2005, p. 69). It is exercised by agents (be it individual human agents or other human aggregates such as groups, offices, organizations, and governments) when they make and effect their choices about the courses of actions they take or avoid.

When perceived in this way power should be placed at the heart of studying the impact of privatization on MCSs. On the one hand, privatization is all about change. As the proponents of privatization would argue, it is about replacing the public sector’s

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7 See for example, Dahl, 1957; Bachrach and Baratz, 1962; Parsons, 1963; Giddens, 1968; Lukes, 1974; Gaventa, 1980; Clegg, 1989; Foucault, 2000; Lukes, 2005; Gaventa, 2007.
‘problematic’ MCSs with new, private sector, market-based, transparent ones that would facilitate improving productive and allocative efficiencies in companies operating in LDCs. Nevertheless, the ability of owners of capital and their agents to effect change throughout the different levels of their respective organizations is more likely to be contingent on their ability to develop a stronger power position compared to the other agents exercising their power within and without the organizational boundaries than being their taken-for-granted property. In other words, the dynamics of change in the nature of the MCSs and AISs designed and implemented in companies operating in LDCs are bound to be intertwined with the exercise of power by the agents involved in this change process.

On the other hand, from a power perspective, an organization’s MCSs can be viewed as one of the means through which the owners of capital and their agents attempt to exercise their power over labour in a less-visible, hidden, way. For example, according to (Bachrach and Baratz, 1962), power can be exercised by one agent over another through shaping the ‘rules of the game’ governing the exercise of power of both agents towards the exclusion of issues ‘unfavourable’ to the powerful agent(s) from the list of possible issues that can be addressed within the decision making arenas (i.e., spaces of power) accessible by the less powerful. In an organizational context, a considerable part of an organization’s ‘R&Ls’ governing the work relations among the different human agents interacting within its boundaries (including the owners of capital, their agents in the BODs, management, and labour – i.e., the organizational agents) is reflected in the official MCSs of that company. These MCSs stipulate the different organizational agents’ rights, responsibilities, the ‘official’ mechanisms for evaluating these agents’ performance compared to their responsibilities, the rewards associated with fulfilling these responsibilities, and the penalties triggered by failing to do so. When viewed in this way, the applicability of these official MCSs over the affected organizational agents is bound to be tied to the power relations among these agents. In effect, the extent to which capital and/or its agents are able to get labour to adhere to and follow their designed, official MCSs depends on the extent to which capital and/or its agents are able to develop and maintain a superior power position compared to the workers of their organization.

In addition, when linked to the labour-capital power relations, the design of an organization’s official MCSs will not necessarily be viewed as being monopolized by capital and its agents. For example, if labour manages to develop, maintain, and mobilize enough power resources to the extent that they can secure an influential access to their organization’s decision making arena(s), such access can be utilized by labour to negotiate
the nature of the official MCSs designed for their organization. Accordingly, adopting a theory of power for examining the impact of privatization on MCSs in LDCs can shed more light on both the nature of the pre- and post-privatization MCSs designed and implemented in companies operating in LDCs, as well as, on the dynamics of change in these MCSs caused by privatization.

1.4. Research motivation and objectives

The argument presented so far is that the impact of privatization on MCSs in LDCs is an unsettled debate in the MA literature. While AT-based research in MA expect privatization to entail the design and implementation of consensual, transparent, market-based MCSs, LPT-based research argue that the proponents of privatization’s claim is more ‘ideal’ than ‘real’. Both sides provide empirical evidence supporting their positions. Such controversy highlights the need for a theoretical model that can help account for the contradicting empirical evidence provided by each side. The current research is motivated by this research gap.

In order for such a model to transcend the theoretical limitations of both sides, it needs to take into consideration a number of issues. Firstly, the model needs to overcome the issues associated with privatization-related AT-based research. More specifically, it needs to overcome the tendency of AT-based research to isolate the design and implementation of MCSs in privatized SOEs from the contexts within which these SOEs operate. In turn, it needs to be able to take into consideration the interaction between the human agents implicated in privatizing SOEs and their structural factors in a less ‘voluntarist’ way. This requires extending the focus of the model beyond the level of privatized organizations to include the national and supranational levels affecting the shaping of these structural factors. In addition, the model also needs to acknowledge the power relations between the agents implicated in privatizing SOEs and their relationships to MCSs transformations in SOEs. Again, this requires a multi-levelled analysis of these power relations both within and around (namely the national and supranational levels) SOEs. Second, the model needs to overcome the issues identified in privatization-related LPT-based research. More specifically, it needs to offer a less ‘structurally-determinist’, agency-informed view on the relationship between social structures and human agency. This view should acknowledge the reciprocity of the relationship between agency and structure. This is necessary to allow acknowledging the ability of the agents implicated in privatizing SOEs in LDCs to exercise their power in a self-conscious, reflexive way towards the attainment
of their respective goals and interests (as opposed to viewing them as mere enactors of their social structures).

Accordingly, the current research has two main research objectives. The **first research objective** involves introducing to the LPT-based MA research a power-informed model for analysing: the power relations among the different agents interacting both within and outside organizations; the relationship between these power relations and the structural factors affecting, and affected by, the agents’ exercise of power; and the relationship between these power relations and structural factors on the one hand, and the MCSs transformations in LDCs’ privatized SOEs. The entry point to the LPT-based MA literature is the Hopper et al. (2009) model summarizing MA transformations in LDCs (including the transformations triggered by the shift from state to market capitalism in LDCs and what it entails in privatizing SOEs). Given its ‘static’ nature - which is mainly dictated by its summarizing nature -, the Hopper et al. (2009) model is used as the cornerstone for developing a power-informed, multi-levelled, and dynamic model that can shed more light on the power-informed dynamics of change in SOEs’ pre- and post-privatization MCSs - while, at the same time, acknowledging the reciprocity of the relationship between agency and structure. In order to be able to do so, the power-informed model is developed through integrating the views on power advanced by Lukes (1974, 2005) and developed by Gaventa (1980, 2007) into the Hopper et al. (2009) model while adopting the integrative view on agency and structure suggested by Mahoney and Snyder (1999). The **second research objective** involves demonstrating the relevance of the power-informed model to the MA and MCSs literature by using it to comparatively examine the impact of privatization on the MCSs designed and implemented in two Egyptian manufacturing companies (anonymized as ABC and XYZ) in a multi-levelled, theoretically-consistent, power-informed, way.

### 1.5. Research questions

In addressing the research objectives, the current research aims at answering the following general research question and sub-questions:

**General research question:**

How can MCSs’ transformations be explained in terms of the interaction between the exercise of power by the agents implicated in privatizing LDCs’ SOEs and their structural factors?
Research sub-questions:

Q1: How does the exercise of power at the supra-national and national levels by the agents implicated in privatizing LDCs’ SOEs affect, and is affected by, LDCs’ structural factors?

Q2: How do the power relations and structural factors at the supra-national and national levels affect the characteristics of the organizational-level power relations and MCSs sought by LDCs throughout their state and market capitalism eras?

Q3: How can MCSs’ transformations in LDCs’ privatized SOEs be explained in terms of: the MCSs sought at the national level, SOEs’ structural factors, and the exercise of power by the agents interacting within their boundaries?

1.6. Research outline

This thesis consists of eight chapters. Chapter (2) provides a review of the MCSs literature, a reflection on the (Hopper et al., 2009) model, a discussion the view on the concept of power adopted through the current research, and the power-informed model suggested in this research.

Chapter (3) deals with the research methodology and methods and explains the ontological and epistemological positions adopted in this research. Additionally, it substantiates the importance of case studies as a viable method for the current research and how case study research can be strengthened through comparative case studies. Finally, it describes the data collection process and the data analysis technique.

Chapter (4) discusses the exercise of power by the state, labour, and capital at the supra-national and national levels throughout Egypt’s state (1952-1991) and market (1991-2010) capitalism eras. In this chapter, the focus is on the extent to which the exercise of power by these agents shapes one of the main structural factors affecting the power relations between labour, capital, and the state in companies operating in Egypt throughout state and market capitalism: R&Ls. The chapter also explains how these power relations and structural factors shape the characteristics of the ‘ideal’, official, MCSs and AISs (as stipulated in the Egyptian R&Ls) that were ‘expected’ to be designed and implemented in Egyptian companies during Egypt’s state and market capitalism eras.
Chapter (5) demonstrates how the ‘ideal’, public-sector, MCSs and AISs planned at the national level failed to materialize in one of the two manufacturing companies examined in the current research (ABC) due to the workers’ superior power position compared to the agents of the state (i.e., the state-appointed BODs’ members and top management) in their company. Furthermore, the chapter shows that the privatization of ABC entailed the introduction of a new management team that actively changed the company’s power dynamics towards weakening the workers’ power position despite their resistance. Such change was reflected in the nature of the MCSs and AISs designed and implemented in the company.

Chapter (6) demonstrates how the balanced power relationship between the workers and the agents of the state in XYZ (throughout its public ownership) was reflected in the design and implementation of its MCSs and AISs that resembled the ideal MCSs and AISs at the national level. These comparable power relations, and their accompanying MCSs and AISs, were maintained after the company was privatized despite the new owners’ attempts to change them to further their interests at the workers’ expense.

Chapter (7) uses the power-informed model introduced in chapter (2) to analyse the data in chapters (4) to (6). It illustrates the relevance of the model (which acknowledges the roles of both human agency and structural factors in shaping the pre- and post-privatization MCSs and AISs in companies operating in LDCs) generally, and furthering understanding of the dynamics of change in ABC’s and XYZ’s pre- and post-privatization MCSs and AISs.

Chapter (8) concludes the thesis by answering the research questions, linking the current research to MA research on the impact of privatization on MCSs in companies operating in LDCs. It also pinpoints the limitations of this research and the possible future research it can inform.
2. Privatization, Power, and MCSs in LDCs: Towards a power-informed model of MCSs’ transformations in LDCs

2.1. Introduction

The current chapter introduces the power-informed model. It starts with a comparison of the AT-based and LPT-based theoretical perspectives on management control (MC) in section (2). Section (3) describes the Hopper et al. (2009) model and offers reflections on the model concerning its relation to the agency/structure debate. Section (4) discusses the concept of power that is adopted in the power-informed model, as well as, the relationship between such concept of power and MCSs. Finally, section (5) introduces the power-informed model.

2.2. On the concept of management control (MC)

The concept of control has many interpretations in the accounting literature (see for example Arrow, 1964; Anthony, 1965; Hofstede, 1968; Hopper and Berry, 1983; Hopper et al., 1987; Otley et al., 1995; Simons, 1995; Macintosh and Quattrone, 2010; Tessier and Otley, 2012). Such diversity of interpretations implies that the control literature does not assume the existence of a single dominant paradigm representing coherent and consistent laws, theories, applications and methodologies (Macintosh, 1995; Redda, 2007; Tessier and Otley, 2012). The following subsections compare the agency-based and LPT-based perspectives on MC and situate the current research in relation to these two competing perspectives.

2.2.1. Traditional (AT-based) approaches to MCSs

According to the traditional - also referred to as positive and functionalist - definitions of MC, provided mainly in the US accounting books, control is exercised to monitor the performance of division managers (Redda, 2007). For example, Anthony (1965, p. 2) defines management control as 'the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives'. In that sense, MC is seen to be sandwiched between the processes of strategic planning and operational control (Otley et al., 1995). Accordingly, MC is viewed as the process that provides the link between setting goals and objectives for the whole organization over the long term (strategic planning) and the activity of ensuring that necessary immediate tasks are carried out (operational control) (ibid.).
Many of these traditional definitions are rooted in neo-classical economic theories of the firm concerned with promoting efficiency at the workplace (Scapens and Arnold, 1986; Hopper et al., 1987) while adopting an agency model of the firm (Baiman, 1990; Subramaniam, 2006). Baiman (1990) identifies three branches of AT used in the accounting literature: transaction cost economics, positive accounting theory, and principal-agent theory. All three branches share an interest in the agency relation created when ‘. . . one or more individuals (called principals) hire others (called agents) to delegate responsibilities to them’ (Baiman, 1990, p. 342). When large organizations are considered, this agency relation is usually broke down into two when the owners of capital delegate the responsibility of overseeing the performance of top management to a BODs. These agency relations are considered problematic as both the principal(s) and agent(s) are assumed to pursue their own, likely different, individualistic and opportunistic interests.

However, while transaction cost economics and positive accounting theory assume that both principals and agents are characterized by bounded rationality when devising the contracts governing their agency relation, principal-agent theory assume then to be rational (Baiman, 1990). Bounded rationality refers to the idea that individuals’ rationality when making decisions is bounded by the information they have at the time of making these decisions. Since both principals and agents are unable to account for all of the possible future contingencies associated with their agency relation, the completeness of the contracts they devise to govern their agency relation is questioned.

Transaction cost economics assume that the existence of bounded rationality renders these contracts incomplete. It also assumes that these contracts cannot be enforced by any third party and, thus, need to be self-enforcing (Kilfoyle and Richardson, 2010). Accordingly, MA research following this branch has been concerned with devising the governance systems necessary to ensure that the contracts devised by the principals and agents are concluded with minimal transaction costs (ibid.). On the other hand, positive accounting theory (also called the Rochester model) assumes that, despite the existence of bounded rationality, the ‘observed contracts are optimal given transaction costs’ (Baiman, 1990, p. 349). It also assumes the existence of efficient labour and capital markets capable of anticipating the incentives of the agents. Accordingly, accounting research in this branch focus on understanding the emergence of the agency problem and the roles played by efficient labour and capital markets, contracts, and organizational structures in mitigating it (ibid.).
Finally, the principal-agent theory branch rejects the assumption of bounded rationality. Instead, it assumes principals and agents to be rational individuals capable of accounting for all contingencies before the contract governing the agency relation is devised. In addition, it accepts the possibility of a third party (courts) enforcing these contracts at no costs (hence the lack of interest in devising self-enforcing contracts) (Kilfoyle and Richardson, 2010). It also assumes the existence of information asymmetry between principals and their risk- and work-averse agents. This privileges the agents with private information regarding their own performance to which the principals cannot gain access costlessly (Baiman, 1990). Accordingly, MCSs need to be devised by principals to monitor, evaluate, and compensate the agent’s performance in a way that would promote goal congruence between them (Subramaniam, 2006). These MCSs are largely concerned with the relationship between the owners of capital (principals) and the top management team acting as their agents (ibid.). In addition, they are assumed to operate as independent and objective machines that can be installed and operated independently from both human consciousness and factors extending beyond the boundaries of their organizations (e.g., organization’s environment, politics and culture) (Tinker, 1984; Neimark and Tinker, 1986; Wickramasinghe and Alawattage, 2007, p. 414) (see for example Johnson, 1972). Accordingly, the workers’ role within the organization is seen to be limited to implementing these MCSs under the guidance of top management. Such a view unproblematises the behaviour of human beings within the organization and renders issues such as resistance and power relations in the workplace outside the boundaries of the agency-based research in MA (Wickramasinghe and Alawattage, 2007).

2.2.2. Critical (Marxist-based) approaches to MCSs

Critical research in MA8 challenges the prevailing conceptions and practices of MCSs and highlights the problems and issues of MCSs rather than offering prescriptions for designing better systems (Wickramasinghe and Alawattage, 2007). Furthermore, it acknowledges the existence of complex interactions between the MCSs and the contexts within which they operate (Neimark and Tinker, 1986). Accordingly, CMA research draws the attention to MA and MC issues emanating from the inherent contradictions within capitalist societies. For example, it draws attention to the role of MA and MCSs in furthering capital’s control over labour (Tinker, 1985; Hopper and Armstrong, 1991), and

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8 Also called Marxism by Laughlin, 1995; radical perspectives by Baxter and Chua, 2003; and political economy or cultural-political economy by Wickramasinghe and Alawattage, 2007. It is also worth mentioning that Laughlin (1995) differentiates between Marxism (informed by the works of Karl Marx), German critical theory (informed by the works of Jurgen Habermas) and French critical theory (informed by the works of Michael Foucault).
to issues relating to the impact of structural factors such as politics (Uddin and Hopper, 2001), culture (Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007), and ethnicity and race (Fleischman and Tyson, 2000, 2004) on the shaping of the MCSs implemented within organizations.

From an LPT perspective, one of the most influential streams in critical accounting research (Dillard, 2006), MCSs are perceived as helping capitalists accumulate capital rather than increasing the efficiency of manufacturing processes (as claimed by AT-based research) (Hopper et al., 1987; Loft, 1995). More specifically, MCSs are seen as ‘practical means through which capital exploits labour on a day-to-day basis’ (Loft, 1995, p. 31). Accordingly, the existence of MCSs in the capitalist world is not considered to be a possibility for smoothing economic affairs but a possible source for generating struggles and conflicts between capital and labour (Hopper et al., 1987; Hopper and Armstrong, 1991; Wickramasinghe and Alawattage, 2007).

The ideas used in LPT are rooted in the works of Karl Marx. According to Marx’s Capital Volume 1 (1976), a labour process consists of two main interrelating components: the purposeful activity of man directed to work, and the means of production - consisting of the object on which the work is performed and the technology and instruments used in that work. Capitalist labour processes have their own distinct features. To begin with, labour is subordinated to capital as the means of production are owned and controlled by capital and not by labour (as opposed to other MOPs, such as feudalism, where the actual control of the labour process lay in the hands of labour) and because of the mechanisation of the labour process itself (Thompson, 1983). In addition, in order to justify their investments, capitalists seek to extend the value created through their labour processes beyond their costs (i.e., the costs of both the means of production and labour power) to generate profits. The first step towards the creation of profit is to ensure the creation of surplus value (i.e., valorisation). They have to ensure that the value of their labour process’s output(s) is higher than the payments for labour power. This means that not only labour was subordinated to capital, but it also had to be

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9 Subordination, in the Marxist perspective, is divided into formal subordination (derived by the capitalist MOP and what it entails in shaping the capital-labour relations within the labour market sphere into a wage relationship between labour and capital) and real subordination (occurring when the capitalists manage to establish their control over the technicalities of the labour process itself) (Marx, 1976[1867]).

10 Unlike theories rooted in neo-classical economics - that treats labour as a commodity that can be bought and sold, used and dispensed with - Marx distinguishes between labour and labour power. Labour power (i.e., the capacity to work) refers to the commodity being exchanged in the market place. This is different from the actual work exerted by labour throughout the production process (labour) (Littler and Salaman, 1982).
controlled into working well beyond the point at which the use value of their production equalled the money they were being paid (Thompson and McHugh, 2009).

While the ideas of Marx remain to be the initial theoretical basis for LPT research in general and LPT-informed research in MA in particular, it is not adopted as the main point of reference of the current research for two main reasons. Firstly, despite the centrality of labour processes to Marx, it was never his main concern. Marx was mainly interested in labour processes so long as they informed his ‘macro-level’ critique of capitalism as a whole. As Thompson and McHugh (2009, p.418) points out, ‘Marx had little to say about issues of administrative or political organization’. Instead, ‘Marxist theory has tended to focus on the dynamics and contradictions of capitalism as a whole, and issues concerning the distribution of the surplus product, neglecting changes in productive processes, organizational forms and occupational structures’ (ibid.). Secondly, Marx was quite deterministic when it came to the nature of control exercised by capital over labour. More specifically, Marx expected capital’s continuous search for increased profits to be associated with despotic controls over labour (Thompson, 1983). This view leaves little room for acknowledging the existence of capitalist MCSs aiming at securing and fostering labour’s consent and cooperation rather than their mere obedience.

It was Harry Braverman’s book Labour and Monopoly Capital (1974) that surged the interest in using LPT in studying control-related issues at the organizational level (Salaman, 1981; Littler and Salaman, 1982; Thompson, 1983; Dillard, 2006). Pertinent to this strand of research are issues of power and conflict between the owners of capital and their senior management agents (capital) on the one hand, and the sellers of their labour power (labour or workers), on the other hand, within capitalist modes of production (Tinker, 1980; Hopper and Powell, 1985; Hopper et al., 1987). This power relationship is considered that of domination and subordination of labour by capital. More specifically, Braverman’s (1974) main argument was that the ‘real’ subordination of labour is the result of deskilling labour through implementing Taylor’s (1947) scientific management on the shop floor and what it entailed in separating conception (mental work) from execution (manual work) (Salaman, 1981; Thompson, 1983; Dillard, 2006). The fundamental premise behind Braverman (1974) argument is that labour had one significant source of power in the face of capital: their superior knowledge of the work technicalities (skill), which privileged them with monopolizing both the mental and manual aspects of the manufacturing process. Real subordination of labour was achieved by stripping labour of their main source of power through deskilling (i.e., shifting possession and control of the
mental aspects of production from labour to capital). This rendered labour, largely, interchangeable executors of capital’s simplified instructions.

The line of research initiated by Karl Marx, and renewed by Harry Braverman, was further developed by many researchers (see e.g., Gramsci, 1971; Friedman, 1977; Burawoy, 1978, 1979, 1985; ). Most of these researchers departed from the orthodox Marxist ideas when it came to the way human agency (also referred to as subjectivity) was side-lined in the conventional (orthodox) labour process research (O’Doherty and Willmott, 2001) and what this entailed in overlooking issues of workers resistance and consent both within (Friedman, Salaman, and Burawoy) and around (Gramsci) the labour process. According to Burawoy (1996, p.297), Braverman

‘... examined how work was imposed on workers to compel them to deliver just what management needed. In his account, therefore, workers were neither rational nor irrational but, instead, were stripped of all subjectivity. They became objects of labour, appendages of machines, another instrument of production, [and] executors of managerial conceptions.’

Human agency refers to the ability of individuals to act independently and to make their own free choices (Barker, 2003). There are two different views regarding the nature of human agency to be incorporated into the labour process theory (Wickramasinghe and Alwattage, 2007, p. 458): The first, dialectical, view considers human agency from the perspective of being subject to someone, or something, else through control and dependence (as evident in Friedman, 1977; and Burawoy, 1979). The second view considers human agency from the perspective of human beings’ ability to exercise their open, embodied quality of their human agency (O’Doherty and Willmott, 2001). Most of the attempts made within the LPT-based MA and MCSs literature to incorporate the issue of subjectivity (human agency) into the labour process theory research followed the first view. It is most evident in the MA research based on the works of Michael Burawoy (1978, 1979, 1985) (e.g., Uddin and Hopper, 2001; Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005; and Hopper et al., 2009). In these studies, the conventional LPT view that the MCSs implemented in companies operating within capitalist societies (mainly those companies operating in LDCs) are tools for extending capital’s domination over workers is slightly abandoned to allow for the possibility of having MCSs that are predicated on a consensual relationship between capital and labour.

The form of consent described in these studies was largely considered to be the result of capital’s efforts to secure workers’ cooperation at the shop floor (i.e., manufacturing consent) rather than the result of an active involvement in part of the workers in the
decision making process. For example, based on the works of Burawoy (1979, 1985), Uddin and Hopper (2001) explain how consent was manufactured in a Bangladeshi company throughout its public ownership period. This was done by maintaining an internal labour market, an internal state (based on the existence of a ‘manageable’ trade union strong enough to control the workers but not to pose real threat to the company’s management team), and by allowing the workers to engage in gaming behaviour that granted them a false sense of empowerment at the shop floor. Failure of the management to implement the necessary tools for manufacturing workers’ consent (either intentionally and/or unintentionally) unveils the management’s true intentions (domination and subordination of labour by capital) and the resulting regime of control is more coercive than consensual. This was the case in the aforementioned Bangladeshi company after its privatization.

Such view is to a large extent consistent with the first view of agency where workers (as human agents) are seen through the lens of being subject to the control exercised upon them by capital and as being largely overwhelmed with capital’s exercise of power. Nevertheless, this does not mean that labour is considered to be ‘powerless’ in the face of capital. Instead, labour is seen to lack the necessary power resources required to successfully resist capital’s attempts to dominate them. Accordingly, confrontations between labour and capital usually end up with capital on the winning side.

Furthermore, these power resources, whenever labour is found to possess them, are usually attributed to structural factors. For example, Burawoy (1985) explained that the reasons behind the existence of hegemonic regimes of control (wherein the interests of both labour and capital are seen to be taken into consideration) are related to the extent to which the state is actively involved in reproducing labour power (basically, through implementing social insurance schemes) and in regulating the capital-labour relations in a way that would protect labour’s rights. Similarly, when Wickramasinghe and Hopper (2005) found evidence to support the possibility that workers’ resistance might be responsible for shaping the MCSs implemented in their respective companies, such evidence was attributed to structural factors such as culture, ethnicity and race, and the R&Ls governing the capital-labour relations rather than to the active exercise of agency by the workers themselves. What this view fails to emphasize is the possibility of the workers being actively involved (through the exercise of their own quality of human agency) in shaping their own experiences (including the MCSs imposed upon them), despite the structural conditions within which they exercise their agency.
Accordingly, to a great extent, the view on agency adopted through most of the LPT research in MA is a structurally deterministic view. This view considers agents – be they individuals and/or groups of individuals – as mere enactors of their surrounding structures. Such view can be placed at an opposing side of the view on agency adopted by AT-based research in accounting which considers human behaviour to be underdetermined by social structures (i.e., a voluntaristic view on agency) (Mahoney and Snyder, 1999, p. 5). In other words, while AT-based research in accounting side-lines the role of social structures in shaping MCSs, LPT-based research limits the role of agency in shaping these MCSs.

Several attempts have been made, both within sociology (see for example, Bourdieu, 1977, 1990; Lukes, 1977; Giddens, 1979, 1984; Knights and Willmott, 1989; Collier and Collier, 1991; Mahoney and Snyder, 1999) and MA literature (see for example, Macintosh and Scapens, 1990, 1991; Scapens, 1994; Macintosh, 1995; Englund and Gerdin, 2011; Kilfoyle and Richardson, 2011) to find a middle ground between these two opposing views. However, these attempts were usually conducted outside the confines of LPT. For example, O’Doherty and Willmott (2001) suggested the relevance of post-structuralism for understanding the role of subjectivity in the reproduction of the capitalist capital-labour relations. Similarly, institutional research in accounting has witnessed several calls for the appropriateness of adopting an embedded agency (Emirbayer and Mische, 1998) conception of human agency that allows for acknowledging the constraining, as well as, enabling nature of structural factors (see for example, Englund and Gerdin, 2011; Kilfoyle and Richardson, 2011; Yang and Modell, 2012). Accordingly, the way human agency is treated in LPT research (usually referred to as the ‘missing subject’ critique) continues to be a major unresolved issue both in sociological and MA LPT-based research (Thompson and Vincent, 2010).

2.2.3. Situating the current research

The current research adopts the main theoretical ideas of the LPT. More specifically, the capital-labour relationship is considered to be that of antagonism and contradicting interests rather than of conformity and shared goals. Each side seeks to further their own interests within the conditions imposed on them by the other side, as well as, by the social structures surrounding both of them. Labour, however, is neither considered to be void of human agency (as is evident in orthodox Marxist writings such as those of Braverman) nor as human beings whose subjectivity is necessarily manipulated by capital (as evident in neo Marxist writings such as those of Burawoy). Instead, labour is considered to consist
of self-conscious and reflexive agents capable of exercising their calculative capacities while pursuing their perceived interests.

Furthermore, the relationship between capital and labour is seen to be that of a power relation wherein each side attempts to effect (or resist) change on (initiated by) the other side. In doing so, they strive to accumulate as much power resources as their own personal capabilities and surrounding social structures allow them to. In addition, while these structures tend to be unchangeable at the immediate instances of their examination, they are, as explained later in 2.3.2, considered changeable by labour and/or capital. This is more evident when both the time frame and scope of analysis are extended to allow studying the impact of the interaction between labour and capital on these social structures at the national level of their concerned country.

By adopting this view, it is hoped that a ‘newer’ perspective that acknowledges labours’ ability to exercise their own human agency in the pursuit of their goals (instead of limiting the view on agency to that of being subject to control by others) can be added to the LPT literature. This exercise of agency is bound to be implicated in different power struggles both at the organizational and national levels, especially when the interests pursued by labour are conflicting to the interests of capital, the interests of other agents outside the organizational sphere, and/or the prevailing social structures at the national level. Such an approach of studying MCSs requires calling attention to issues related to the nature of the power relations between the different agents implicated with the capital-labour relationship. This issue has mostly been tackled in the LPT literature without an explicit reference to a particular theory of power. By providing a theoretical base for understanding power relations, both within and around organizations, and by linking them to the MCSs designed and implemented within these organizations this thesis constitutes a valuable contribution to the LPT literature.

Entry to LPT research in MA and MCSs will be made through one of its most recent additions: the Hopper et al (2009) framework. The Hopper et al (2009) framework is considered relevant to the current research due to its particular interest in MA transformations in LDCs - including Egypt. However, given the fact the framework is largely based on the works of Burawoy (1979 and 1985), and thus perpetuates, at least implicitly, the same structuralist view on human agency adopted through most of the LPT literature, an attempt is made to incorporate a theory of power (based on the power cube developed by Gaventa, 2007) into the framework in order to inject more ‘agency’ into it. The following section provides a general view of the Hopper et al. (2009) framework
along with a brief discussion on the relationship between agency and structure. Then, section 2.4 discusses the theory of power to be integrated into the framework.

2.3. The Hopper et al. (2009) model

2.3.1. Review of the model and general reflections

The Hopper et al. (2009) model describes five regimes of control which LDCs are expected to go through (see figure 2.1 and table 2.1). Out of these five regimes of control, only three are expected to materialize in real life: colonial despotism, politicized state capitalism, and politicized market capitalism. The other two regimes of control (state capitalism and market capitalism) are considered to be ideal rather than real. The ideal regimes of control describe the MASs and MCSs sought, and the nature of the contextual factors expected to prevail under each economic development policy. The actual regimes of control describe the nature of the actual contextual factors within which LDCs’ companies operate and the characteristics of the MAS and MCSs implemented in these companies.

The fundamental premise behind this model is that the actual MASs and MCSs in LDCs are not fundamentally different from those implemented in DCs. Instead, the observed differences in MASs and MCSs practices implemented in LDCs, as opposed to those implemented in DCs, are attributed to the uncertainties associated with the interaction between these systems and their social, cultural, economic, and political contexts. Accordingly, the model shows how the contextual factors shape MASs transformation in LDCs.

Whatever the ideal regime of control pursued by an LDC is, the country-specific contextual factors affect the transformation processes and the resulting, actual regimes of control is different from the ideal ones. Following their independence, LDCs’ pursuit of enhanced economic and social conditions through state capitalism has been tainted by their country-specific contextual factors. The result is a politicised state capitalism wherein political interests shape the MASs and MCSs implemented in SOEs - as well as any small percentage of privately owned companies operating within their borders. Similarly, whenever LDCs fail to deal with their troubled economic conditions, and start pursuing market capitalism, the contextual factors, again, affect the implementation of the ideal MASs and MCSs and the actual systems are far away from those sought in the first place.
Figure (2.1): Stages in transition (source: Hopper et al., 2009, p.477)
<table>
<thead>
<tr>
<th>Mode of production</th>
<th>Culture</th>
<th>Ethnicity and race</th>
<th>State, regulation and law</th>
<th>Politics</th>
<th>TU and labour markets</th>
<th>International finance and capital market</th>
<th>MASes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial despotism (Actual regime)</td>
<td>Non-capitalist agricultural and domestic production. Small capitalist merchant/owner class Colonial capitalist enterprises in primary sector</td>
<td>Mainly traditional, ethnocentric Closed and stable communities</td>
<td>Divide and rule tactics based on ethnicity</td>
<td>Company states Minimal state regulation</td>
<td>Imperialism</td>
<td>Colonial capital Otherwise minimal capital No capital market</td>
<td>Coercive control based on racial and ethnic differences involving physical violence Accounting for HQ regulations and control</td>
</tr>
<tr>
<td>State capitalism (Ideal regime)</td>
<td>Industrialisation by SOEs Fair distribution Continuation of small merchants and traditional agricultural production Closed economy</td>
<td>Growth of modernistic, urban cultures incorporating rational progress, science and education, meritocracy, individualism and nuclear family</td>
<td>Nationalism emphasised not ethnicity</td>
<td>Bureaucratic state central planning Legal-rational authority Intervention and state regulation of industrial relations</td>
<td>TU's recognised Growth of collective bargaining on industry basis</td>
<td>State banking Central bank regulation Emerging but weak capital market Deficit financing for development</td>
<td>Bureaucratic rational-legal accounting Enterprise budgeting within national central state planning Creation of formal wage bargaining and internal labour markets Accounting for external legitimacy Ritual ceremonial practices only MAS irrelevant for internal controls Decisions for day-to-day activities captured by political players</td>
</tr>
<tr>
<td>Politicised state capitalism (Actual regime)</td>
<td>State extraction of surplus Hegemony of political criteria in commercial and production decisions Power with political elite linked to trade unions Distribution follows power and patronage</td>
<td>Cultural fragmentation and diversity More open and less stable sub-cultures Increased urbanisation alongside strong traditional cultures</td>
<td>Legal-rational structures of regulation maintained but captured or ignored by politicians State patronage, often for party advantage Weak enforcement</td>
<td>Fractional and volatile Often charismatic/dynastic leaders of parties rather than ideological Sometimes non-democratic Production and state policies often converge</td>
<td>Powerful political party unions Multi-unions Top down leadership Leaders from political elite TU membership and power in public enterprises</td>
<td>Weak politicised and poorly regulated capital markets Bank failures Fiscal crises of state lead to aid dependency and reliance on IMF/WB External financing often for Cold War reasons</td>
<td></td>
</tr>
</tbody>
</table>

**Table (2.1):** The Hopper et al (2009) model (Source: Hopper et al., 2009:474-5)
<table>
<thead>
<tr>
<th>Mode of production</th>
<th>Culture</th>
<th>Ethnicity and race</th>
<th>State, regulation and law</th>
<th>Politics</th>
<th>TU and labour markets</th>
<th>International finance and capital market</th>
<th>MASs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalism (Ideal regime)</td>
<td>Market-based exchange relations and distribution</td>
<td>Greater individualism and individual economic self-betterment Consumerism and materialistic choice</td>
<td>Considered irrelevant.</td>
<td>Reduced state power, supply side economic role Oriented to attract multinational and international capital Stronger capital market and regulation, especially of utilities</td>
<td>Democratic and transparent government</td>
<td>Strong external labour markets Weakened Trade Unions Decline in industry-wide collective bargaining Lowered employee protection</td>
<td>Globalised capital controls Export zones Stronger capital markets Greater financial regulation and enforcement Lessened political intervention</td>
</tr>
<tr>
<td>Politicised market capitalism (Actual regime)</td>
<td>Domination of capital over labour Wider income differentials Fractions of capital, ownership diffuse/financial institutions/multinationals/local families Crony capitalism</td>
<td>Mediation of &quot;modern&quot; market cultures with traditional and political</td>
<td>Often the basis of political and social decisions</td>
<td>Regulatory capture by political-economic elites Weak enforcement Decisions politicised</td>
<td>Democratic parties based on charismatic leaders from socio-economic elites Faction-ism based on regions, religion and ethnicity</td>
<td>Segmented labour markets between core and periphery Trade unions co-opted into political parties Lower labour protection a power</td>
<td>External financial agents especially IMF/WB strong influences on policy Family/crony capitalism alongside more multinational capital Politicised regulation and privatisation</td>
</tr>
</tbody>
</table>

Table (2.1-continued): The Hopper et al. (2009) model (Source: Hopper et al., 2009:474-5)
A couple of points should be kept in mind regarding the Hopper et al. (2009) model. Firstly, while it is based on LPT-informed case studies in a number of LDCs, it is offered as a way of summarizing the literature related to MA transformations in LDCs; not as a fully developed theoretical model. As a result, the model shows only the results of the MASs and MCSs transformation processes in LDCs and not the dynamics of change leading to them. In other words, it does not provide a way of tracing the MCSs and MASs change processes from one regime of control to the other.

Thus, the model bears the risk of, and does seems to be, undermining the role played by the agents involved in the MASs and MCSs transformation processes. Consequently, it seems to adopt a theoretical standpoint closer to a structurally deterministic view on the agency/structure debate than to a voluntarism one. Adopting such standpoint can be understood as an attempt made by the authors to overcome the highly criticised reliance of the IFIs on agency and property-rights theories to justify their advocacy for market-based economic development in LDCs (Zinnes et al., 2001).

While completely sympathetic to the role played by structural factors (such as the contextual factors incorporated in the Hopper et al., 2009 model) in shaping the MCSs and MASs implemented in companies operating in LDCs, the agency/structure standpoint adopted in this research - see following subsection - calls for recognizing the role of both agency and structure in shaping the MCSs and MASs in LDCs. The argument developed here is that the answer to understanding the impact of privatization on MCSs in LDCs does not have to lie in adopting one of the two dichotomies: structural determinism or voluntarism. Both agency and structure are pertinent to a study of MCSs. After all, MCSs are implemented by agents (the management) over other agents (the workers) within the confines of structures that affect their relationship.

Secondly, while the model explains the characteristics of each contextual factor within each regime of control, the contextual factors are not expected to assume the same level of importance in shaping the MASs and MCSs manifested in these regimes. Instead, for each company under investigation, some contextual factors might assume a more influential role in shaping the company’s MCSs and MASs transformations than others. For example, while culture, ethnicity, and race assumed a significant role in determining the fate of the MCSs and MASs implemented in the privatized Mill studied by Wickramasinghe and Hopper (2004), none of them assumed any significant role in shaping the MCSs and MASs implemented in the privatized Bangladeshi company studied by Uddin and Hopper (2001).
2.3.2. The Hopper et al. model and the relationship between agency and structure

The structure/agency debate is a vast, unsettled debate (see for example, Lukes, 1977; Giddens, 1979; Layder, 1985; Sewell, 1992; Mahoney and Snyder, 1999; Layder, 2006 [1994]; Dowding, 2008) which the space and scope of this research is too restricted to tackle properly. However, for situating the current discussion in its broader context, a brief overview of the main arguments related to this debate is provided.

The focus of the agency/structure debate is to decide the extent to which individual agents are affected by existing structures of reproduced social relations when exercising their calculative agency. On the one hand, structural determinists consider agents (individuals and/or groups of individuals) to be mere enactors of their surrounding structures. As Mahoney and Snyder (1999: 5) put it, they ‘. . . treat the identities and interests of actors [agents] as defined by [their] positions within social structures and view [these agents’] actions as results of these positions’. Such view is most evident in the writings of Marx and Durkheim (Lukes, 1977) and to a lesser extent, in the writings of neo-Marxists such as Michael Burawoy (see e.g., Burawoy, 1978; 1979; 1985). This view goes in line with the theoretical underpinnings of the Hopper et al. (2009) framework as it focuses more on the contextual factors (structural factors) when examining MA transformations in LDCs at the expense of the role played by agency in such process.

On the other hand, voluntarists assume the opposite and consider ‘. . . human behaviour as underdetermined by social structures’ (Mahoney and Snyder, 1999: 5). That is not to say, however, that exercising calculative agency is done in complete isolation of structure. Instead, structures are considered to be ‘. . . contingent constraints that potentially (rather than necessarily) limit the ability of actors to achieve their goals’ (Mahoney and Snyder, 1999: 6). This view goes in line with the agency-based perspectives on MCSs.

As explained in 2.2.4, several attempts have been made to reconcile the agency-structure dichotomy. Nonetheless, many of these attempts – especially those in sociology, ended up over-emphasizing the role played be one at the expense of the other. For example, Giddens (1984) introduced ‘Structuration Theory’ as a way of accounting for the role of both human agency and social structures in social change. Using the ‘duality’ approach, Giddens explained how social structures do not exist independently of human agency while, at the same time, being the medium for its constitution (Stergiou et al., 2013). However, while doing so, Giddens over-emphasized the role of human agency at the expense of social structures (Stones, 2005). More specifically, he considered social
structures to ‘. . . depend for their existence on their at least tacit acknowledgement by the participating agents’ (Porpora, 1989, p. 346). Such position was criticized by Archer (1982) both because for placing too much emphasis on agency and because it makes it practically impossible to separate agency from structure and to examine the extent to which one of them affect or is affected by the other.

On the other hand, while Pierre Bourdieu (1977, 1990) is renowned for his assimilation of agency and structure, his writings were criticized for the way he under-emphasized the role of reflexive human agency in the process of social change – especially when non-scholars’ day to day practices are considered (Elder - Vass, 2007; Modell, 2013). More specifically, Bourdieu (1977) argues that agents’ actions are largely determined by the set of habits (habitus) developed through their prior socialization processes. As such, social structures are represented as ‘. . . lying within agents and are part of the agent’s decision process’ (Kilfoyle and Richardson, 2010, p.192). As Modell (2013, pp. 26-27) explains, Bourdieu’s view renders the exercise of reflexivity by human agents an exceptional state of mind exercised only in situations of economic and social crises. The main exceptions from this rule are scholars, who are considered by Bourdieu to have the ability to exercise their reflexive agency outside these moments of crisis. While doing so, Bourdieu (1990, p. 51) was trying to explain that human action can be ‘coherent without springing from an intention of coherence and a deliberate decision; [and] adjusted to the future without being the product of a project or a plan’. In other words, he was trying to show that human beings can actually act without exercising their embodied quality of reflexive agency. Such a view leaves Bourdieu’s work of little help in injecting an element of reflexive human agency to the Hopper et al (2009) model.

Of particular importance to the current research is the attempt made by Mahoney and Snyder (1999) where both voluntarist and structuralist conceptions of agency and structure are abandoned in favour of an integrative approach to agency and structure. The integrative approach views structures as resources and human agency as the capacity to appropriate and potentially transform structural resources in a self-conscious, reflexive manner (ibid, p.24). According to this view, structures are no longer considered as determinants of human actions or constrains upon them. Instead, structures are considered as ‘tools’ available for human agents to use in their pursuit of the realization of their own interests. The number and nature of these ‘tools’ constrain human behaviour, not through obstructing action, but through ‘. . . making available a finite repertoire of tools for action – a repertoire actors can potentially modify and improve’ (ibid, p.25, emphasis added).
Such view on structure is made possible by the reflexive conception of human agency - as opposed to the under-socialized conception adopted by voluntarists and the over-socialized conception adopted by structuralists. According to this conception of human agency, human actors self-consciously deploy structural resources and modify their behaviour in response to changing situations (ibid.). However, does this mean that structures have no role in shaping human agency at all? Archer’s morphogenetic approach (1982; 1995; 2002) is useful in answering this question in a way consistent with Mahoney and Snyder’s (1999) integrative approach. Social agents are active and reflexive: they have ‘the properties and powers to monitor their own life, to mediate structural and cultural properties of society, and thus to contribute to societal reproduction or transformation’ (Archer, 2002, p.19). Throughout their lives, they make choices about which social structures to internalize and reproduce, what priorities they give to these structures to align with their *modus vivendi*, and which social structures they would try to challenge and transform.

What is discussed in the integrative approach is the relationship between human agents and their social structures when they are trying to ensure the attainment of one or more their interests/goals. Indeed, some of these interests and/or goals could very well be shaped through some of the social structures internalized by the agents. Nonetheless, that does not preclude the possibility of them ‘using’ these same social structures, along with any other ones, as resources that can help them achieve their objectives (Acher, 1995). Accordingly, while pursuing their interests, agents will be faced with antecedent structures that can either be enabling or constraining for them. The enabling social structures can be utilized (i.e., serve as resources) by these agents while attempting to change, or ‘work around’ the constraining ones. While doing so, they will be reproducing their enabling social structures and challenging the constraining ones. The resulting social structures (both the reproduced and challenged ones) will constitute the antecedent social structures affecting the agent’s future pursuit of their interests. Such a view allows for separating agency from structure, while at the same time acknowledging their imminent interplay.

This leaves us with the question of the impact of an agent’s pursuit of his/her interests/goals on the other agents around him/her (i.e., the relational aspects of exercising one’s reflexive agency). Indeed, we do not live in isolation and our actions are more than likely to affect those around us. These agents can either share, be neutral to, or oppose our interests. Having congruent interests with those around us opens the possibility of collective action that can facilitate the attainment of our shared interests/goals. On the
other hand, conflicting goals are more likely to fuel conflict that is bound to be implicated in the exercise of power by the agents’ involved towards the attainment of their respective interests/goals. This is one of the main ideas informing both LPT research in general and the Hopper et al (2009) model in particular: the individual agents constituting ‘labour’ share similar interests/goals that are conflicting with those of capital. This facilitates labour’s collective action against capital and ignites conflict at the organizational and national levels (hence the exercise of power by capital and labour at these levels). However, as explained earlier, this is usually done in a rather structurally deterministic way that side-lines the role of human agency in this process.

Accordingly, it is hoped that by integrating a view of reflexive agency into the Hopper et al (2009) model, the new version of the model would be less structurally deterministic and, thus, have the theoretical underpinnings allowing the possibility of human beings (including labour) to pursue their own interests in a conscious, reflexive manner without being completely driven by their structures. This is done, as the following two sections will show, through incorporating into the Hopper et al (2009) model a theory of power that can accommodate this view of reflexive human agency. In turn, it is hoped that this will enable accounting for the different, contradictory empirical evidence regarding the impact of privatization on MCSs in LDCs.

Furthermore, when this view of reflexive agency is combined with the view of structural factors as resources, it becomes possible to build on the Hopper et al (2009) model rather than replace it. More specifically, it allows for considering many of the contextual factors included in the Hopper et al. (2009) as resources (tools) available for the organizational agents (including capital and labour) to use in their pursuit of their respective interests and goals. However, these tools are not expected to serve as resources for all agents at the same time. While some structural factors might serve as resources that strengthen the power position of one agent, others might weaken the power position of the other through limiting the scope of possible actions available to him/her. The result of the power struggle between the two agents, and consequently the nature of the power relationship between the two, depends on the ability of one agent to gather and mobilize enough resources (power resources) to overcome the resistance of the other. Section 2.5 explains in more detail how the contextual factors included in the Hopper et al. (2009) model can be theoretically restructured into types of social structures that can serve as power resources for either labour or capital. It also introduces the proposed revised, power-informed
version of the model. Before doing so, section 4 discusses in more detail the concept of power adopted in this research.

2.4. On the concept of power

2.4.1. Setting the scene

Research on power can be very broadly divided into three main streams of research. The first stream mainly focuses on the ‘positive’, facilitative qualities of the power relations between A and B (i.e., situations wherein A affects B’s behaviour consensually to achieve positive outcomes that are in the interests of both A and B). This stream of research is usually described as focusing on the ‘power to’ (or power to do) aspects of the power relation. The second stream focuses mainly on the ‘negative’ aspects of the power relation between A and B (i.e., situations wherein A affects B’s behaviour in ways contrary to B’s preferences but in alignment with A’s). More specifically, it brings to the fore issues of domination and subordination inherent in power relations. This stream of power research is usually described as focusing on the ‘power over’ aspects of the power relations. Finally, the third stream of research is the post-structuralist research on power, informed mostly by the works of Michel Foucault. Foucault’s approach to power is fundamentally different from, and hard to reconcile with, the first two modes of conceiving power (Gaventa, 2003). Both the ‘power to’ and ‘power over’ approaches to power are predicated on the premise that power is a possession of agents that can be developed and deployed in the pursuit of their perceived interests (with the interests of the agents involved in a power relation being congruent in the ‘power to’ approach and conflicting in the ‘power over’ one). In contrast, Foucault considers power to be diffuse instead of concentrated, embodied and enacted instead of possessed and as constitutive of agents instead of being deployed by them (Sheridan, 1980). More specifically, Foucault considers power to be everywhere,

‘... not because it embraces everything, but because it comes from everywhere… power is not an institution, nor a structure, nor a possession. It is the name we give to a complex strategic situation in a particular society.’

(Foucault, 1979, p.93)

Both the first and third approaches are considered unsuitable for the scope of the current research. The ‘power to’ view - largely inspired by the works of Talcott Parson (1967) - is based on the assumption that there can exist some common, agreed-on goals between the agents involved in the power relation before any of them starts to exercise his/her
power over the other. Given the prominent belief in LPT research about the existence of an inherent antagonism between capital and labour, both at the societal and organizational levels, the ‘power-to’ view of power can hardly be synthesized with the ideas adopted by LPT researchers.

Similarly, Foucauldian approaches to power are considered inconsistent with the objectives of the current research. More specifically, the current research aims at developing and extending a theoretical basis for an LPT-informed model of MCSs transformations in LDCs: The Hopper et al (2009) model. Given its LPT roots, the Hopper et al (2009) model is based on the assumption that power can be possessed, developed and deployed by labour, capital, or any other agents. This is hard to reconcile with Foucault’s diffused, enacted, and constitutive conception of power. Evidence for such difficulty in reconciling the ontological and epistemological standpoints of LPT-based and Foucauldian-based research can be found in the MA literature as well. For example, both the debate triggered by Neimark’s (1990) paper between Neimark (1994) and Armstrong (1994) on the Marxist side, and Grey (1994) and Hoskin (1994) on the Foucauldian side; and the debate triggered by Miller and O’Leary’s (1994) paper between Miller and O’Leary (1998) on the Foucauldian side and Arnold (1998) on the Marxist side; left the MA literature with two strands of research whose members could establish the merits of their different ontological and epistemological positions while leaving little room for reconciliations between the two (Wickramasinghe and Alawattage, 2007).

The ‘power over’ view on power can be traced back to the works of Hobbes (1960) (Ball, 1975a, 1975b) and the more recent works of Dahl (1957), Bacharach and Baratz (1962), and Lukes (1974 and 2005). In these studies, arguments are presented to show the ways in which one agent can get other agent(s) to do things that they would not otherwise do. According to Dahl (1957), this task is accomplished through open, visible, confrontations between the agents concerned where each agent draws on his/her available power resources11 to dominate the decision making process and achieve his/her desired outcomes.

While Bacharach and Baratz (1962) acknowledge Dahl’s argument, they consider it is as only one form of exercising power. As they explain, a second form of exercising power

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11 By power resources I refer to anything that can be used by the agents involved in the power struggle to increase their chances of enforcing their will over other agents opposing them. They can range from physical (such as the physical control over resources and means of production) to structural (such as the prevailing ideologies and laws and regulations) and personal (such as personal leadership traits) resources.
involves the ways in which power is exercised in more hidden ways through manipulating the decision making processes mentioned by Dahl to exclude issues favourable to B but unfavourable to A in what they call ‘non-decision making’ situations. One of the main contributions of Bacharach and Baratz (1962) is the link of agency with structure, as opposed to the previous focus of Dahl (1957) on an agency perspective of power. According to Bacharach and Baratz (1962), power may be exercised by agents who have the ability to use the established rules of the game built into institutions to their advantage and, accordingly, control the choice about which decisions can be included in the decision-making agenda (Berenskoetter, 2007, p. 7). Thus, attention is drawn away from the direct relation between A and B to how A can use the institutional setting within which A and B are positioned against B (ibid.).

A third form of exercising power was added later by Lukes (1974 and 2005) to describe situations wherein power can be exercised in an invisible form when A manipulates B’s conceptions and views on what is normal and what constitutes his/her ‘real’ interests (i.e., manipulating consciousness). The ultimate goal of such manipulation is to reach a point where B’s conceptions and beliefs are reshaped to align with A’s (even though they might have been conflicting before A’s exercise of power in its invisible form). Studying power in this way extends the focus of power research to include not only situations where there is an observable conflict of interests between A and B but also situations where there is an ‘apparent’ consensus between the two of them (as such consensus might have actually been manipulated and/or induced by A). In other words, the absence of observable conflicting interests between A and B does not necessarily assume the absence of a power relationship between them. As Lukes (2005 [1974]: 27) puts it, ‘the most effective and insidious use of power is to prevent such conflict from arising in the first place.’

These three forms (see 2.4.2.3 for more detailed discussion on the forms of power) of exercising power should not be considered as alternative ways of exercising power. Instead, they represent a process wherein the invisible form of power is unlikely to materialize without going through the first two forms (visible and hidden) (Gaventa, 1980). It is a process through which the exercise of power is transformed from being an open relation between agents (in its visible form) into a relationship that involves manipulating structures and conceptions about normality to the advantage of one agent at

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32 Non-decision making refers to the situation in which B’s ability to incorporate issues which concern him/her, but might result in unfavourable resolutions for A into the decision making agenda, is hindered by A’s exercise of power through devoting his/her energies to create or reinforce ‘... social and political values and institutional practices that limit the scope of the political process to public consideration of only those issues which are comparatively innocuous to A’ (Bacharach and Baratz, 1962: 948).
the expense of the other (in its hidden and invisible forms). Nevertheless, still, a process that overlooks the less powerful agents’ (B) ability to resist the more powerful agents (A).

It was Gaventa (1980) that laid the first stone in this line of research towards explicitly acknowledging the possibility of B being able to resist A’s pursuit of domination. According to Gaventa (1980), this requires B to fight his/her way through the barriers established by A’s exercise of hidden and invisible forms of power. Gaventa (1980) explains how A establishes his domination over B through the exercise of the three forms of power discussed so far (referred to as dimensions) and how B can rebel against such domination. Such a journey is expected to emancipate B from the mental and institutional constraints established by A to prevent B from exercising his/her agency at the open, episodic form of power and enables B to bring back into the decision making arena issues related to his/her grievances. The Gaventa (1980) model was further developed in Gaventa (2007) to integrate the three forms of exercising power with two other dimensions (spaces and levels of power) pertinent to studying power-related issues. It also included the dynamics of resistance for the powerless in what is called the Power Cube. Unlike the focus of the ‘power-over’ research literature that focuses mainly on understanding the dynamics of domination, the Power Cube is only concerned with these dynamics to the extent that it can inform the emancipation of the powerless. In other words, the Power Cube is more concerned with studying emancipation and promoting participation than with studying domination. Emancipation here would involve rejecting the myths created by the powerful - created through exercising invisible power. It would also involve challenging the structural conditions institutionalized by the powerful to ensure the powerless’ exclusion from the decision making process - created through exercising hidden power. Finally, it would involve enabling the powerless to exercise their free, calculative agency within open decision-making arenas. The remainder of this section provides a more detailed discussion about the concept of power adopted here and the power cube developed by Gaventa (2007) and its relationship to the MCSs implemented within organizations.

2.4.2. What is power?

Power is the ability to make, receive, or resist change (Lukes, 2005: 69). It is exercised by agents (individual human agents or other human aggregates such as groups, offices, organizations, and governments) when they make and effect their choices about the courses of actions they prefer to take or avoid. The choice(s) one agent makes affects other agents. The extent to which the exercise of power by an agent(s) facilitates the
achievement of goals desirable both by him/her and by the other agent(s) affected by his/her exercise of power on the one hand, or leads to the achievement of goal(s) desirable only by him/herself (and undesirable to those affected by his/her exercise of power) on the other hand, separates the positive view of power (power to, or facilitative power) in the former, and the negative view of power (power over, or dominating power) in the later (Clegg et al., 2006).

From an LPT perspective, power is exercised by capitalists when they get labour engaged in activities that ultimately result in the creation of surplus value benefiting capital more than it does labour. Furthermore, power can be exercised by labour when it resists these attempts (both explicitly and/or implicitly) and attempts to defend and expand its rights and interests. Within such relationship, power can be exercised, by both labour and/or capital, in different spaces (closed, invited, and/or created), at different levels (sub-national, national, supra-national), and/or in different forms (visible, hidden, invisible). These spaces, levels, and forms of power were linked together through the power cube developed by Gaventa (2007) shown in figure (2.2).

![The Power Cube](image)

**Figure (2.2):** The Power Cube (adapted from Gaventa, 2007, p. 206.)

Thus, the levels, spaces and forms of power are three dimensions that have to be taken into consideration when studying power relations. Each dimension should be seen as a continuum whose components are constantly interrelating with one another and constantly changing the synergy of power\(^\text{13}\) (Gaventa, 2007:218). All three dimensions are available for agents to act upon in their pursuit of either increasing their own powers and/or challenging other agents’ powers.

\(^{13}\) Synergy of power refers to situations wherein the cumulative effect of having different components of any of the three dimensions (spaces, levels or forms) operating at the same time exceeds the sum of the single effects of these active components.
However, it should be kept in mind that despite the form, level, and/or space in which power may be exercised by agents, the latter’s ability to exercise their power is usually affected by the structural variables shaping the context within which interact. These structural factors could either further or constrain the exercise of power by the agents. Nevertheless, that does not mean that these structures are untouchable, taken for granted determinants of human agency. Instead, as explained in subsection 2.3.2, they affect the set of alternative actions available for agents when exercising their agency. Furthermore, agents are considered to maintain the ability to change the structures affecting the exercise of their agency despite that being a considerably lengthy process. The following subsections discuss the three dimensions of power in more detail.

2.4.2.1. Spaces of power

Spaces of power refer to decision making arenas available for agents to articulate and act upon their grievances. They capture the ‘. . . opportunities, moments and channels where citizens as social actors can potentially challenge and change policies, discourses, decisions, and relationships which affect their lives and interests’ (Gaventa, 2007: 213). These decision making arenas can be closed to the less powerful agent(s) (closed spaces), he/she can be invited to it (invited spaces), or created by less powerful agent(s) despite the other agent’s resistance for such involvement (created spaces).

From an orthodox LPT perspective, spaces of power are bound to be closed for labour, allowing capital full control over the decision making processes leading to the design of their respective companies’ MA and MC systems. To some extent, what neo-Marxist perspectives on the LPT changed in the orthodox perspective, was that they allowed for the possibility of labour being invited to the decision making process dominated by capital. This is most evident in the works of Michael Burawoy (1979) when he explained the role of internal state and Trade Unions (henceforth TUs) in manufacturing consent within organizations.

While Burawoy (1979) points out the role that can be played by TUs in maintaining a quiescent labour force, he explained that these TUs have to be strong enough to control labour but not too strong to the extent that they would obscure capital’s control over the decision making process. TU leaders were invited to the decision making process, not because a powerful and influential labour force supported such access, but because the

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14 The internal state can be defined as ‘. . . the set of institutions that organize, transform, or repress struggles over relations in production and relations of production at the level of the enterprise’ (Burawoy, 1979: 110).
management required this access to be established (to act as a channel through which better control is exerted over labour). In that sense, TUs are expected to act as ’... an umpire, both in protecting the rights of industrial citizens and overseeing the punishment of offenders against contractual obligations’ (ibid, p.113).

Invited spaces within organizations can be created for reasons other than the capital’s interest in maintaining a quiescent and controllable labour force. For example, they can be created by capital out of necessity (e.g., when the cost/management accountant is invited to capital’s decision making process due to his/her unique access to company’s sensitive information) or in order to comply with the R&Ls governing work relations in a country and hence envisage an image of legitimacy on capital’s operations.

Accordingly, while the existence of invited spaces within organizations might allow labour some access to the decision making process, it does not provide the full picture regarding labour’s ability to exercise its agency to pursue its interests (at least not all of them). This is, because these invited spaces are usually established due to capital’s ‘interest’, and not labour’s ability, in creating them. In my opinion, it is the ability of labour to create its own access to the decision making process (i.e., created, or claimed spaces) that captures the full potential of its exercise of human agency. Being able to do so requires labour to initiate action both within and/or outside the boundaries of its organizations15. It also requires labour to use the existing structural factors (such as culture, R&Ls, and ethnicity and race) that can help realise its goals and to challenge the structural factors that stand as obstacles.

Finally, spaces of power, especially the created/claimed ones, need not always be situated within the overall formal channels for articulating grievances and making decisions. First of all, these formal channels are more likely to be established and managed by the more powerful16. Accordingly, labour might be in a situation where it has to abandon these formal channels and articulate its grievances in ways that fall outside its boundaries. For example, it can initiate sit-ins and strikes to challenge managerial decisions formulated through the organizational formal decision making arenas. Secondly, gaining access to the decision making process might require labour to seek alliances with powerful players outside the boundaries of their organizations17. A relevant example can be found in

15 See next subsection for a more detailed discussion regarding the levels of power within which these spaces can be created.
16 See 2.4.1.3 for a more detailed discussion about the forms of power including the hidden forms of exercising power.
17 See 4.1.2 for a more detailed discussion about the different levels of power within which spaces can be created.
Wickramasinghe and Hopper (2005) when they explained how the workers of a Sri Lankan mill sought support from political actors outside the organizational boundaries (mainly from national TU leaders and elected government officials) to help them in their struggle with their management. These actions enable labour to create new spaces for exercising power that, albeit being outside the organizational boundaries, are capable of affecting the decision making process within the organizations and force capital to do things that they would not otherwise do.

2.4.2.2. Levels of power

The levels of power capture the exercise of power at the sub-national, national, and supra-national levels of a given country and the interaction between the exercises of power at these different levels. The implication of this axis for the power debate is that when power struggles are in place, the agents involved may turn to other agents at different levels of power to strengthen their power position. Thus, ‘while A may exercise power over B, B may in fact respond by influencing actors C, D, and E, who in turn challenge A’s dominance’ (Gaventa, 2007: 211). Moreover, it reflects how the exercise of power at a certain level might affect the exercise of power at other levels. Power exercised at the national level might affect the exercise of power at the sub-national level (including organizations). The exercise of power at the supra-national level might affect the exercise of power at the national as well as the sub-national levels.

Extending the focus of power research to take into consideration the different levels at which power may be exercised and the interaction between these levels can produce a better informed study of power relations in organizations. However, in order to be able to do so, these levels of power have to be identified both within and outside organizations. From a macro-perspective, an organization can be viewed as a sample of the sub-national level of exercising power, operating within its broader national and supra-national levels. Furthermore, an organization (viewed as a power struggle arena for both capital and their agents - capital - on the one hand, and sellers of labour power - labour - on the other) both affects and is affected by the power relations at the higher levels of exercising of power.

The labour/capital power relations within an organization can be affected by the power relations at the national level in two main ways. The first way is when either one of these two agents seeks help for settling power struggles within the organization from influential agents politically active at the national level. In other words, the agents involved in the organizational power struggles may very well use their connections outside the
organization (such as political parties and government officials), at the national level, to maintain and further their power position in the organization. A recurring example of such interaction in the MCSs literature in LDCs is when the workers use their connections to the government officials and/or politicians (engaged in power relations at the national level), through their politically affiliated TUs, to help settle their disputes with their management to their favour.\(^{18}\)

The second way is through the structural factors shaped at that level such as the R&Ls governing the labour-capital relationship and the cultural beliefs prevailing in a given society. The main argument here is that organizational agents (including both labour and capital) do not live in isolation from the power struggles and power relations prevailing outside the boundaries of their organizations. Accordingly, they are considered to be members of the ‘national’ power struggles and power relations that are both affected by and capable of affecting these power dynamics. For example, R&Ls are usually the end result of a political decision making process through which different political agents (including labour, TU leaders, politicians, owners of capital, and government officials) utilize their available power resources to further the interests of both themselves and their constituents. Once these R&Ls are enacted, they serve as structural factors governing the labour/capital relationship within the organization. In addition, these R&Ls stipulate the characteristics of the ‘ideal’ power relations, and ultimately the regimes of control sought within the geographical boundaries of the concerned country.

Depending on the nature of the ideal power relations perpetuated by them, R&Ls can either strengthen the power position of one organizational agent (be it labour or capital) at the expense of the other or weaken this power position. At the same time, these R&Ls are not untouchable. They are prone to further challenging at the national level if they are considered to impede some agents’ - both at the organizational and national levels- ability to pursue their interests. For example, the R&Ls issued in LDCs within a state capitalist regime of control to restrict the management’s ability to fire the employees of publicly-owned and/or privately owned enterprises\(^{19}\) can enhance labour’s power position in relation to capital due to their increased sense of job security. Similarly, the LDCs’ tendency to abandon these same R&Ls during their transition from state-capitalism to

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\(^{18}\) See for example, Hoque and Hopper, 1997; Uddin and Hopper, 2001 and Wickramasinghe and Hopper, 2005.

\(^{19}\) See Posusney, 2003 for more discussion on work-related legislations in less developed Arab countries including Egypt.
market-capitalism (Posusney, 2003), tends to have the opposite effect which is weakening labour’s power position and strengthening capital’s power.

Power relations within organizations are also affected by the power relations at the supra-national level, at least indirectly. For example, the spaces for exercising power at the supra-national level between LDCs and the IFIs (resulting, for example, in the adoption of market based economic development models and what it entails in the surge to privatize SOEs) affect the power relations between the workers and management at the organizational level through lessening, if not completely severing, the link between the workplace and the political parties as well as government (Boycko et al., 1996; Cragg and Dyck, 1999).

On the other hand, power struggles within an organization can affect the power relations at the national level when the workers start to act collectively to oppose, or call for, a given change in the R&Ls governing their relationship with their respective employers, especially when these claims are used by political agents from outside the organization to strengthen their own power position at the national level. Furthermore, such effect can take place when the workers exercise their political rights as citizens and act collectively to support one or more of the political actors at the national level in an attempt to have an influential political actor sympathetic to the workers’ demands.

The levels of power within an organization can vary in numbers depending on the organizational structure of the company concerned. However, for the purposes of the current analysis, two main levels of power are considered: The Board of Directors (BODs) and senior (top) management level (henceforth BODs level) and the operational level. The BODs level represents the level at which the overall organizational vision, mission, strategies, MCSs, and AISs are designed and monitored. The operational level refers to the levels where these designed MCSs and AISs are implemented on a daily basis.

### 2.4.2.3. Forms of power

Power exercised within the different spaces situated at the different levels can take three forms: visible, hidden, and/or invisible. The exercise of these different forms of power is not mutually exclusive. The different forms of power can, and usually do, overlap. For example, overt decision making situations (i.e., the visible exercise of power) are usually affected by the structural factors demarcating the range of alternative decisions available

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for the agents involved to choose from.\textsuperscript{21} Accordingly, the total effect of the exercise of power in these situations can be greater than the individual effects of exercising power in a visible, hidden, or invisible way separately. The following sections further discuss the nature of these forms of power.

2.4.2.3.1. Visible Power

Visible Power can be observed in decision making situations wherein observable conflict between two agents (A and B) is evident. In such a decision making arena, A is more powerful than B to the extent that he/she can mobilize enough power resources to effect changes favourable to him/her (and not necessarily to B) and/or he/she is able to resist unfavourable changes pursued by B. In an organizational context, the power resources available for capital can be intra-organizational power resources, such as the management’s ability to fire workers, to control the amount of money the workers are getting paid, and to affect the workers’ promotion opportunities in the future (Pfeffer, 1981). They can also come from structural factors external to the organization that can help further A’s power and/or decrease B’s resistance.

At the same time, workers rely on their own available power resources to resolve conflicts with management in their favour. Power resources available to workers can originate from the relations in production inherent in the capitalist modes of production (such as labour’s knowledge of the organizational procedures and its control over the physical resources it deals with such as equipment, machines, or facilities) (Mechanic, 1962). Other such power resources can be attributed to factors existing beyond the organizational boundaries (such as access to other powerful agents outside the organization like government officials and political parties, other sources of income, and cultural and ethnic affiliations facilitating labour’s collective action against management).

The exercise of visible power by the different agents\textsuperscript{22} implicated in the power relations within an organization (henceforth organizational agents) can take place at any level of the organization’s hierarchical structure. For example, power can be exercised visibly in an organization’s BODs when the board members negotiate the design of the organization’s official MCSs. It can also be exercised visibly at the operational level when

\textsuperscript{21} It is important to keep in mind here that while structural factors are considered to be prone to change by the agents involved, this change is usually a lengthy process. Accordingly, for any given decision making situation, structural factors are considered to be constant at the time of making the decision.

\textsuperscript{22} These agents can be the owners of capital, their agents at the company’s BODs and/or top management, labour, and/or their agents in the company’s TU (whenever this space of exercising power is open to the workers).
an organization’s official MCSs are put to the test of being implemented and maintained by the organization’s lower level managers over the workers. This is especially the case when these MCSs are considered by the workers as ‘unacceptable’ (i.e., when the MCSs designed by the BODs fail to secure a sufficient level of congruence between the interests of capital and those of the workers).

Whenever this conflict of interest materializes, and as a result the workers choose to explicitly act on the grievances they experience, the overt conflict between capital and labour is resolved in favour of the side that manages to accumulate, and efficiently mobilize, enough power resources to overpower the opposing side. For example, the new management team in a privatized Bangladeshi soap manufacturing company relied on the government’s new support for market-based economic development (and what it entailed in its support for private capital) in mobilizing their ability to fire workers at will towards stripping workers of their previously maintained power resources and taming the company’s active, and politically-affiliated, TUs (Uddin and Hopper, 2001). When these managerial actions were coupled with the workers’ lack of access to alternative sources of income – both in the form of maintaining a second job and/or state-sponsored welfare programmes –, the workers were rendered completely powerless in their relation with the agents of capital in their company. This caused the creation of a coercive regime of control wherein workers’ consent to the company’s official MCSs designed by capital was rarely a managerial concern: only their obedience was (*ibid.*). On the other hand, the workers in a Sri Lankan state-owned textile Mill managed to initiate collective action – based on their shared cultural beliefs, and mobilized through their politically connected TUs – to gain support from the government officials responsible for overseeing the Mill’s operations in their attempts to resist managerial controls over the workers’ attendance at the Mill (Wickramasinghe and Hopper, 2005).

### 2.4.2.3.2. Hidden power

Hidden power refers to an agent’s (A) ability to use his/her available power resources in a way that would limit the ability of the other agents involved in their exercise of power (B) to articulate their formulated grievances in overt decision making situations. From the perspective of agency and structure adopted in the current research, hidden power is exercised when A uses his/her available power resources (including structural ones) to limit the set of alternatives available for B while exercising their agency to those favourable to A.
Being able to exercise this kind of power requires A to prevail over B in multiple overt decision making situations for a sufficient period of time. This would allow A to have the necessary time and resources needed to establish and maintain his/her own rules and procedures that govern the decision making process and, at the same time, set barriers for B’s participation in future decision making situations (Gaventa, 1980). Through these rules and procedures, A can ensure that the grievances formulated by B never reach the decision making arena.

At the organizational level, hidden power is usually pursued by capital through establishing an ‘official’ set of rules and regulations that are to be adhered-to throughout the different levels of their respective organization(s). Through these rules and regulations, capital - acting through its agents in an organization’s BODs - tries to regulate the organizational agents’ work relations in a way that limits the exercise of visible power by these agents to the channels acceptable by capital. In other words, they limit the alternative courses of action available to the organizational agents to those favourable to them. Furthermore, an organization’s rules and regulations stipulate the ‘acceptable’ conduct expected from these organizational agents within the boundaries of their respective organization. While doing so, these organizational rules and regulations explicitly and/or implicitly identify, and stipulate the sanctions for any form of behaviour considered ‘unacceptable’ by the company’s BODs.

The ‘official’ MCSs designed by an organization’s BODs constitute a significant component of the rules and regulations governing the work relations of their concerned organization. They stipulate the different organizational agents’ rights, responsibilities, the ‘official’ mechanisms for evaluating these agents’ performance compared to their responsibilities, the rewards associated with fulfilling these responsibilities and the penalties triggered by failing to do so. Accordingly, if these MCSs are successfully implemented and maintained at the lower organizational levels, they are bound to develop the form of power exercised by the BODs - and, ultimately, capital - over the organizational agents involved from the visible to the hidden form. In other words, the successful implementation and maintenance of an organization’s MCSs are bound to feedback and strengthen the power relations that formulated these MCSs in the first place.

Nevertheless, the successful implementation, let alone maintenance, of an organization’s ‘official’ MCSs is far from being taken for granted. An organization’s official MCSs can be challenged by the organizational agents affected by them. For example, both the workers of the company examined by Uddin and Hopper (2001) and the workers of the
textile mill examined by Wickramasinghe and Hopper (2005) did challenge the post-
privatization MCSs designed by their BODs. The end results of these two attempts show
the different impacts such attempts can have both on the extent to which an organization’s
designed MCSs can actually materialize in its day to day operations, as well as on the
power of the agents that designed these MCSs in the first place. More specifically, the
management team of the company examined by Uddin and Hopper (2001) was able to
withstand the workers’ attempts to challenge the company’s post-privatization MCSs and,
eventually, the company’s designed MCSs were actually implemented and maintained
throughout the company’s day-to-day operations. Furthermore, once the company’s
management succeeded in establishing their ability to enforce the implementation of the
company’s MCSs over the workers, the workers started developing a sense of
powerlessness in relation to their managers. This sense of powerlessness was reflected on
the workers becoming less inclined to explicitly challenge their managers’ decisions.
Furthermore, this sense of powerlessness fed back to strengthen the power position of the
company’s BODs (and, ultimately, the owners of capital) as they managed to establish a
situation wherein their ‘designed’ organizational rules and regulations were actually
implemented and maintained within the company.

On the other hand, the workers of the textile mill studied by Wickramasinghe and Hopper
(2005) provide a completely different outcome. More specifically, the workers of the mill
were successful in challenging their company’s official MCSs to the extent that they
managed to both undermine these MCSs and to establish a superior power position
compared to their managers. For example, after several failed attempts made by the mill’s
managers to control the workers’ tendency to skip work in order to meet culture-related
obligations in their villages, the managers stopped addressing the issue. Rather than
persisting on changing that ‘unacceptable’ behaviour, the managers found a way to cope
with it: they set the company’s budgets in a way that would take into consideration the
expected future absences by the workers (Wickramasinghe and Hopper, 2005). Once these
‘renegotiated’ MCSs were devised, the workers did not have to fight with the management
for their absences from the workplace anymore. Their power over the management
regarding this issue was well established to the extent that little, if any, further overt
conflict concerning absenteeism was evident at the mill.

2.4.2.3.3. Invisible Power

Invisible power refers to one agent’s (A) ability to affect another agent’s (B) conceptions
about normality so that B’s interests are reshaped to be congruent with those of A. If such
form of exercising power is achieved, A will have B doing A’s bidding without even asking for it. In my view, this is possible only when two conditions are met. Firstly, A has to be able to limit the set of alternative courses of action available for B to choose from when exercising his/her agency to only those favourable to A. This is unlikely to happen without A and B going through several power encounters, both in its visible and hidden forms, with A prevailing in most, if not all, of them.

Secondly, the first condition has to be sustained for a sufficient period of time so that A will have the necessary time and resources needed to develop and offer B some legitimations for the set of remaining alternatives available for B to choose from when exercising his/her agency (i.e., the set of alternatives favourable to A). The existence of these legitimations would allow for the possibility of B coming to terms with these available courses of action and start internalizing the values, beliefs, and/or rules of the game offered by A. Once such a situation is reached, A would not need to exercise neither the visible nor hidden forms of power to ensure B’s compliance with A’s choices (as B would be, to some extent, sharing the same views with A). In other words, B will be willingly doing A’s bidding without A needing to lift a finger.

Two important points should be kept in mind concerning the invisible form of exercising power. Firstly, given the second condition mentioned above, collecting empirical evidence for the exercise of this form of power is more likely to be possible in situations wherein stable power relations between A and B have been evident for a considerable period of time rather than in situations wherein the power relation is subjected to continuous contestations. Secondly, when “B” refers to a group of agents and not a single human being, the exercise of invisible power by A over B does not exclude the possibility of some of the individual agents within group B engaging in some acts of resistance against A’s exercise of power. For one thing, the time needed for B to internalize the values, beliefs, or rules of the game offered by A varies among the individual agents comprising this group. This depends among other things on their resilience in the face of their continuous defeats against A and on their ability to hold on to their own beliefs and views concerning their own real interests. Accordingly, at any given point of time, different individual agents might be at different stages within the process of domination.

Furthermore, the individual agent’s responses to A’s attempts to shape their views and beliefs need not be similar. Indeed, as Scott (1990) points out, for some agents, what seems as quiescence on their part is a coping tactic. While they show quiescence in the presence of A and/or their agents they also hold to their discontent regarding A’s practices. Such
discontent which represents the mental insubordination of the less powerful can be expressed through less explicit practices such as poaching, foot-dragging, and pilfering (Scott, 1990, p. xiii).\(^{23}\)

At the organizational level, an organization’s MCSs can be a useful tool that can be used by the owners of capital in developing the form of their power over the various agents operating within the boundaries of their respective companies from the hidden to the invisible form. More specifically, when implemented appropriately, the remuneration and promotion systems imbedded in an organization’s ‘official’ MCSs can serve as viable legitimations for the organization-specific work relations promoted by the owners of capital. Furthermore, linking these remuneration and promotion systems to a transparent performance evaluation system can serve as a viable justification for the owners’ of capital’s decision on how to appropriate their organization’s surplus value. If acceptable by the organizational agents, the MCSs designed by capital can help these organizational agents ‘come to terms with’ the organizational rules and regulations governing the various work relations within their organization(s). In other words, capital’s success in designing and implementing a set of MCSs within which ‘acceptable’ justifications are offered to the organizational agents involved in power relations manifested within the boundaries of their respective organizations can be conducive to the development of its power from the hidden to the invisible form.

Empirically, the exercise of invisible power by the owner of capital over labour can be seen when the workers accept the justifications offered to them by the owners of capital. As a result, workers start to internalize some, if not all, of the organizational goals set by capital and, consequently, they actively follow the rules and procedures established by capital to achieve these goals.\(^{24}\) In such a situation, capital would have managed to shape the consciousness of the workers regarding the normality of the rules and procedures implemented at the workplace. Once such form of power is possible to be exercised by capital, the organizational rules and regulations, including its MCSs, will not be a subject for contestation and challenge by the workers; it would be just normal for the workers to follow them.

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\(^{23}\) While Scott (1990) presents his argument as a counter argument to that of Lukes (1974), both Farber (2000: 103) and Lukes (2005: 131) point out the possibility of both mental subordination as well as mental insubordination existing side-by-side among the same groups and individuals.

\(^{24}\) despite the possibility that these same rules and procedures were the source of their grievances in an earlier stage of their power relations with their owners of capital.
2.5. Power and the Hopper et al. (2009) model: Towards developing a power-informed version of the Hopper et al. (2009) model

In its current form, the Hopper et al. (2009) model offers a way of organizing the, rather scattered, empirical evidence related to MA in LDCs so that it can be used for ‘analysis, understanding, and promoting dialogue . . . , not theoretical closure’ (Hopper et al, 2009: 473). The current research aims at using the main ideas presented through the Hopper et al. (2009) model as the starting point towards the development of a power-informed theoretical model that incorporates Gaventa’s (2007) views on power into the Hopper et al. (2009) model while, at the same time, adopting the integrative approach to agency and structure presented by Mahoney and Snyder (1999).

Given the integrative approach to the relationship between agency and structure adopted in this research, it is imperative that the power-informed model starts by clearly identifying both the relevant agents implicated in the power relations manifest at the different levels of exercising power within a given country, as well as the social structures (henceforth structural factors) shaping, and shaped by, these power relations. The following two subsections discuss the nature of the agents and structural factors that are incorporated into the power-informed model before the model itself is presented in subsection (2.5.3).

2.5.1. The main agents included in the model

For the purposes of the current research, three agents are considered the main relevant agents implicated in the power relations affecting the shaping of the regimes of control within which MCSs are designed and implemented: capital, labour, and the state. **Capital** refers to the human aggregates representing the private owners of the means of production. At the organizational level, capital represents the owners of capital in any concerned company. At that level, capital usually delegates the responsibilities of managing their owned means of production towards the realization of profit to a specific group of individuals such as the BODs and senior management (BODs). Acting in this capacity, the BODs of any given organization represent agents of capital. At the national level, capital refers to the human aggregates representing all of the capitalists in a given country. From an LPT perspective, these human aggregates constitute the social class of bourgeoisie.

**Labour** refers to human aggregates from the working class that in a capitalist MOP sell their labour power to capital in return for wages. Depending on the level of analysis, the
scope of the term labour can vary considerably. At the organizational level, labour refers to the group of workers hired by capitalists to perform certain tasks within an organization for a wage. At the national level, the scope of the term ‘labour’ extends to refer to the entire working class within a given country. From an LPT perspective, these human aggregates constitute the social class of the proletariat.

While exercising their agency at the organizational as well as national levels, labour is usually, represented by TUs as a way of substituting their ‘individual’, localized, bargaining power with a collective one capable of protecting labour’s interests at the national and organizational levels (Hopper et al., 2009). In this case, TUs can be considered as agents of labour that are entrusted by labour to protect its interests. Furthermore, in countries wherein different political parties compete with each other to assume the political leadership at the national level, both labour and their agents (i.e., TUs) are usually strategically connected to these political parties. Whenever this situation materialises, the political parties interested in securing the votes of labour in their pursuit of political leadership would commit to act as the agents of labour to the extent that, if successfully elected to assume influential political positions in the country, they would safeguard labour’s interests. Nevertheless, TUs do not always act in the best interest of labour. Indeed, throughout the power struggle between labour and the other agents interacting at the national and/or organizational levels, TUs can be ‘neutralized’ and/or ‘co-opted’ by these other agents in order to limit TUs’ ability to safeguard labour’s interests (Kassem, 2004; Kelly, 2004).

As an agent, the state refers to the political leadership of any given country. This leadership is usually entrusted to the government. Nevertheless, depending on a country’s political system, it may alternatively be the property of the head of the state such as the president, king/queen or the military. Ideally, the state would be concerned with furthering the interests of the country’s populace including both labour and capital. However, practically, it is difficult to identify the interests of the state. This is because the state consists of a hybrid of political actors and institutions, which might have different, and sometimes competing, interests. At times, the power relations at the national level might reshape the interests of the state to favour a given group of the population at the expense of the others.

While pursuing its interests, the state maintains control over the country’s means of violence. Nevertheless, even though the state might resort to force and coercion to protect its interests, it usually seeks consensus (Hopper et. al., 2009). Accordingly, it usually
exerts its power through the R&Ls governing the different social relations within the boundaries of its country.

Presenting these three actors as being the **main** relevant agents to be included in the power-informed model does not mean that labour, capital and the state are the only agents implicated in the power relations of a given country. Indeed, each level of exercising power, especially the supra-national and national levels, have a number of different other agents entangled in these power relations. For example, there are the IFIs operating at the supra-national level and the TUs and political parties operating at the national level. Focusing only on labour, capital, and the state merely sets the boundaries for the current analysis. Accordingly, understanding the power relations between the different agents within and outside companies operating in LDCs, and consequently the nature of the MCSs designed and implemented in these companies, requires examining the power relations between these three agents - and any other less influential agents - at both the national and the organizational levels within which they interact.

### 2.5.2. The main structural factors included in the model

The structural factors included in the power-informed model are largely derived from the contextual factors included in the Hopper et al. (2009) model. For the purposes of the current research, the structural factors that are considered to affect, and be affected by, the exercise of power by the agents implicated in the privatization of SOEs in LDCs are organized into three groups: structural factors at the supra-national level, structural factors at the national level, and company-specific structural factors. At the supranational level, only one structural factor is included in the model: international finance. At the national level, the structural factors included in the model are: MOPs; culture; ethnicity and race; political systems; R&Ls; and labour markets. At the organizational level, two company-specific structural factors are included: market conditions and technology. The following three subsections discuss these structural factors.

#### 2.5.2.1. International finance

While the exercise of power at the supranational level is not the focus of the current research, it is nevertheless relevant for understanding the reasons why LDCs start privatizing its SOEs. Many LDCs are constrained by poverty, fiscal crises, and weak capital markets (Hopper et al., 2004). Accordingly, many of these countries rely on securing loans and grants from international aid agencies, foreign governments, and IFIs such as the WB and the IMF for their economic survival (Hopper et al., 2004, p. 12). At
that level, as Stiglitz (2002) points out, most of the negotiations between the LDCs and the IFIs are settled based on power games rather than a real concern about the economic policies suitable for each individual country. Given their poor economic conditions, LDCs have little chance to argue, let alone reject, the policy ‘recommendations’ and loan conditions offered by the IFIs (Craig, 2000; Stiglitz, 2002; Letza et al., 2004; Odukoya, 2007).

Accordingly, LDCs are expected to follow the ‘advice’ of the IFIs if they are to be eligible for the loans and aids provided by them. Throughout the 1980s and 1990s, such ‘advice’ was quite consistent in almost all LDCs. It involved replacing their centrally-planned economic development programs with market-based ones. These market-based economic development programs were based on free trade, promoting investment, boosting and structuring the financial sector, limiting government intervention and allowing for a greater role of the private in economic development (Hemming and Mansoor, 1988; Cook and Kirkpatrick, 1995; El-Mahdi, 2003). The impact of such commitment by the LDCs’ states meant that they had to start privatising their SOEs and granting private owners control over their businesses that is free from government intervention. The repercussions of the changes induced by the IFIs extend well beyond the power relations at the supranational level to affect the power relations and structural factors at the national as well as organizational levels. The following two subsections discuss the structural factors at these two levels.

2.5.2.2. Structural factors at the national level

An MOP refers to the social relations into which people enter when they transform nature (i.e., transform objects into useful things) (Burawoy, 1985 and Hopper et al., 2009). According to Burawoy (1985:29), each mode of production is made up of two sets of social relations: relations in production and relations of production. Relations in production refer to the social relations into which men and women enter in order to produce useful things. They are the social relations between and among workers and managers - also referred to as the technical division of labour (Burawoy, 1985:13, 29). Relations of production refer to the social relations among people - also referred to as the social division of labour. They are the relations of distribution and consumption of the product of labour and the relations through which surplus is pumped out of the direct producers (ibid.). The two sets of relations constitute the characteristics of the labour process. MOPs range from feudalism to contemporary capitalism. Their effects extend beyond work relationships to exchange relationships, stratification systems, cultural
beliefs, ideologies politics and urbanisation, which, in turn, provoke tensions in the workplace and domestic politics (Hopper et al., 2004, p. 4).

Any given MOP entails some specific power relations between the providers of capital and the sellers of labour power. For example, a capitalist MOP, be it state capitalism or market capitalism, would advantage capital over labour resulting in unequal bargaining strengths in capitalist labour markets. Labour’s lack of access to the means of production puts it in a relatively weaker position when compared to capital (Layder, 1985). However, that does not mean that the relationship between the buyers and sellers of human labour is a one-way power relationship; it means that their power relationship is asymmetrical. As Kreckel (1980, p. 529) phrases it:

‘. . . both sides ‘need’ one another and both possess certain undisputed rights. Yet their relationship is an asymmetrical one. First, they do not need each other for the same purpose. Second, and more important, the conditions of their encounter are unequal for a very simple reason: unemployed labour in a capitalist system loses its exchange value more quickly than unemployed capital.’

Nevertheless, capitalist MOPs are usually preceded by other non-capitalist MOPs wherein labour does have control over, and even ownership of, some of the means of production and could survive economically by investing in subsistence agriculture (Taylor, 1979). Furthermore, the transformation from these non-capitalist MOPs to capitalism can be an uneven process: while some sectors might fully transform into capitalist MOP, others retain, or slightly transform their non-capitalist relations and techniques. In such a hybrid system, capital’s advantaged power position over labour is in question because, at least for some segment of labour, labour can have some alternatives to selling their labour power for a wage or salary (ibid.). The existence of these alternatives can affect the labour-capital power relations in a number of ways. For example, labour’s decreased reliance on capital for economic survival can be used as a power resource by labour when exercising their power with capital. Furthermore, tensions at the workplace can arise whenever the workers’ contractual obligations towards capital threaten their ability to maintain their alternative sources of income.

Culture is the state or habit of mind that underpins a way of life of a group or community, their outlook on the world and their general reaction to a general and major change in the conditions of their common life (Williams, 1958). Related to the notion of culture are the notions of ethnicity and race. Issues relating to ethnicity arise when a group(s) of people claim cultural distinctiveness based on their languages, religions, occupations, politics and geographical demarcations. When such classification of people is based on physical
appearances, the issue is that of race rather than ethnicity (Haralambos, 1974 cited in Hopper et al., 2009).

Cultural beliefs are relevant to the analysis of power relations in LDCs to the extent that they can either strengthen the existing power structure or challenge it. When capitalism, and what it entails of power relations between capital and labour, is introduced to rural areas accustomed to non-capitalist MOPs, the cultural beliefs dominating these areas are usually a source of resistance for the domination of capital over labour: they provide the basis for collective actions resisting capitalist practices, including the MCSs designed by them, threatening the workers’ long held customs and beliefs (Wickramasinghe and Hopper, 2005). For labour, it is a matter of defending their own way of life against managers attempting to undermine and change these customs and practices (ibid.). Similarly, when ethnicity and/or race provide a source of identity to the workers at the workplace, they can be the source of considerable tensions and power struggles within the concerned organization (Fleischman and Tyson, 2000, 2004). Ethnicity and race can provide groups of workers with the base for collective action against management practices, especially when the managers come from a different ethnicity and/or race (Wickramasinghe and Hopper, 2005).

From a power perspective, a country’s political system can be viewed as the overall framework regulating the various spaces of power embedded in its three institutional branches (the judiciary, the legislature, and the executive) and the formal processes through which access to these spaces could be secured by the different political agents operating at the national and/or sub-national levels. When considered in its totality, a country’s political system sets the overall tone for the political life within its boundaries. It decides the extent to which a country can be classified as a democratic (i.e., a country wherein different political parties are allowed to transparently compete towards gaining access to the various spaces of power) or an authoritarian one (i.e., a country wherein a given political party monopolises a country’s decision making processes at the expense of other political parties’ ability to maintain their existence and/or to ‘fairly’ compete against the ruling party).

Democratic regimes tend to value the votes of their citizens. Within these regimes, the ability of the different political agents (i.e., politicians) to gain access to the spaces of power across the different levels of their country hinges upon their ability to attract the majority of the citizens’ vote. Labour, employed by both the public and private sectors, constitutes a major part of the population addressed by these political agents. Accordingly,
assuming its ability to act collectively, labour can play a major role in settling the political battles between opposing political candidates. Being fully aware of the political importance of a well-organized labour force, political parties tend to maintain close connections with TUs so that they can have access to the workers’ votes at election times. Such a connection to the political life outside the organization - which represents an access to actors at a higher level of exercising power - presents an opportunity for labour to seek support from the politicians and government officials in settling whatever major conflicts they have with their employers.

However, evidence shows that not all of LDCs maintain a democratic political system. LDCs often have single and/or dominant party systems (Hopper et al., 2009) and, in many cases, that party is ruled by a single person (Smith, 1995). In these non-democratic regimes, securing access to a country’s spaces of power does not necessarily depend on the candidates’ ability to secure public votes. Consequently, labour’s connections with the political parties, whenever they exist, may not be so useful for furthering labour’s interests. Nevertheless, it is important to keep in mind that, in order for the ruling agents to maintain their access to a given country’s influential spaces of power, these agents are usually interested in maintaining a quiescent, if not a supportive, labour force.

Throughout a given country’s spaces of power, the tasks of devising, implementing, and safeguarding the proper implementation of the R&Ls governing the various social relations within its geographical boundaries are assigned to the agents who have gained access to that country’s legislative, executive, and judicial branches respectively. When maintained for a sufficient period, the R&Ls issued by the legislature, implemented by the executive, and safeguarded by the judiciary, can qualify to be a structural factor representing a significant part of a country’s reproduced social relations affecting, and affected by, the exercise of power by the agents operating within that country.

**R&Ls** are usually devised by the state through the legislature. They are the vehicle through which the state exercises its hidden power over its populace. Nevertheless, that does not mean that the nature of these R&Ls are decided by the state in isolation from the other agents implicated in the power relations taking place at the different levels of a country. The R&Ls issued by the state regulate, among many other social relations, a country’s relations of and relations in production. Accordingly, both labour and capital would usually be inclined to exercise their power at the national level in order to influence the shape of these R&Ls towards furthering their own respective interests. The end result of this exercise of power by labour, on the one hand, and capital, on the other, can shape the
R&Ls issued by the state in a way that favours the interests of the more powerful side at the expense of the less-powerful. Alternatively, it can result in negotiating the nature of these R&Ls towards the attainment of R&Ls acceptable to both of them (if labour and capital maintain comparable - i.e., balanced - power relations at the national level).

Along with regulating the relations of and relations in production, a country’s R&Ls regulate the labour markets within which labour and capital interact. For the analytical purposes of the current research, labour markets refer to the ‘... specific mechanisms and institutions through which the purchase and sale of labour power are arranged’ (Porter, 1985, p. 86). Throughout these markets, employment, unemployment, wages and working conditions are determined (Brooks, 1996). The extent to which the state assumes a significant role in regulating the labour markets within its geographical boundaries depends to a large extent on the overall economic, ideological, and political standpoints it adopts. State capitalism, and what it entails in limiting the role assigned to private capital in national economic development, is usually associated with highly regulated labour markets that privilege labour with economic benefits such as high levels of job security and higher shares in the surplus value generated within their respective companies (Monk and Hodge, 1995). Furthermore, these regulated labour markets are usually associated with restricting management’s power in their respective workplaces. This is mainly done through limiting management’s control over hiring and firing in an attempt to foster both labour’s job security and the importance of internal labour markets. It is also conducted through limiting management’s control over the remuneration systems designed and implemented within their respective companies.

On the other hand, market capitalism, and what it entails in assigning private capital the leading role in improving the economic conditions of the concerned country, is usually associated with lessening the restrictions imposed on capital when dealing with labour within their organizational boundaries (Monk and Hodge, 1995). Accordingly, capital is allowed higher levels of discretion when dealing with labour through both the internal and external labour markets thus allowing capitalists higher control over hiring, firing, pay and promotions.
2.5.2.3. Company-specific structural factors

Labour markets are not the only type of markets that can affect the labour-capital power relations within their organizational boundaries. More specifically, a company’s product markets can affect these power relations, at least indirectly. The **market conditions** within which a company operates are usually shaped by different factors outside the control of the agents interacting within its organizational boundaries, such as the R&Ls governing entry to the market and entry costs. Nevertheless, for the analytical purposes of this research, ‘market conditions’ is considered to be a company-specific structural factor that is unique to the companies operating in any given industry.

While different companies can operate in a number of different market conditions, three market conditions are considered in this research: competitive, oligopolistic and monopolistic markets. Operating in competitive markets is usually associated with facing less-certain work environments and a limited control over a company’s products’ prices; especially when the nature of the products involved does not allow for a high level of product differentiation on the part of the producers involved (Marchington, 1992). In such an environment, capital’s ability to maximize surplus value is usually contingent on its ability to design and implement MCSs and AISs conducive for the ‘efficient’ utilization of the company’s resources, minimizing its costs, and maintaining and expanding its customer base (Porter, 1985). Achieving these goals while having discontent workers can be a challenge for capital (see, for example, Ezzamel et al., 2004).

On the one hand, competitive markets are likely to render capital more dependent on the continuity of its company’s operations to ensure meeting their contracting obligations towards their customers (Kelly, 1987; Marchington, 1992). Accordingly, actions of overt defiance initiated by the workers, such as sit-ins, strikes, and/or halting production, can prove to be very costly for capital as far as their relations with their customers are concerned. On the other hand, even if capital manages to secure workers’ obedience through establishing a stronger power position compared to labour; mere obedience might not be enough for achieving these goals. Indeed, the ‘hidden’ actions of mental insubordination on the workers’ part can impede the full realization of these goals (see Scott, 1985; 1990 for more details).

Accordingly, competitive markets are more likely to be associated with capital’s interest in securing labour’s genuine cooperation and not only their obedience. This is expected to be done through the design and implementation of consensual MCSs that foster goal
congruence between labour and capital by taking into consideration the interests of both of them or, at the very least, with MCSs that offer labour some justifications for accepting their subordination to capital. Nevertheless, it is important to note that competitive markets can also be associated with coercive regimes of control. According to Burawoy (1985), failing to produce satisfactory financial performance in highly competitive markets can render labour and management susceptible to the threat of company shutdown by the owners of capital. If such a situation materializes, both managers and workers might be inclined to accept previously unacceptable work conditions in the fear of losing their jobs in case the capitalist decides to move his/her capital into more promising investments.

However, not all companies operate in competitive markets. Monopolistic and oligopolistic companies can exist in both DCs and LDCs. These markets are usually more stable and allow their companies a higher level of control over their selling prices when compared to competitive ones (Posner, 1975). These decreased market pressures and increased control over output prices are usually reflected on capital’s ability to realize privileged surplus value (i.e., monopolistic profits) compared to what companies operating in more competitive markets can achieve (Susman and Schutz, 1983). Furthermore, monopolistic and oligopolistic companies’ increased control over their output prices offers them the chance to respond to their internal inefficiencies by increasing their prices (ibid.). Such flexibility can be conducive to the production of unbalanced power relations between labour and capital. On the one hand, the costs incurred by capital because of the workers’ acts of discontent, be they visible and/or hidden, become more affordable by capital since these costs can be compensated for through their monopolistic profits and/or their superior power relations with their suppliers and customers (ibid.). Accordingly, capital can be more capable of withstanding the acts of discontent initiated by their workers and, hence, become more capable of establishing a stronger power compared to these workers. On the other hand, running a monopoly can - depending on the nature of technology used by capital throughout the company - bestow the workers of the concerned company with a very influential power resource: their unique, superior knowledge of work technicalities (i.e., their skill). If such a situation materializes, and if the workers have the ability to mobilize this power resource effectively, they can use their superior knowledge of work technicalities towards tipping the scale of power within their company in their favour. As it will be explained throughout the thesis, powerful workers can affect the extent to which the actual MCSs implemented within their own company either resemble or be decoupled from its official designed ones.
Again, monopolistic profits can help capital afford any costs that can be associated with these unbalanced power relations and decoupled MCSs.

The last structural factor included in the model is the type of technology used within an organization, including both its manufacturing and administrative departments. The focus here is on the extent to which a given company’s technology is reliant on the existence of highly skilled workers and how the adoption of this type of technology would affect the labour-capital power relations within their organizational boundaries. Capital’s reliance on the labour-power of skilled workers increases the value of the workers’ superior knowledge of work technicalities and, hence, increases their collective bargaining power (Braverman, 1974). On the other hand, changing the type of technology implemented throughout an organization can be used by capital to decrease their reliance on the workers’ superior knowledge of work technicalities and allow capital the chance to exercise their power over labour through less visible means.\(^{25}\)

### 2.5.3. The power-informed model

The power-informed model (see figure 2.3) traces the dynamics through which the interaction between the exercise of power by the agents implicated in the privatization of SOEs in LDCs, on the one hand, and the structural factors prevailing in the concerned country’s levels of exercising power, on the other hand, affect the design, implementation, and transformation of pre- and post-privatization MCSs in these SOEs. Within the context of the power-informed model, MCSs are considered to be one of the main vehicles through which capital and/or the state attempt to exercise a hidden form of power over the organizational agents affected by these MCSs (including labour). This is done through explicitly (and/or implicitly) identifying these organizational agents’ rights, responsibilities, the mechanisms used for evaluating their actual performances in relation to their responsibilities, and the potential rewards/penalties associated with their ability/inability to fulfil these responsibilities. In addition, a company’s implemented MCSs can help develop the form of power exercised through them from the hidden to the invisible form when they are supplemented with enough legitimations conducive for their acceptance by the organizational agents affected by them. The following subsections introduce the model.

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\(^{25}\) See Rosen and Baroudi (1992) for an account of how the use of computer-based technology can be used by capital to weakens labour's power and strengthen their own.
Figure (2.3): The power-informed model

International Finance
IFIs, Aid Agencies, and Foreign Governments

The State
TUs and political parties

R&Ls

The Political System

MOPs

Ethnicity and Race

Capital and its agents (Management)

Labour and its agents (Local TUS)

MCSs

Technology

Organizational

Labour Markets

Market Conditions

Culture

Supra-national

National

Power relations (spaces and forms of power)
2.5.3.1. Power relations and structural factors at the supra-national level

The labour-capital power relationships do not usually extend beyond the national contexts within which they interact. However, the power relations taking place at the supra-national level between an LDC’s state on the one hand, and the IFIs and the other international donors and lenders on the other hand, do have an impact on both the labour-capital power relations and the structural factors operating at the national level of any given LDC.

Following their independence, most LDCs were constrained by poverty, fiscal crises, weak indigenous capitalist class, and weak capital markets (Hopper et al., 2004). Accordingly, achieving the economic development goals they sought meant that they had to turn to the international community for help. Such help was not always ideologically free. Throughout the Cold War\textsuperscript{26} during which most LDCs gained their independence, aid and loans were usually offered to LDCs by the then two competing super powers: the USA and its allies, and the Soviet Union (Dunning, 2004). Foreign aid and loans were usually conditioned on the receiving countries’ willingness to be strategically and ideologically allied with their donors. The western bloc promoted the capitalist ideology, mainly in the form of state capitalism, and the USSR promoted communism and socialism (Dunning, 2004). Both ideologies entailed the state assuming a significant role in leading the economic development within its borders with communism taking the level of state-intervention to the extreme.

After struggling with troubled economic conditions for a considerable period of time, many LDCs had to again reach out to the international community for help. However, as the cold war was coming to an end, the main active international donors and lenders at the time belonged to the capitalist west, such as the IMF and WB. Almost all of the LDCs that sought these institutions’ help were ‘advised’ that they had to abandon their centrally-planned economic development programs and to start new, market-based ones that assigned private capital the main role in leading the economic development of these LDCs (Stiglitz, 2002). Accordingly, many LDs, in compliance with the loan conditions incorporated into the structural adjustment programs promoted by the IFIs, started to restructure their business environments to be more ‘capital-friendly’.

\textsuperscript{26}Often dated from 1947 to 1991.
2.5.3.2. Power relations and structural factors at the national level

At the national level, adopting state-capitalism, socialism, or communism as the concerned LDC’s official ideological standpoint has two significant implications for the power relations operating at that level: First, the role assigned to private capital in the economic development of the concerned country is significantly decreased. This situation is usually exacerbated when the state decides that the country’s economic development is best achieved through nationalizing privately owned manufacturing companies. When such a situation materializes, (which was usually the case with post-colonial LDCs, Hopper et al., 2009), an LDC’s public sector is usually developed at the expense of the size and importance of its private sector. Eventually, the size and power of private capital within these countries is minimized.

Secondly, the state’s control over its growing public sector intensifies the power relations between labour and the state at the national level. More specifically, even though SOEs are usually led by their own BODs and supervised by their respective ministers, the state is the ultimate employer of public sector workers. This means that labour has the option of expressing their work-related grievances outside their organizational boundaries in order to attract the attention of its ultimate employer (i.e., the state) whenever these grievances are not resolved by the agents of the state in their respective organizations (i.e., management). Furthermore, when these grievances are shared by the workers of different SOEs, localized acts of discontent, such as sit-ins, strikes, and demonstrations, can escalate into collective actions threatening the political stability of the concerned country. These collective actions can at times be carried out with the help of labour’s agents at the national level, such as TUs and/or the political parties interested in maintaining a political alliance with labour. Such visible exercise of power taken by labour necessitates a response from the state. This response can be based on oppression when the state uses force to dismantle labour’s acts of discontent. Alternatively, the state’s response can be one of concession in which the state chooses to accommodate some, or all of, the demands of labour. Sometimes a combination of both is followed and the state decides to dismantle localized acts of discontent while offering some concessions that would deter any further escalation by them.

Given their potential negative impact on the nationwide political stability, it is quite costly for the state to allow for its visible encounters with labour to continue for a long time. It is also expensive and harmful for the state to continuously use force so as to repress the
labour’s acts without a valid justification for such use of force. In order to prevent such visible encounters from occurring and at the same time create some sort of ‘legal’ justification for the state’s potential use of force against them, the state tend to develop the country’s R&Ls in a way that would govern the ‘acceptable’ channels through which labour can articulate and act upon their grievances both within and outside their organizational boundaries. To the extent that the state is able to establish and maintain these R&Ls, it can develop its power over labour from the visible to the hidden form. More specifically, the frequency with which the state has to explicitly deal with labour’s explicit acts of discontent will be reduced through the regulatory framework stipulating the forms of ‘acceptable’, ‘legal’ channels of articulating grievances; the ‘unacceptable’, ‘illegal’ channels; and the consequences of failing to limit acts of discontent initiated by labour to the ‘legal’ ones.

Nevertheless, labour is less likely to accept these R&Ls if they clash with the country-specific structural factors operating at the national level such as culture, ethnicity and race, and MOPs. Also, it is harder to accept them if they are not accompanied with a set of concessions offered to labour by the state so as to secure and maintain labour’s quiescence. Embedding such concessions into the R&Ls governing the various social relations operating within a particular country, in general, and the work relations in SOEs in particular, ties the eligibility of receiving these concessions by labour to their adherence to the other, ‘controlling’ parts of these R&Ls.

Accordingly, ‘R&Ls’, as a structural factor, is more likely to be subjected to several contestations by labour before it is shaped into a version acceptable to both labour and the state. The prerequisite of course here is that the state is interested in maintaining a quiescent, cooperative labour force that can fulfil its role in facilitating SOEs’ contribution to the country’s economic development plans. The concessions offered by the state to labour can include: labour market security (i.e., adequate employment opportunities through state-guaranteed full employment), employment security (i.e., protection against arbitrary firing, regulating hiring and firing, and protection against the imposition of costs on employees), job security (i.e., ensuring that workers will have a career path throughout their employment in SOEs), work security (i.e., protection against accidents and illness at work, through safety and health regulations, limits on working hours, unsociable hours, and night work for women), skill reproduction security (i.e., offering labour the opportunity to retain and develop their skill through training and apprenticeships), income
security (i.e., protection of income through mechanisms such as minimum wage machinery, wage indexation, comprehensive social security, and progressive taxation), and representation security (i.e., protection of labour’s collective bargaining power through incorporating TUs and employer associations into the state both politically as well as economically) (Standing, 1997, pp. 8-9).

From a power perspective, offering labour ‘representation security’ can be seen as inviting labour into the decision making processes taking place at the national and organizational levels so as to assume an influential role in shaping the policies and decisions affecting it. At the national level, these invited spaces of power can range from allowing labour the chance to have influential members in the parliament to offering them consultancy role(s) in order for labour and/or its agent(s) to articulate their concerns about the state’s current and future decisions and policies. Similarly, at the organizational level, these invited spaces can take the form of incorporating labour into the official decision making processes taking place within their respective companies. When the state manages to offer labour enough concessions conducive for their acceptance of the overall regulatory framework governing their social relations within and outside their organizations, the explicit encounters between labour and the state are more likely to decrease and the state will be on its way to develop its power over labour from the hidden to the invisible form.

Meanwhile, the R&Ls shaped by these encounters would have established a set of ‘ideal’ work relations that are expected to manifest in the companies regulated by these R&Ls, including the ‘ideal’ labour-management power relations and the ‘ideal’ MCSs designed within these companies. I consider these work relations as ‘ideal’ because their articulation in a country’s R&Ls does not necessarily ensure their applicability throughout the day-to-day operations of the concerned companies. The extent to which these ‘ideal’ work relations will actually materialize in the day-to-day operations of an SOE is more likely to be contingent on its actual labour-management power relations as well as on the ways in which these relations affect the design and implementation of its MCSs.

Theoretically, the ‘ideal’ power relations sought by the R&Ls shaped at the national level can follow one of the following three scenarios: powerful-management/less-powerful-labour (powerful management), comparably powerful labour and management (balanced power), or powerful-labour/less-powerful-management (powerful labour). Nevertheless, given the limited managerial power entailed by the powerful labour scenario (and the negative aspects that can be associated with such limited power), this scenario is less likely
to be officially pursued by the state. On the other hand, the actual power relations operating at the organizational level can follow any of these three scenarios.27

Changing an LDC’s economic and ideological philosophy from state-capitalism to market-capitalism entails significant changes in the power dynamics operating at its national level. More specifically, the gap resulting from the state shrinking its economic role has to be filled with capitalists, both local and foreign. Accordingly, the power relations at the national level are not limited to those between labour and the state anymore. This is because the previously-neutralized private capital is to be, once again, reintegrated into the power relations taking place at both the national and organizational levels through both privatizing SOEs and providing attractive opportunities for new private investments. In other words, the labour-state power relations prevailing through state-capitalism are to be replaced by labour-capital power relations; with the state assuming a regulatory role that governs the nature of the power relations between labour and capital.

Nevertheless, this is not a straightforward task. For example, the structural factors ‘R&Ls’ and ‘labour markets’ that have been shaped throughout the different stages of state-capitalism to offer labour the concessions it enjoyed at the national and organizational levels usually render investment opportunities in the concerned LDC less appealing. Accordingly, moving forward with the transition from state to market capitalism is more likely to create for the state a ‘tricky’ situation. More specifically, meeting the loan conditions stipulated by the IFIs requires the state to start divesting from the public sector in order to allow the private sector to the opportunity to assume its role in leading the country’s economic development process. At the same time it has to establish a business environment conducive for the sustainability of this role. Nevertheless, privatizing SOEs and curtailing the concessions offered to labour bears the risk of distorting the labour-management power relations developed and maintained at the organizational levels and, hence, distorting the labour-state power relations at the national level (i.e., igniting political unrest across the country). On the other hand, extending the concessions offered to the public sector workers to the workers of the privatized companies as a way of mitigating the risk of political unrest would both contradict the requirements of the IFIs’

27 This depends on both the power resources available for labour and/or management, and their ability to mobilize their available power resources towards strengthening their power positions within their organizations and, hence, realizing their interests.
loan conditions, and make these companies less attractive to private investors, both local
and foreign.

This situation reflects an apparent conflict between the interests of labour and capital. The
state has the responsibility of resolving this conflict in a way that would both facilitate
capital’s integration into the economy while at the same time ensuring the maintenance of
political stability within its borders, i.e., maintaining labour’s quiescence. Accordingly,
during market capitalism, the exercise of power at the national level of LDCs is more
likely to witness several encounters between labour and capital. On the one hand, labour
will be trying to protect the concessions it secured from the state throughout the concerned
LDC’s state-capitalism era. On the other hand, capital will be mobilizing their available
power resources towards the creation of a regulatory framework that would grant them a
higher level of discretion within their organizations. Given the importance of private
capital for the success of the economic development plans pursued by the market-capitalist
LDCs, this conflict is usually resolved in favour of capital with the concerned LDC’s
structural factors R&Ls and labour markets being reshaped to accommodate their interests
at the expense of those of labour.

Accordingly, it can be expected that the transition from state to market capitalism will
eventually entail a change in the concerned country’s regulatory framework towards the
creation of a powerful-management/less-powerful-workers scenario within both private-
from-inception and privatized companies. Nevertheless, it is important to keep in mind
that the ‘actual’ power relations operating at the organizational level do not have to follow
the ‘ideal’ power relations perpetuated by the R&Ls. Instead, the extent to which these
actual power relations will resemble the ideal ones would depend on the power resources
available to labour and/or management and on their respective ability to mobilize these
power resources towards the realization of their respective interests.

2.5.3.3. Power relations, MCSs, and AISs at the organizational level

While the exercise of power at the organizational level is affected by, and can affect, the
power relations and structural factors shaped at the national level, organizations remain to
be power arenas of their own. For the purposes of this research, the agents implicated in
the power relations operating within privatized SOEs are considered to be the agents of
the state or capital (during state capitalism for the former and during market capitalism for
the latter) at the BODs level of these SOEs; their agents at the operational levels of their
respective companies; labour; and their TU leaders (i.e., the organizational agents). While exercising their agency, all of these agents are affected by the structural factors shaped at the national and organizational levels. However, their actions are not determined by them. Instead, the structural factors affect the set of alternative courses of actions available for each agent when exercising his/her respective agency. This is done through serving as power resources available for any of the concerned agents to utilize in his/her pursuit of realizing his/her respective ‘interests’ rather than by determining the courses of actions chosen by these agents. Furthermore, over an extended period of time, these structural factors can be challenged, and even changed, by these agents whenever they are perceived to hinder their ability to realize their goals.

The exercise of power by the organizational agents involved can take any of the three forms of power explained in subsection (2.4.2.3). Nevertheless, just as the unregulated exercise of visible power by labour at the national level can be disruptive for the political stability at the national level, their unregulated exercise of visible power with their management can be just as disruptive at the organizational level. Accordingly, it is usually in the best interest of capital and/or the state to regulate the ‘acceptable’ channels through which labour and its agents can exercise their visible power at the organizational levels of the concerned LDC. Furthermore, it is also in the best interest of capital and/or the state to develop the form of the power they exercise over labour away from any disruptive, visible encounters they might have with labour and towards more hidden and invisible forms.

As explained in subsection (2.4.2.3.2), the official MCSs designed at the BODs level of the concerned companies are one of the main vehicles through which the BODs attempt to exercise their hidden power over labour. Nevertheless, because they are a manifestation of the exercise of power by the BODs over labour, the nature of MCSs designed at the BODs level is bound to be contingent on the actual power relations between these two agents. More specifically, to the extent that the workers of a given organization can develop and mobilize enough power resources that would enable them to have influential access to the decision making processes taking place at the BODs level, they can have the chance to negotiate the nature of their organization’s official, designed MCSs towards the acknowledgment of their interests by their BODs and senior management.

Nevertheless, even if labour fails to secure and/or to mobilize the necessary power resources needed to affect the design of their organization’s official MCSs prior to their
implementation at the operational level; that does not necessarily ensure the successful implementation of these MCSs throughout the organization’s day-to-day operations. Indeed, labour can attempt to resist the implementation of the official MCSs at the lower, operational levels of their respective organizations. The end result of these confrontations between management and labour depends on the actual labour-management power relations manifested at the operational level of the concerned company. Firstly, labour’s explicit acts of resistance, such as strikes, sit-ins, and/or factory occupation, can be rendered fruitless whenever the actual labour-management power relations are those of powerful management. More specifically, if the management of the concerned company can overpower labour, the challenges initiated by labour to the company’s official MCSs will eventually be sanctioned and the original, official MCSs will be maintained and reinforced. This is because the workers’ failed attempt(s) to challenge the company’s official MCSs would serve as a barrier for similar future acts of resistance. Whenever such a situation materializes, and as the workers’ tendency to initiate similar, explicit acts of resisting their official MCSs is reduced, management will be on its way to develop its power over labour from the visible to the hidden form.

Within such a regime of control, given the management’s ability to secure labour’s obedience and enforce the proper implementation of the company’s official MCSs, motivating workers and securing their consent to the managerial practices at the workplace will not be a major concern for the management since compliance to the official MCSs can be achieved through coercion. Accordingly, it is less likely that these MCSs would pay special attention to motivating labour’s performance through implementing sophisticated remuneration and promotion systems fostering goal congruence between labour, management, and capital (or the state). AISs will be centred on its financial function for financial reporting purposes and budgets will be prepared at higher managerial levels and passed down in physical terms as plans for future production levels. Nevertheless, it is important to note that while overpowering labour might secure their obedience on the shop floor, it does not necessarily mean that management will be able to secure labour’s genuine cooperation. In other words, while labour might be forced by management to abide by the official MCSs designed by their BODs - through the exercise of visible and/or hidden power -, that does not mean that labour will respond to this coercion by investing the full potential of their labour power towards the realization of the goals sought by these MCSs.
Securing labour’s genuine cooperation requires management to develop its power over labour from the hidden to the invisible form. Being able to do so hinge on the management’s ability to develop and offer labour sufficient legitimations for the company’s official MCSs. These legitimations are more likely to be embedded in the company’s remuneration and promotion systems in a way that would transparently link pay and promotion to the workers’ performance throughout the company’s day to day operations. In addition, the company’s AISs will be modified to facilitate the implementation and maintenance of these new, modified MCSs. If accepted by labour, these MCSs will probably not be subject to serious contestations throughout the company’s day to day operations. Furthermore, if consensually maintained for a sufficient period of time, these MCSs would be the cornerstone for developing the management power over labour from the hidden to the invisible form.

Secondly, labour’s acts of resistance to the official MCSs designed by the BODs can lead to the renegotiation of the organization’s official MCSs whenever the actual labour-management power relations at the operational level are those of balanced power relations. The end result of these negotiations would involve devising a new, modified set of MCSs that are acceptable to both labour and management and, hence, implementable at the operational level. These ‘new’ negotiated MCSs can either be integrated into the organization’s official MCSs - if labour has access to the decision making processes at the BODs level -, or be maintained as a set of informal, actual controls that are decoupled from the official ones.

Within such a regime of control, the actual MCSs implemented throughout the day to day operations of the company are more likely to be consensual. On the one hand, the management’s inability to overpower labour would force management to seek labour’s consent and, hence, acknowledge and accommodate its interests. This would materialize upon the condition that these interests do not come at the expense of the proper running of the company and/or the realization of the company’s goals). On the other hand, labour’s inability to overpower management would force them to negotiate the implementation of MCSs that would serve the interests of labour, management, and capital (or the state). Once devised, these negotiated MCSs are expected to be respected and adhered to by both labour and management for as long as their initial balanced power relations are maintained.
Furthermore, these MCSs are expected to be central for the maintenance of this regime of control. They would serve as a point of reference as far as the rights and duties of the organizational agents affected by them are concerned. Accordingly, they would transparently stipulate the different organizational agents’ rights, responsibilities, the ‘official’ mechanisms for evaluating these agents’ performance compared to their responsibilities, the rewards associated with fulfilling these responsibilities and the penalties triggered by failing to do so. In addition, these MCSs would revolve around the idea of motivating labour’s performance rather than forcing it. Accordingly, it is more likely that they will be associated with an increased level of workers’ involvement in the setting and realization of the company’s budgets, linking performance to pay and promotion, and profit-sharing schemes in order to foster the goal congruence between labour and management. AISs are bound to be vital for the maintenance of these MCSs. They would provide the means through which future plans are set and communicated throughout the organization - through operational budgets -, the different organizational agents’ performances are transparently evaluated and compared to these plans, and through which the BODs will be able to monitor the organizational performance towards the realization of strategic goals.

**Finally**, labour’s acts of resistance can result in the workers forcing their will over their management whenever the actual labour-management power relations at the operational level are those of powerful labour. Whenever such a situation materializes, and if the workers can successfully challenge the MC systems and practices established by the management over a sufficient number of decision making situations, then management would eventually accept its defeat and start devising new mechanisms to cope with the new inescapable demands of the workers, rendering the original MCSs and AISs ineffective. Maintaining such a situation for a sufficient period of time would cause the managers to accept their way of indulging workers’ attitudes as the only way available to get them to work.

In such a context, while financial accounting might function properly, management accounting practices aimed at securing cooperation at the workplace are less likely to be effective. The workers can always resist any increased pressures placed on them by the management to improve performance. Accordingly, it is doubtful that a business can survive such a kind of power relation for a long period of time. Ineffective MCSs are detrimental to organizational performance. Eventually, and unless the company enjoys
some monopolistic privileges that can facilitate its survival despite its ineffective MCSs and AISs, such a situation is bound to change, either by closure of business due to unsatisfactory financial performance or with a change in the power relations between the workers and management which will restore some balance into it. However, Burawoy (1985) suggests that the more probable outcome would be a change in the balance of power in favour of the management. Unless the workers have access to other sources of income for their economic survival, they are bound to bend to the will of the management in the fear of business closure and loss of their only source of income.

All three possible outcomes regarding labour’s resistance to the company’s official MCSs can, at least theoretically, materialize under either state and/or market capitalism. However, given the pro-labour ideology dominating state-capitalist regimes of control and the pro-capitalist ideology dominating market-capitalist regimes of control, the possibility of the manifestation of a powerful labour scenario in state-capitalist regimes of control would be considerably higher than in a market-capitalist one. Similarly, the possibility of the manifestation of a powerful management scenario in market-capitalist regimes of control would be considerably higher than in a state-capitalist one.

By the time SOEs are privatized in LDCs, they would have already gone through these power struggles between labour and management. Thus, one of the three possible scenarios (or a variation of them) would have already materialized and sustained for a considerable period of time. This is a period of time sufficient for the institutionalization of the final power relations (be they powerful management; balanced power; or powerful labour), MCSs (be they the official MCSs reinforced, negotiated, decoupled or the ineffective ones), and AISs manifesting within these companies. Once capital assume control of the concerned privatized SOE, they are more likely to attempt to change its existing MCSs and AISs whenever they consider the organizational performance based on them unsatisfactory. Nevertheless, since these MCSs and AISs are rooted in deeper labour-management power relations, the capital’s attempts to change them are likely to be problematic. Difficulties are enhanced when the changes sought by capital entail challenging the institutionalized power relations shaping these MCSs and AISs. Accordingly, these changes can very well ignite resistance on labour’s part to protect the MCSs and AISs developed throughout the public ownership period of their company. Once again, the end results of these acts of resistance depend on the actual power relations between the agents of capital and labour at the time these changes take place.
result of such resistance is contingent on both the power resources available for each side and the ability of capital and/or labour to mobilize their available power resources towards strengthening their comparative power position within the company.

2.6. Conclusion

The current chapter introduced the power-informed version of the Hopper et al. (2009) model. The main premise behind the model is that MCSs and AISs transformations in privatized companies operating in LDCs are neither determined by the exercise of agency by labour, capital and the state in isolation of the structural factors existing at the national and organizational levels nor are they determined solely by these structural factors. Instead, they are determined by the exercise of power by both labour and capital in the context of the existing structural factors. Furthermore, even though these structural factors are more likely to be unchangeable in the short run, extending the scope of analysis both across time and across the different levels of exercising power within any given LDC allows for examining the extent to which the exercise of power by labour, capital, and the state at the national level can both affect and be affected by these structural factors. Once shaped, these structural factors serve as power resources available for the organizational agents implicated in the privatization of SOEs to utilize in strengthening their power within the boundaries of their respective organizations and, accordingly, the realization of their interests. The MCSs and AISs designed and implemented within privatized SOEs are considered to be a manifestation of the power relations prevailing throughout their public and private ownerships. Their successful implementation is considered to strengthen the same power relations that shaped them in the first place. At the same time, their challenge at either the BODs and/or operational levels of the concerned company is considered to threaten the stability of these power relations. Privatization can trigger such resistance when capital attempts to challenge the public-sector MCSs and AISs and, hence, their underlying power relations. The end result of this resistance is uncertain. It is contingent on the actual labour-capital power relations within each individual privatized SOE. This view challenges the certainty with which the proponents of privatization assure the manifestation of consensual MCSs and AISs once SOEs are sold to private investors and with which the opponents of privatization assure the manifestation of coercive MCSs and AISs as a result of such change in ownership. It offers three main power-relation-scenarios for both the pre- and post-privatization labour-management power relations: powerful management, balanced power, and powerful labour. Each scenario entails different
characteristics for the MCSs and AISs associated with it. The following chapter explains the research methodology and methods adopted in this research.
3. Research Methodology and methods

3.1. Introduction

The current chapter explains the methodology of the research. Section (2) discusses the ontological and epistemological standings of this research. Section (3) explains the research methods used to address the research questions. Section (4) describes the data collection and analysis processes, i.e., the research design. Finally, section five discusses the research validity.

3.2. Ontological and epistemological reflections

The accounting literature has a number of different classification schemas for categorizing the philosophical underpinnings of the studies conducted within its boundaries. Of these classifications, the schemas developed by Burrell and Morgan (1979), Hopper and Powell (1985), Chua (1986), and (Laughlin, 1995) are among the most commonly used (Ryan et al., 2002). The current research can be placed in the intersection point of the objective/subjective and the radical-change/regulations continua of Burrell and Morgan (1979), the radical theories category of Hopper and Powell (1985); the critical perspective outlined by Chua (1986), and next to the German critical theory in the middle level of prior theorization, middle level of the theoretical nature of methods, and middle, more strategic attitude to change in Laughlin’s (1995) categorization.

In particular, the current research is rooted in the belief that social reality consists of real relations that, while being (re)produced by human agents, are prone to transformations through both the subjective interpretations of these human agents and the actions driven by these interpretations. Accordingly, grand generalizations about reality are considered to be both reductionist and over-deterministic. Similarly, refuting the possibility of making generalizations of any kind about the empirical reality under investigation is considered to be overtly relativist and bound to entail ‘reinventing the wheel’ with every ‘new’ social inquiry. Nonetheless, ‘skeletal’ - i.e., incomplete yet reasonably stable - generalizations (Laughlin, 1995) are considered discernible. These ‘skeletal’ generalizations provide the basis for a ‘skeletal’ theory that can offer some broad understanding of the relationships under investigation. Rich empirical, qualitative details can make a ‘skeletal’ theory complete and applicable in different contexts within which it might be used.
In order to enable accounting for the different transformations through which the empirical reality being investigated has gone through, the empirical data supporting these ‘skeletal’ theories has to be historically informed. Furthermore, these empirical data has to allow for acknowledging the totality of relations surrounding the empirical reality under investigation. In particular, confining the research focus to the localized empirical realities being investigated - i.e., as isolated particulars - is considered to be an incomplete way of conducting research as these particulars exist only in, and through, the totality of relations of which it is a part (Chua, 1986, p. 619; Hopper and Powell, 1985).

Furthermore, human beings are believed to be reflexive agents whose inner potentialities can be alienated through the restrictive mechanisms (systems of domination) developed by the other human agents with whom they interact (Chua, 1986).28 Furthermore, whenever these relations are found to be those of domination and oppression for the less powerful, social research is believed to play a significant role in pinpointing these instances of domination as a step towards the emancipation of the less privileged. Finally, researchers are considered to constitute a subset of human beings and, hence, have the same reflexive agency they are assumed to maintain and exercise. In turn, the idea that researchers are independent of, and/or irrelevant to, the social realities they investigate is rejected in favour of acknowledging both the inevitable interaction between the two and the reflexivity exercised by researchers when interpreting the findings of their research.

These assumptions place the current research in a different ontological and epistemological positions compared to those of AT and ‘orthodox’ LPT. AT is rooted in a realist ontology and a positivst epistemology (Hopper and Powell, 1985; Chua, 1986; Ryan et al., 2002)29. As such, it rejects the idea that human beings construct their social realities. Instead, it is dominated by the belief that there exists a world of knowable, stable, objective reality that is independent from human beings (Tinker et al., 1982; Chua, 1986, p.606). Epistemologically, it holds the view that knowledge about social realities is attainable through identifying 'causal explanations and fundamental laws that explain regularities in human social behavio' (Easterby-Smith et al., 2006: 28). This relies on a high level of prior theorization about the social reality under investigation (Laughlin, 1995). These theorizations are validated by testing their hypotheses (expressed in their simplest possible elements) through quantitative measurement and statistical analysis.

28 See 2.3.2 for more details.
29 The principal-agent strand of AT is more normative than positive (Tinker et al., 1982; Jensen, 1983; Ryan et al., 2002).
(Easterby-Smith et al., 2006). Once validated, theories are used to make law-like, grand generalizations similar to those produced by physical and natural scientists (Chua, 1986). Throughout this process, researchers are assumed to be impartial and to have little, if any, influence over the empirical realities they are investigating (Chua, 1986; Hopper and Powell, 1985) – an assumption that is challenged in interpretive and critical research including the current one.

Identifying the ontological assumptions of LPT is a bit more ‘tricky’ that AT. Given its roots in Marxism, LPT started from a realist ontological position similar to that of AT (Burrell and Morgan 1979; Bhaskar and Callinicos, 2003). Nonetheless, as LPT research started to pay more attention to the role of subjectivity in capitalist labour processes, this position started to change. Little attempts have been made so far to document the ‘current’ ontological position of labour process theory. Thompson and Vincent (2010) acknowledged this and proposed incorporating ideas from critical realism (drawing on the works of Bhaskar 1978, 1986 and Archer 1995, 2000) into LPT to better articulate the ontological position of the ‘newer’ LPT research. While I consider this prospect to promising, it is a task that is yet to be done. As it stands, I see LPT to have the ontological position of real, objective, social reality existing independently from human beings. Social conflict and injustice (theorized in a largely structural, class-based way) plays a central role in the promise of social transformation. However, in order for that to happen, human beings are considered to be in need of emancipation from false consciousness before their full potential can be realized. Theories are considered to play an important role in this emancipation. These theories are usually developed using rich qualitative data with a particular focus on the historical stages through which the empirical reality under investigation went through. This is done through case studies that involve a high level of interaction between the researcher and the empirical reality being investigated. Nonetheless, these theories remain to be more deterministic than ‘skeletal’.

3.3. Research methods

The above philosophical standpoints were the main drive behind my decision to select an extended qualitative case study as the research method appropriate for achieving the research objectives and answering the research questions articulated in Chapter 1.30 This is congruent with the view that deciding on the research method (strategy) appropriate for

30 See 1.4 and 1.6 for more details.
answering the research questions highly depends on the researchers’ assumptions about reality (ontology), knowledge (epistemology), and human nature (Burrell and Morgan, 1979; Morgan and Smircich, 1980; Adams et al., 2006). In addition, the use of a case study is in line with the several assertions made in previous research about the suitability of case studies for critical accounting research (e.g. Hopper and Powell, 1985; Chua, 1986; Hopper et al., 1987; Hoque and Hopper, 1994, 1997; Ryan et al., 2002; Uddin and Hopper, 2003; Wickramasinghe et al., 2004).

A case study refers to the use of multiple sources of evidence to investigate a phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 1994, p. 13). As a research method, case studies are usually useful when 'how' and/or 'why' questions are being posed (Adams et al., 2006), when the researcher has little control over the empirical reality under investigation, and when trying to make sense of the situation in its socio-political context (Scapens, 1990). The above are true for the current research.

The research questions articulated in 1.6 are ‘how’ questions. They revolve around understanding the relationship(s) between the interplay between human agency (through the exercise of power by the agents concerned within and across the organizational, national, and supra-national levels) and social structures on the one hand, and the MCSs designed and implemented in privatized LDCs’ SOEs on the other hand. Both the decisions made by the agents involved in the privatization of SOEs in LDCs and the structural factors manifested in these countries are beyond my control. Furthermore, given the multi-levelled nature of the research, and the political and social implications privatization have; understanding the Egyptian social and political context is considered to be fundamental for answering these questions.

Case studies are not ‘universally accepted’. Many researchers have indicated their potential limitations (Scapens, 1990; Gummesson, 2000; Scapens, 2004; Adams et al., 2006). For example, Gummesson (2000) argues that case studies can be criticized for their lack of statistics, inability to test hypotheses, and their inability to make generalizations. Nevertheless, I believe that such critiques are rooted in positivist (functionalist) ontological and epistemological standpoints.31 In particular, they consider empirical reality to be objective and external to the researcher. Furthermore, they consider obtaining

31 See Burrell and Morgan (1979), Hopper and Powell (1985), Chua (1986), and Laughlin (1995) for a detailed discussion regarding the functionalist (positivist) ontological and epistemological assumptions.
knowledge about these empirical realities to be achievable through the use of quantitative 
methods of data collection conducive for statistically testing hypotheses towards making 
generalization about the empirical realities under investigation. I consider these critiques 
relevant only to case-based research conducted within this paradigm.32

When considered within the interpretive and/or critical paradigms, a different set of 
critiques has been cast on case studies. For example, they have been criticized for the 
difficulty of drawing boundaries for the area of study in relation to the larger system(s) of 
which the cases are part of (Adams et al., 2006). In addition, the extent to which the 
researcher can be considered as an unbiased, objective, and independent observer of the 
social realities he/she investigates has been questioned in light of the processes of 
interpretation associated with conducting qualitative case-based research (ibid.). 
Furthermore, the potential inability to validate the empirical, qualitative data collected 
throughout the case-based field work due to the confidentiality assurances offered by the 
researcher to his/her interviewees has been considered as a potential limitation of case- 
based research (Patton, 1987; Scapens, 1990; Adams et al., 2006). Nevertheless, the 
current research is more interested in widening the scope of analysis beyond the 
organizational contexts within which MCSs are designed and implemented to 
acknowledge the interaction between the agents implicated in the design and 
implementation of these MCSs within and around these organizational boundaries than in 
establishing boundaries that can isolate the examination of MCSs’ transformations from 
their wider social and political contexts. Furthermore, as stated in the outset, I do not 
consider myself (as a researcher) to be independent, objective, and/or unbiased observer 
of the empirical reality I investigate. Instead, I consider myself an integral part of the data 
collection, analysis and interpretation process. As Berry and Otley (2004, p. 239) explain,

‘. . . the researcher, far from being a rational designer of experiments, is . . . a 
centre stage actor, both in the design and conduct of the research programme, 
but more importantly in the way in which significance and meanings is derived 
from the research’.

Indeed, validating the empirical, qualitative data collected is quite challenging. To begin 
with, I did commit to confidentiality assurances protecting the anonymity of my 
interviewees. Furthermore, even though I do have the documents signed by these 
interviewees to record their approval to participate in my study, links between these

32 See Berry and Otley (2004, pp. 236-239) for a more detailed discussion of positivist case methods.
documents to the empirical evidence presented in chapters five and six is infeasible for the purposes of protecting their anonymity.

Finally, and interestingly, it is important to note that one of the positivist criticisms to case-based research (namely, its inability to generate generalizations) has been reiterated in some of the research interested in qualitative case-based research. Nevertheless, Ryan et al. (2002, p. 150), in line also with my own view, respond to this criticism by explaining that the ‘real’ potential of case studies is only achieved when they are used in conjunction with the logic of replications and extension to produce theoretical generalizations. Replication refers to the use of different cases from similar contexts to test the validity of a given theory. Extension refers to the use of cases from different contexts to examine and extend the applicability of the concerned theory in different contexts. In addition, case studies are also useful when used to understand the nature of the ‘anomalies’ of existing theories in order to further develop these theories (Cooper and Morgan, 2008).

When used towards developing theoretical generalizations, case studies are more likely to produce theoretical generalizations that better match the empirical realities being investigated when coupled with abductive reasoning (Dubois and Gadde, 2002). Abductive reasoning is a mixture of deduction and induction (Lukka and Modell, 2010). Deduction is concerned with developing empirically testable propositions from existing theories (Dubois and Gadde, 2002). Induction is concerned with developing theory from the empirical evidence collected (Lukka and Modell, 2010). In their ‘pure’ form both approaches are linear; with theory development preceding empirical testing in deduction and data collection preceding theory development in induction. Abduction, on the other hand, calls for the continuous, iterative, interplay between theory development, as opposed to theory generation, and empirical observations; with the researcher starting the research process with a clear set of preconceptions about the empirical reality to be investigated (theoretical framework) (Dubois and Gadde, 2002). As the research process progresses, the theoretical framework is confronted with empirical reality manifested in the empirical data collected. In turn, the theoretical framework is usually developed to better match these empirical realities (matching) (ibid.). Meanwhile, the development of the framework informs both the direction of the initial inquiry, including the nature of the empirical data sought, and its subsequent redirection guided by the theoretical ‘gaps’ discovered through matching the framework with reality (direction and redirection) (ibid.). Throughout this

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33 See, for example, Ferreira and Merchant (1992); Adams et al. (2006); Moll et al. (2006).
direction and redirection process, other theories and/or sources of data can be sought and used in order to better match theory and reality. When put together, the two processes of matching and direction and redirection are called ‘systematic combining’ by DuBois and Gadde (2002). Systematic combining refers to ‘... a process where [a given researcher’s] theoretical framework, empirical fieldwork, and case analysis evolve simultaneously’ (DuBois and Gadde, 2002, p. 554). During this process, the research issues and the theoretical framework are successively reoriented when they are confronted with the empirical world (ibid.).

Multiple, dissimilar case studies can be helpful in this regard. In particular, they are considered conducive for developing rich theoretical frameworks that are capable of explaining a wide range of empirical realities (Ryan et al., 2002). The use of comparative case study in this research aimed at achieving this particular goal: they are used to explain some of the situations that two of the main extant theoretical perspectives on the impact of privatization on MCSs in LDCs - namely the AT-based and LPT-based perspectives - fall short of explaining. Furthermore, they are comparatively analysed to develop the Hopper et al. (2009) model in a way that can help overcome this problem and, subsequently, demonstrate the relevance of the power-informed model for understanding MCSs transformations in LDCs.

Finally, it is worth mentioning that given the ontological and epistemological standpoints explained in section 3.2 the analysis of the two case studies examined was extended. It was extended from the micro to the macro to acknowledge the totality of relations of which these two cases are part of. In addition, it was extended historically to enable accounting for the different stages of transformations through which each case went before and after it was privatized. The following section describes in detail the systematic combining used in the data collection and analysis processes conducted throughout the research towards the development and application of the power-informed version of the Hopper et al. model.

3.4. Research design

A research design is the logical sequence connecting the research questions to the empirical data and, finally, to the conclusion (Yin, 2009). In MA research, six iterative steps have been identified as the main stages through which case-based research is carried out - assuming that the cases have been selected and access has been secured. These are:
preparation, collecting evidence, assessing evidence, identifying and explaining patterns, developing theory, and writing up the case study research (report writing) (Scapens, 1990; Ryan et al., 2002). When linked to the systematic combining approach explained above, the preparation stage is the stage at which the prior conceptions about the empirical reality under investigation (i.e., theoretical framework) are formulated. The remaining stages represent the iterative matching between theory and reality and the direction and redirection of research focus towards the communication of the research findings in the form of a report - or in this case a thesis. The remainder of this section describes how these steps have been followed in the current research.

Even though in its final form the current research is concerned with developing, and substantiating the relevance of the power-informed model, it started with a rather different objective. The initial objective involved extending the application of the Hopper et al. (2009) model to Egypt as a way of asserting its applicability in LDCs that were not considered in the original development stages of the model and, hence, to provide empirical evidence supporting its external validity. At that stage, I had already had the chance to examine the post-privatization MCSs in one of the two companies concerned (ABC) as part of my MSc research. The conclusions derived from this rather limited research were, to a great extent, congruent with the model’s expectations for LDC’s post-privatization MCSs: the design and implementation of non-transparent coercive MCSs. In that sense, the Hopper et al. (2009) model constituted the theoretical framework informing my preconceptions about the social reality that I was going to investigate. The initial direction of my research was to re-establish my contact with ABC and to find another company that can be used for comparative purposes that would better substantiate the findings of my research. In turn, my MSc research was decided to be used as the pilot study for my PhD research and contact with the second company (XYZ) was made.

Choosing ABC and XYZ as the cases to be examined was both theoretically-informed and practically-decided. The theoretical contribution of ABC was quite evident. It was an example of how the Hopper et al. (2009) could help understand the MCSs transformations in Egypt. Nevertheless, securing the level of detailed access to the company’s records and personnel was only achieved after I made a deal with the company’s general manager (GM) that, in return for allowing me the access I needed, I would provide him with an evaluation of the company’s existing MCSs along with my recommendations on how to improve them. On the other hand, access to XYZ was secured through my personal
connection to the company’s CFO. At that stage, the main criteria steering my search was to find a privatized company that operated in an industry different from that of ABC in order to enable examining the applicability of the model in different settings.

Throughout my access to ABC and XYZ, I managed to conduct 56 semi-structured face-to-face interviews (38 in ABC and 18 in XYZ) and 10 follow up phone interviews (6 in ABC and 4 in XYZ) from 2009 till 2011. Most of the interviews were electronically recorded and subsequently transcribed. As evident throughout Chapter 6, XYZ’s privatization did not entail any significant changes in the way it was being managed. Accordingly, the responses received from the interviews became repetitive soon after an understanding of the company’s pre-privatization MCSs was established. On the other hand, ABC went through different stages of development throughout both its pre- and post- privatization eras. Accordingly, it presented itself as a ‘puzzle’ that was gradually being solved with every additional interview conducted. That was reflected in the need to conduct a larger number of interviews in ABC compared to XYZ.

Semi-structured interviews rely on having a pre-determined list of themes and questions that are to be covered throughout the interview. Nevertheless, this list is open to change from one interview to another and may be adapted in the same interview based on the interviewees' responses (Saunders et al., 2011). Semi-structured interviews are considered particularly relevant when ‘. . . the purpose of the research is to understand the meanings that interviewees link to issues and situations’ (Moll et al., 2006, p. 387). Such understanding was paramount for me to be able to reflect on the interviewees’ privatization experience properly.

Accordingly, each interview was partially planned in advance to cover a set of questions relating to the role each interviewee assumed in his/her respective department before (where applicable) and after privatization, and to the means through which the concerned interviewee’s performance was evaluated and remunerated during each period. Nevertheless, these questions were used more as general guidelines for discussion than as a checklist steering it. Indeed, ‘new’ questions were raised as each interview progressed, with these questions being informed by both the interviewee’s responses in the same interview and the responses of earlier interviewees.

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34 Some of the interviewees refused to have their interviews recorded. For these interviews, notes were taken as the interview progressed. Once the interview was finished, I integrated these notes into a more detailed account of the interview in order to facilitate their future analysis.
These interviews were conducted with interviewees from the different organizational levels of each company. For example, they covered interviewing senior managerial staff, operational managers, workers in the office departments, and TU leaders - Appendix A provides a detailed list of the interviews conducted throughout the data collection period. Nevertheless, it is important to note that access to factory workers was infeasible in both companies. Accordingly, information about the companies' MCSs in the production departments was largely obtained through the interviews with the operational managers and TU leaders. These were supported by an examination of the companies’ official documents related to these controls such as the company’s annual budgets and performance evaluation records. Furthermore, in order to be able to develop a clearer understanding of the two companies examined, the data obtained through the interviews were supported with alternative sources of data such as the company's annual financial reports before and after privatization, government publications and newspapers' reports.

In addition, given the multi-levelled - macro and micro - focus of the Hopper et al. model, the data collected from the two companies were supplemented with data pertaining to the Egyptian structural factors operating at the national level. After being able to conduct only three interviews with the Egyptian government officials in the Ministry of Investment and ABC’s former holding company, a decision was made to base the macro-level discussion of the Egyptian context on a detailed analysis of prior research findings, government publications, reports issued by professional bodies interested in Egypt, and news from public and private newspapers.

Throughout the data collection period, it became clear to me that the initial plan to validate the relevance of the Hopper et al. (2009) model to the Egyptian case was not feasible. More specifically, while the data collected showed that the model can ‘decently’ explain ABC’s post-privatization MCSs; it could not explain XYZ’s pre- and post-privatization MCSs. Similarly, it became clear to me that the AT-based approaches concerned with the impact of privatization on MCSs in LDCs were incapable of accounting for the MCSs transformations found in ABC and the stability of these MCSs in case of XYZ. Furthermore, I started becoming aware of the static nature of the model in the sense that while it provided a general view of the pre- and post- privatization MCSs expected to materialize in companies operating in LDCs, it offered little help in understanding the dynamics through which ABC’s MCSs changed during both its public and private ownership eras and the reasons for the absence of similar change in the case of XYZ.
Meanwhile, issues of power between the workers in the two companies and their respective management teams became more and more discernible as the interviews progressed. That observation resulted in redirecting the research focus to pay more attention to these issues in subsequent interviews.

By the time I finished transcribing the voice-recorded interviews and started the initial (preliminary) analysis of these transcriptions, I was confident that neither the Hopper et al. (2009) model (with its roots in LPT) nor agency-based approaches to MCSs could explain the empirical evidence collected from ABC and XYZ in a theoretically consistent way. In essence, that meant that ABC and XYZ constituted ‘anomalies’ for the existing theoretical perspectives on the impact of privatization on MCSs in LDCs. Furthermore, it meant that my research focus was officially redirected from extending the application of the Hopper et al. model to the Egyptian context towards developing it in a way that would enable for accounting for these ‘anomalies’ in a theoretically consistent way. At that time I started reviewing the literature on power in search for a view on power that can be synthesized with the Hopper et al. (2009) model in a way that would enable better matching the revised version of the model - i.e., the power-informed version - to the empirical reality observed in the Egyptian context in general and in ABC and XYZ in particular.

Choosing Gaventa’s (2007) view on power as the appropriate theory for developing the Hopper et al. (2009) model was not an easy task. Firstly, as explained in 2.4.1, the literature on power is both vast and diverse. Secondly, many of these views on power are rooted in different ontological standpoints that could not, in my view, be synthesized with my own ontological views as well as those of the version of LPT informing the Hopper et al. model. What I was looking for was a view on power that could facilitate accounting for a number of empirical observations: the different levels encompassing the totality of relations within which MCSs are designed and implemented, the interaction between these levels and the interaction between human beings through their exercise of power and the structural factors surrounding them. Gaventa’s power cube seemed fitting. Yet there were two major issues that were to be resolved. Firstly, it was developed in the international relations literature and to the best of my knowledge it had no prior applications at the organizational level, let alone in the MA literature. I considered that issue surmountable as it would be resolved through the Hopper et al. model’s explicit interest in MA and MCSs. Secondly, the power cube’s integration with the Hopper et al. model necessitated
an explicit examination of the power relations manifest both within ABC and XYZ and around them - i.e., at the organizational, national, and supranational levels. That was the main focus with which the data collected was analysed: to identify – using thematic analysis – relevant themes that could link the power relations within and around the two concerned companies to their designed and implemented MCSs in a theoretically consistent way.

Thematic analysis is ‘. . . a method for identifying, analysing and reporting patterns (themes) within data’ (Braun and Clarke, 2006, p. 79). It is ‘. . . a form of pattern recognition within the data, where emerging themes become the categories for analysis’ (Fereday and Muir-Cochrane, 2006, p. 82). Thematic analysis is considered to be independent of any particular theoretical and epistemological standpoints in the sense that it ‘. . . is not wedded to any pre-existing theoretical framework’ (Braun and Clarke, 2006, p. 81). When used in an inductive research, these themes would be emerging from the empirical data under analysis (Patton, 1990). Alternatively, when used in a deductive research, the themes are more likely to be informed by the theoretical interest of the researcher (Braun and Clarke, 2006).

Given the abductive approach adopted in the current research, the themes informing the structure of the empirical evidence presented in chapters four to six as well as the analysis in chapter seven are based on the theoretical categories of both the Hopper et al. model and Gaventa’s power cube, as well as on the themes emerging from the empirical evidence collected. In particular, the initial, preliminary data analysis was a theoretical, deductive, and ‘top-down’ thematic analysis (Braun and Clarke, 2006). It aimed at identifying themes relevant for validating the relevance of the Hopper et al. model for understanding MCSs transformations in the Egyptian context in general and in ABC and XYZ in particular. Nevertheless, as explained earlier, the actual themes emerging from the data indicated otherwise. Accordingly, a ‘bottom-up’, inductive, thematic analysis was conducted to guide the theoretical direction needed for developing the Hopper et al. model so that it would better match the empirical realities captured by the empirical evidence collected.

The second round of the ‘top-down’ thematic analysis was informed by the theoretical categories of both the Hopper et al. model and Gaventa’s power cube incorporated in the early versions of the power-informed model. Nevertheless, given the ‘new’ theoretical categories of the power cube, gaps in the empirical data available were identified at the organizational, national, and supra-national levels of the analysis. At the organizational
level, empirical gaps were addressed through follow-up phone interviews in ABC and XYZ. At the national and supranational levels, these gaps were addressed through a detailed review and analysis of the Egyptian labour, state, and capital power relations and the ways these relations affected, and were affected by, the structural factors at the national and supranational levels (especially the historical development of the Egyptian regulations and laws in relation to these power relations). In turn, the ‘new’ themes emerging from the second wave of data collection were used to further develop the power-informed version of the Hopper et al. model. This iterative movement between the power-informed model and the thematic analysis of the empirical data continued until a version of the model was developed that, in my opinion, matched the empirical reality being investigated.

3.5. Research validity

While positivist, quantitative, case-based research in accounting is usually evaluated in terms of their construct validity, internal validity, external validity, and reliability (Berry and Otley, 2004; Yin, 2009), it is argued that qualitative case-based research in (management) accounting is better judged based on a different set of criteria that better match the ontological and epistemological standpoints of these studies (Ryan et al., 2002). Ryan et al. (2002) and Scapens (2004) suggest that these criteria should cover the procedural reliability of the concerned research, and its external and contextual validities.

Procedural reliability refers to the researcher’s ability to develop and implement a good research design which clearly addresses the specified research questions (Ryan et al., 2002, p. 155). External validity refers to the generalizability of the theoretical ideas developed by the researcher through his/her case-based research (theoretical generalization) and to the transferability of research findings both within and across contexts. Finally, contextual validity, which replaces the traditional idea of internal validity, refers to the credibility of the case study’s evidence and the conclusions that are drawn therefrom (Ryan et al., 2002, pp. 155-156). This covers a number of elements. It covers the validity of each piece of empirical evidence collected, the validity of the sources of this evidence, and the validity of the researcher’s interpretations of the evidence (ibid.).

As far as procedural reliability is concerned, the current research was designed in a way that was conducive for following the systematic combining, abductive, approach described in 3.2. In particular, and following the steps suggested by Scapens (2004), the
transcribed interviews, along with the other data sources, were reviewed to identify the relevant sections and to highlight interesting issues. These issues were extracted, after being coded in order to facilitate cross-referencing to the transcripts, and used to develop an overall picture of the case. Once matched with the theoretical framework developed at that stage, the themes identified from the data analysis were used to inform the theoretical development of the framework which was then matched again with the empirical evidence available. Whenever this matching showed the existence of unexplained empirical evidence and/or unsubstantiated theoretical aspects of the framework, further development of the framework in the former and further data collection in the later were sought. These matching and redirection processes continued until a version of the power-informed model that matched the empirical realities captured by the data collected was formulated.

As far as theoretical generalization is concerned, the power-informed model has been developed to offer power-informed, ‘skeletal’ generalizations about the impact of privatization on MCSs in LDCs’ privatized SOEs. The generalizability of the model stems from both the level of theoretical generalization inherent in the Hopper et al. model, as well as the power-informed model’s replication in the two cases examined. Nevertheless, it is important to note that the power-informed model should not be viewed as an attempt to offer theoretical closure to the issues examined. Indeed, it is hoped that the model will be further developed and refined when used as the initial theoretical framework informing future examinations of the impact of privatization on MCSs in LDCs’ privatized SOEs both in (replication) and outside (extension) Egypt.

Finally, contextual validity was vigorously sought in this research. The empirical evidence informing the major themes used for the theoretical development and testing of the power-informed model was only incorporated in the analysis after being validated across interviews and against the other data sources. In addition, whenever characteristic distortions signalling the potential unreliability of a given source of evidence were identified, the validity of the evidence obtained from that particular source was assessed before deciding whether to acknowledge or disregard the evidence concerned. Finally, the validity of my own interpretations of the evidence collected was assessed through the abductive reasoning approach followed in this research. In particular, it was assessed in terms of the extent to which my interpretations were consistent with both the theoretical categories of the power-informed model and the empirical evidence used to develop it.
The power-informed model presented in Chapter (2) represents the final version of the theoretical framework developed throughout my research. Furthermore, the empirical data presented in chapters four through six are structured according to my latest interpretation of the themes emerging from the data collected throughout my research. They are presented in this way (i.e., in a somewhat theoretically-informed way) in order to facilitate the comparative analysis of the empirical data collected using the theoretical categories of the power-informed model in Chapter seven.
4. Power Relations and MCSs in the Egyptian Context

4.1. Introduction

The current chapter examines the power relations and structural factors at the Egyptian supranational and national levels throughout two main historical eras: state capitalism (1952-1991) and market capitalism (1992-2010). In doing so, the main agents considered to be implicated in the power relations shaping, and shaped by, the Egyptian structural factors are: labour and the state (throughout Egypt’s state-capitalism era), and labour, capital, and the state (throughout Egypt’s market-capitalism era). The Egyptian British colonization period (1882-1952) is considered to be outside the main focus of this analysis. It is discussed within the context of setting the scene for the discussion about the power relations and structural factors throughout Egypt’s state and market capitalism eras. More specifically, it is discussed to explain the reasons why the structural factors ‘MOPs’, ‘culture’, and ‘ethnicity and race’ are considered to play a less influential role in shaping the power relations and MCSs existing in Egypt.

The remainder of the chapter is divided into four main sections: section (2) briefly discusses Egypt’s colonial era. Section (3) examines the labour-state power relations manifesting at the national level throughout Egypt’s state capitalism; the relationship between these power relations and the structural factor ‘R&Ls’; and the nature of the ‘ideal’ SOEs’ labour-management power relations and ‘ideal’ MCSs sought by the state through this structural factor. Section (4) examines the labour-capital-state power relations at the national level throughout Egypt’s market capitalism and the relationship between these power relations and the structural factor ‘R&Ls’. It also examines the nature of the ‘ideal’ private-sector-companies’ labour-management power relations and ‘ideal’ MCSs sought by the state through these two structural factors.

4.2. Setting the Scene: Egypt under British colonialism (1882-1952)

Egypt has a long history of being occupied. It has been occupied and/or ruled by non-Egyptians since 332 BC - when it fell under the rule of Alexander the Great - and until the military coup d'état led by Nasser in 1952 (Osman, 2011). During the last seven decades

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35 The period 1992-2011 does not refer to the end of market capitalism in Egypt. Instead, it denotes the time frame for the current study.
of this period, Egypt was a British colony (1882-1952). Throughout its British colonization, the prominent MOP in Egypt was capitalism (Chaichian, 1988).

However, the capitalist MOP was not introduced to Egypt by the British colonists. The task of dissolving the tribute MOP36 that prevailed in Egypt throughout the early nineteenth century and replacing it with capitalist MOPs was accomplished by Muhammad Ali (1769-1849) (Chaichian, 1988; Osman, 2011). Accordingly, by the time Egypt was colonized by the British in 1882, the idea of people selling their labour power for a wage was not culturally alien to the Egyptian people, at least not for those living in the industrial cities.

Such familiarity with the capitalist relations in industrial cities reduces future attempts to challenge such relations in these cities and, accordingly, reduces possible tensions at workplaces located in them. That is not to say, however, that MOPs have no effect on the nature of the power relations evident at the national and organizational levels of exercising power in Egypt. Instead, the argument that is being introduced here is that: since capitalist MOPs were evident in Egypt long before its British colonization, then, it is more likely that over time Egyptian workers, especially industrial workers, grew accustomed to the capitalist work relations in which workers rely mainly, if not solely, on selling their labour to capital so as to earn their income. In other words, given the long period of time allowed for Egypt to transition from non-capitalist MOPs to capitalist ones, it is less likely that situations of uneven transition can be used by the workers as a basis for their collective actions to resist managerial decisions challenging pre-capitalist work relations. Similarly, the absence of tribal life in Egypt before it become a British colony and the level of cultural homogeneity existing among its citizens - at the time the empirical data was collected - was the basis for excluding culture and ethnicity and race as differential structural factors in the shaping of the power relations and MCSs found in the two Egyptian companies under study.

One of the major contributions of the colonization of Egypt was the introduction of formal collective bargaining mechanism for the Egyptian workers in the form of trade unions. The first TU was formed during the early years of the British colonization so as to represent French and Egyptian cigarette workers (Orr, 1966). The colonial era left Egypt

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36 A version of the feudal MOP that divided the Egyptian population into landholding-masters and peasants with the landholding-masters allowing the peasants to cultivate their land and keep an amount of the land’s yield in return for an in-kind tribute (Chaichian, 1988).
with around 500 TUs with a registered membership base of 150000 workers (Vatikiotis, 1991, p. 401). However, while these TUs were of some help to the nationalists opposing the British existence in Egypt, they had little to do with the 1952 military *coup d'état* that ended the monarchy in Egypt and, eventually, brought Nasser to power.37

According to Holbik and Drachman (1971, pp. 141-142), the reasons for the 1952 military *coup d'état* and its subsequent public support can be traced back to the many political, social and economic grievances suffered by the Egyptian people. Evidently, alongside King Farouk’s submissive policies towards the colonizers, his detested police state, and his inefficient and corrupt government, the Egyptian people had to live in a society where one-fourth of the population were very rich and monopolized Egypt’s wealth and political power, while three-fourth of the population were very poor and lived in poverty, ignorance and disease (Holbik and Drachman, 1971). For example, in 1950, more than one-third of Egypt’s fertile land was owned by less than 0.5% of Egyptians (Crabbs, 1975).

When the ‘Free Officers’ took action and managed to topple the King, they assured the public that their aim was to rid them of the injustices bred under the monarchy’s rule and thus their actions were welcomed by the majority of the Egyptian population (Alexander, 2010). The following section explores the Egyptian political and economic environment throughout the four decades following the 1952 *coup d'état* with a particular focus on the power dynamics at the supranational and national levels of exercising power in Egypt, the rise of the Egyptian public sector, and the power relations and MCSs prevailing in SOEs.

4.3. **Egypt under State-Capitalism (1952-1991)**

4.3.1. **Power relations at the supra-national level**

During its first years as a post-colonial country, Egypt assumed a neutralist position in the then on-going USA-USSR cold war (Dougherty, 1959). Things changed in 1955 when Nasser, after failed negotiations with the USA, managed to secure an arms deal from the USSR in what is known as the Egyptian–Czechoslovakian arms deal (Holbik and Drachman, 1971). The rift between Nasser and the West increased from July 19th 1956 onwards when, after a negotiation period extending over three years, the WB announced

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37 Even though the first president of Egypt was Mohammed Naguib (the official Egyptian president between July, 1953 and November, 1954), Naguib did not wield any real power in running the country as all of his decisions had to be approved by the majority of the revolution command council dominated by Nasser. Eventually, Naguib was overthrown by Nasser in 1954 and Nasser became the official president of Egypt.
that it will not be able to provide Egypt with its required loan to finance building the High Dam in Aswan due to the fact that the financing countries (USA and Great Britain) withdrew from financing the debt (WB, 2009, p. 9). Not building the High Dam was unacceptable to Nasser as the project was too important for his Egyptian industrialization project. Accordingly, on July 26th 1956, Nasser announced the nationalization of the Suez Canal as a response to the WB’s decision and as the only way available for Egypt to provide the required funds needed for the project (Holbik and Drachman, 1971). This decision ignited the British, French, and Israeli tripartite aggression against Egypt on October 29th 1956 which, in response, triggered the nationalisation of all British and French assets in Egypt by Nasser (Farah, 2009).

Following the events of 1956, Nasser was left with little choice but to turn to the USSR for economic and political assistance; starting an economic and political alliance that lasted for more than a decade (Holbik and Drachman, 1971). Eventually, the Egyptian-Russian strategic alliance was taken to a higher level when Nasser issued the socialist decrees of 1961 and thus veered away from his previous trend of not bounding the post-colonial Egyptian experience to any set of predetermined ideas such as those promulgated by capitalism and communism (Crabbs, 1975, p. 386). It is worth mentioning that, prior to Nasser’s alliance with the communist bloc, he was quite supportive of the Egyptian private sector (Farah, 2009). Nevertheless, following the issuing of the socialist decrees, Nasser, in one of his speeches, announced that the 1952 ‘revolution’ ‘now’ needed a cultural revolution that would be

‘hostile to imperialism,… hostile to the domination and dictatorship of capitalism, [and] hostile to all forms of exploitation - a cultural revolution which aims at [letting] the people know their rights, their [true] gains, their hopes, and finally who their friends and enemies are.’ (cited in Crabbs, 1975, p. 387)

Egypt’s strong alliance with the communist bloc extended throughout the rest of Nasser’s rule and the early years of Sadat’s rule who was president from 1970 until 1981. It was not before the end of the 1973 Egyptian-Israeli war that Egypt’s strategic alliance started to shift from the communist block to the capitalist West - namely the USA (Osman, 2011). At that time, Sadat seemed more inclined to break ties with his predecessor’s socialist ideational and economic standpoints. Such attitude was most evident in Sadat’s reconnecting with the USA and the IFIs such as the WB and the IMF in 1974; as well as in his ‘new’ economic policy of ‘infitah’ (the open door policy) (Paczynska, 2006; Beinin, 2010).
Nevertheless, despite Sadat’s attempt to change Egypt's economic policy from state-capitalism to market capitalism, his attempt was not destined to succeed (Osman, 2011). As explained in more details in the next subsection, the Egyptian population was not ready for the subsidy cuts suggested by the IMF’s to Sadat, let alone for dismantling the Egyptian public sector founded and nurtured by Nasser. Accordingly, the structural reforms pushed for by the IMF never materialized, at least not to their full extent, under Sadat’s rule (ibid.). Consequently, even though Sadat did open Egypt’s doors for private capital, at the end of his rule the Egyptian public sector was still the most influential economic actor in the economy with a workers’ base of 35% of the entire Egyptian labour force (ibid.).

Egypt’s strategic alliance with the capitalist West continued even after Sadat’s assassination in 1981. Mubarak, Sadat’s successor and the Egyptian president between 1981 and 2011, continued to maintain Egypt’s close ties with the USA and the IFIs throughout his rule. Nevertheless, Mubarak was always reluctant to follow the IMF’s continued ‘advice’ concerning the need for Egypt to apply some profound structural changes if it was to improve its economic and fiscal performances - mainly due to the fear of the public unrest that might be caused by the IMF’s proposed reforms (Osman, 2011). Eventually, given Egypt’s economic conditions at the time, Mubarak changed his stance and started implementing the IMF’s ‘advice’ in 1991.

4.3.2. The labour-state power relations and the structural factor ‘R&Ls’ at the national level

From the fall of monarchy on the 23rd of July, 1952 until the demise of Mubarak in January 2011 Egypt was subject to authoritarian rule (Moore, 1974; Kassem, 2004; Osman, 2011). The ways in which these authoritarian regimes - which concentrated power at the national level in the hands of the president - were maintained over the last 60 years have several implications for the Egyptian workers and their relationship to capital. Maintaining a quiescent labour force was essential for the survival of these authoritarian regimes. Having a powerful labour force that can initiate collective action across the country was a threat to the maintenance of the Egyptian presidents’ power. This was something that they could not afford to overlook.

At the beginning of his rule, Nasser was wary of creating a TU federation that would have the power to mobilize thousands, if not millions, of Egyptian workers (Paczynska, 2006). However, a violent confrontation between the new regime and 9000 textile workers of a
company situated at Kafr al-Dawwar (a city 15 miles south of Alexandria) took place less than a month after Nasser assumed control of the country.\(^{38}\) The workers asked for a freely elected union, the removal of several particularly abusive managers, and the satisfaction of economic demands. During the confrontation, two soldiers, one police officer, and four workers were killed and many were wounded (Beinin and Lockman, 1987). This violent incidence showed Nasser the potentially disruptive capabilities of the Egyptian workers for the ‘new’ regime (Beinin and Lockman, 1987).

The steps that Nasser took to handle the workers’ uprising have affected the shaping of Egyptian workplaces and the government attitudes towards the workers until this day. The official reaction for this incident was ‘swift and ruthless’ (Kassem, 2004, p. 90). Five hundred and forty five workers were arrested and thirteen workers were prosecuted and convicted in front of a military court (Beinin and Lockman, 1987). Of these thirteen workers, two allegedly communist workers were executed within less than one month (on the 7\(^\text{th}\) of September, 1952) and the remaining eleven workers received prison sentences (Beinin, 2010).

Thus, the regime managed to send a clear message to the workers regarding its intolerance to unruly behaviour on the workers’ part (Beinin and Lockman, 1987). Nevertheless, knowing that such a violent exercise of power by the state against workers would not eventually secure workers’ quiescence, new laws favouring the Egyptian workers at the workplace were also introduced. Shortly after the execution, and after a considerable number of other workers’ strikes initiated in different industries, new labour-related laws (Laws 318/1952 and 319/1952) were implemented by the regime. These laws gave the public sector workers the right to be represented at the BODs of their respective companies (318), to take their work-related conflicts to court (318), increased their pay (319), changed the hiring and firing rules in their favour (319), and banned strikes at the same time (Kassem, 2004; Beinin, 2010). The unspoken bargain struck between the state and the workers was: ‘no strikes in exchange for no dismissals without cause’ (Beinin, 1989, p. 74). In other words, since the state was taking care of the workers, the workers were expected to take care of the country through improving productivity and maintaining stability (Pratt, 1998). The workers seemed to accept the offer. However, the continuance

\(^{38}\) The incident occurred during the 12\(^\text{th}\) and 13\(^\text{th}\) of August, 1952. For a fuller account see Benin and Lockman (1987:421-431).
of strikes, both within and outside the textile sector, made it clear that other measures were needed to control TUs in Egypt.

Nasser’s solution for controlling TUs while maintaining the workers’ political support was to corporatize the Egyptian TUs (Bianchi, 1986; Pratt, 1998). The aim was to ‘tighten the reins on the organizational structure of labour while endowing the workers with the necessary benefits to keep them subdued’ (Kassem, 2004, p. 92). That was accomplished in 1957 through organizing TUs under a single federation called the Egyptian Workers Federation (EWF) - with the names of the seventeen members of its executive board determined by the government - while granting the workers even more benefits at the workplace (Pratt, 1998). Furthermore, the nationalisation of a large segment of commercial and manufacturing enterprises in 1961, and the official start of state capitalism in Egypt, endowed Nasser with further control over labour as the number of workers affected by his ability to control public-sector-workers’ benefits and rights increased significantly. 39

Nasser’s first exercise of this ‘newly’ acquired power was made almost at the same time as the nationalisation decrees were issued. New laws were set in place to further favour the workers at the workplace. Workers were allocated 3% of their companies’ annual profits (a percentage that was to increase at subsequent years to 5, 10, 20, and 25%), working hours were reduced, minimum wages were doubled, social insurance schemes were set in place, a commitment was made that the government would hire all universities’ and secondary schools’ graduates, and, even more importantly, workers’ representation at the BODs in all SOEs was set as a legal requirement (Pratt, 1998). At the same time, Nasser’s control over the organizational structure of labour was furthered through prohibiting the organization of work stoppages - along with any action that could threaten production -, trying to overthrow the political system, and the use force to recruit union members. Meanwhile, the Ministry of Labour was established to reorganize the EWF. Subsequently, the EWF was reorganized and was given the name ‘the Egyptian Trade Union Federation’ (ETUF). Furthermore, from 1962 to 1986, the president of the ETUF (a member of the ruling party) was usually appointed as the Minister of Labour (today the Ministry of Manpower and Migration) (Beinin, 2010, p. 11). After that, and until 2011,

39 Even though Nasser advocated socialism as the political and economic system to be adopted in Egypt, the means of production in Egypt were always organized and managed in a capitalist manner wherein workers had to sell their labour power to the state in return for wage.
the president of the ETUF was always a member of the ruling National Democratic Party headed by Sadat and then Mubarak (Bassiouny and Saied, 2007).

The ETUF structure (see figure 4.1) took a pyramid-shaped bureaucratic form and operated through three levels. The lowest level in the hierarchy was the local unions (individual TU units in individual companies). The workers were involved in electing the TU leaders of their respective companies (TU units). The elected TU leaders of any particular organization form the TU-unit’s BODs for their respective organizations and are assigned a number of seats in their company’s general assembly. Furthermore, one or more representatives of these TU leaders were to be selected by the TU’s BODs to represent the workers in their respective company’s BODs (Bassiouny and Saied, 2007).

It is important to note that while leaders of the individual TU units were the only TU leaders directly elected by the workers to assume their positions, the TU-unit BODs did not have any legal authority to engage in any agreements with the management of their respective companies and/or with the government. The reason is that these TU-unit BODs were not legislated to have any legal entity. Instead, all workers’-related ‘legal’ activities were to be carried out by the next higher level in the ETUF hierarchy: the federation (Bassiouny and Saied, 2007).

The federation level consisted of the general TUs for each industry with which workers were ultimately affiliated. Each general TU had its own elected BODs. Members of general TU’s BODs were not elected directly by the rank and file at the base of the pyramid. Instead, they were elected by and from the members of the general assembly of the general TU concerned. Given the fact that the industry-specific general TUs were the

![Figure (4.1): The hierarchy of the ETUF](image-url)
only legal entities entitled to handle worker-related issues, workers’ actions (e.g., initiating strikes and/or sit-ins) to handle their conflicts with their management had to be approved by the TU leaders of the concerned company and be authorized by the general TU of their respective industry in order for their actions to be ‘legal’. Finally, the highest level of the federation was the confederation. Members of the confederation were representatives of the different federations (general TUs) in Egypt. Furthermore, changes in the members of the confederation were only initiated so as to replace retiring members. In other words, once one became member, he/she stayed till retirement or his/her death.

Even though, given a fair and genuine workers’ election process, the structure of the ETUF could have resulted in freely-elected workers’ leaders, Nasser made sure that TU leaders did not belong to his opposition. According to Kassem (2004, p. 94), the electoral decrees of 1963 stipulated that electoral candidates, including those running for union elections, had to be members of the Arab Socialist Union - Nasser’s ruling and only political party at the time. In essence, such decree meant that ‘unfavourable’ TU activists could always be prevented from leading their TUs through denying them membership in the Arab Socialist Union. Eventually, TU leaders across the confederation were mostly co-opted by the state. Nasser assigned the ETUF a specific role: ‘to ensure that workers fulfilled their responsibilities’ - as opposed to their previous role of pursuing workers’ rights and defending their interests (Posusney, 1997, p. 73; Pratt, 1998, p. 38; Kassem, 2004).

Accordingly, it is not surprising that one of the results of the reorganization of the ETUF throughout the 1960s was the weakening of the links between the local unions at the company (TU units) and the federation levels. Leaders of the federations, co-opted by the government (Posusney, 1997), were detached from the workers they were supposed to represent, with the workers’ concerns consequently being neglected by their leaders (Kassem, 2004). Nevertheless, Nasser’s popularity among workers as well as the other segments of the Egyptian public continued to grow. To some extent, he has always been associated with removing the monarchy, gaining independence, reforming land laws in favour of the peasants (‘falahen’), industrialization, nationalizing the Suez Canal, defending Egypt against the tripartite aggression, and supporting the Palestinian cause (Marfleet, 2009). Furthermore, despite the political limitations he imposed on workers’ activities, Nasser was indeed bestowing the Egyptian workers with unprecedented favourable work conditions (Pratt, 1998; Alexander, 2010). A quote from one of the senior unionists cited in Kassem (2004, p. 95) sums up the situation:
‘In terms of prestige and job [employment] security, labour never had it as good as under Nasser. He changed the social status of workers and gave them positions in parliament and on company boards. Of course, all this was at a price; there were political boundaries we could not cross. He gave us a lot, so he did not expect us to make demands. Even the basic right of workers to strike was forbidden. But in general, this did not matter much to the average workers because they knew they were much better off than before 1952.’

Accordingly, it is not surprising that the largest segment of the Egyptian workers were mostly quiescent in response to Nasser’s patronage (Pratt, 1998). That was most evident in the almost-total absence of workers’ protests since Nasser’s decrees affecting workers’ rights in 1957 until 1967 when Egypt was defeated by Israel and Sinai was occupied by Israel40 (Clement, 2009, p. 103). Furthermore, even under the heavy weight of defeat, the Egyptian labour’s protests that erupted at the time did not target Nasser or his policies. In fact, while many of these protests required holding the army leaders accountable for the defeat and punishing them for their incompetence, they were, at the same time, assuring Nasser that they wanted him to lead Egypt back to victory.

Nevertheless, despite the scarcity of workers’ protests throughout this period, there remained a segment of Egyptian workers who continued to fight for what they considered to be their ‘rights’. Mostly, these workers had to operate outside the confines of their formal TUs as their TU leaders were usually co-opted by the state (Kassem, 2004; Beinin, 2009). Whenever these small groups of workers attempted to challenge the status quo and initiate an ‘illegal’ strike, sit-in, and/or demonstration, Nasser’s approach of handling these incidents of unrest was the same strategy he implemented in handling the textile workers’ demonstrations in the 1952: repression and concession (Kassem, 2004; Beinin, 2009; El-Mahdi, 2011).

The strategies of containment and control of the Egyptian TUs and workers by the state continued to be used by Sadat. Nonetheless, it is important to note that Sadat’s policies cannot be considered as a continuation of Nasser’s. Sadat was certainly less sympathetic to the socialist ideas promoted by Nasser. That was most evident when in 1971 Sadat issued Law 65/1971 to provide incentives that would attract private sector investments

40 An exception for this period of relative social stability were the major protests taking place in the end of 1966 to detest the obligatory salary deductions for public sector workers as a part of the ‘savings plan’ set by Nasser at the time (Pratt, 1998).
and in 1974 when he announced that Egypt would start adopting an ‘open-door’ - ‘infitah’ - (liberalization) economic policy (Farah, 2009, p. 38).

Nevertheless, while Sadat’s new economic policy did encourage private sector investments - both local and foreign -, breaking the socialist social contract established by Nasser was not an easy task for Sadat to accomplish (Kassem, 2004; Marfleet, 2009; Beinin, 2010). For one thing, the Egyptian public was not ready for the ramifications of the state’s withdrawal from the economic sphere in Egypt. For example, once Sadat started in 1976 to follow the ‘advice’ of his new allies in the U.S. and the IMF that encouraged him to initiate a stabilization program that included the alleviation of government subsidies on basic-commodities, one of Egypt’s largest riots - ‘the bread riots’ - started on the 18th of January, 1977. Throughout the riots, according to Posusney (1997), 79 protestors died, 1000 were wounded, and 1250 to 1500 were arrested. By the next day, and given the protestors’ resilience to the state’s efforts to dismantle the protests, the riots ended after Sadat retracted his decision and reinstated the subsidies. By doing so, practically, Sadat backed out of the IMF’s stabilization program. Accordingly, while Sadat did indeed open Egypt’s doors to private investors, he never took the step to fully embark the neo-liberal economic policy suggested by the USA and the IMF and, accordingly, he never actually dissolved the Egyptian public sector. Nevertheless, Sadat’s open door policy can be considered as the beginning of the end for the supremacy of the Egyptian public sector in the Egyptian economy as private investors started to take the lead in Egypt’s list of priorities at the expense of the public sector.

Furthermore, Sadat did not enjoy the loyalty of the ETUF leaders who were previously co-opted by Nasser as these leaders shared Nasser’s socialist beliefs. Accordingly, Sadat had to start a new round of concessions, co-optation and oppression to regain the state’s control over the ETUF and, in turn, labour. Sadat started with Concessions. Following the bread riots of 1977 and the ETUF leadership’s public rage about Sadat’s unilateral decision to follow the IMF advice, Sadat agreed to the unionist’s demands that the 1976 labour law would be changed to allow leaders at the federation and the confederation levels to have a consultation role in any legislation related to the workers (Posusney, 1997, p. 110; Paczynska, 2007, p. 34), and for the ETUF to have control of the Worker’s Educational Institute (Posusney, 1997). The concessions were then followed by co-optation when Sadat managed to lure many of the leaders of the ETUF into joining his nascent political party after promising them his support in future political elections.
Finally, after securing the support of the ETUF leaders, Sadat started what Posusney (1997, p. 111) describes as ‘a vicious campaign of repression against labour activists associated with the left’, with many of these leftists being imprisoned throughout the remainder of Sadat’s rule; especially after enacting Law 3/1977 which increased the penalty for striking to imprisonment with hard labour (Bianchi, 1989; Posusney, 1997; Kassem, 2004, pp. 101-102; Marfleet, 2009).

Accordingly, it is not surprising that, by the time Mubarak became president, the Egyptian workers had already started to lose their faith in their TU leaders (Posusney, 1997; Kassem, 2004; Clement, 2009). After all, almost all of Sadat’s co-opted TU leaders at the top of the ETUF hierarchy remained in their positions after Mubarak became president and after the first union elections under his rule in 1983. Furthermore, even when the ETUF leadership changed drastically in the 1987 elections, it was replaced with an even more quiescent leadership (Posusney, 1997). Accordingly, the workers’ only resorts for articulating their grievances were limited to wildcat strikes and spontaneous demonstrations. Nevertheless, the fact that these two actions of defiance were considered illegal, along with the favourable economic conditions prevailing in Egypt throughout the first half of the 1980s which limited the chances of other workers joining the protesting workers in their actions, resulted in a second period of relative stability wherein a fewer number of workers’ strikes took place (Clement, 2009; El-Mahdi, 2011).

After this second period of relative social stability, strikes started occurring more frequently after the significant decreases in the workers’ real wages caused by the deteriorating economic conditions in Egypt following the decrease in oil prices in 1985 (Clement, 2009). The most apparent examples for such attitude can be found in the textile industry (Benin, 2012). The textile companies in Cairo, Helwan and Kafr al-Dawar - where the first strike under Nasser’s rule took place - , were the most important contributors to the Egyptian workers’ struggle against their deteriorating work conditions.41

By the end of Egypt’s state-capitalism era, given the various encounters between the workers and the state as well as the workplace-related R&Ls issued throughout this period, the Egyptian workplaces in general, and the Egyptian public sector in particular, had developed their own unique ‘legal’ regulating the relationship between the workers and

41 Other contributors include the workers of Egypt Railways, and National Cement, and Iron and Steel (Clement, 2009; El-Mahdi, 2011).
their management. Given the importance of the Egyptian SOEs throughout this era, subsection 4.3.3 explains the power aspects of the relationship between workers and management in SOEs as well as the main characteristics of the ‘ideal’ MCSs intended for these companies.

4.3.3. Power relations and MCSs in SOEs at the later years of Egypt’s state capitalism

As the previous sub-section explained, Egypt’s state-capitalism witnessed many confrontations between labour (acting both within and outside the formal boundaries of their official TUs) and the state. These confrontations affected, extensively, the nature of the power relations existing between the public sector workers and their managers (acting as agents of the state) in the different Egyptian SOEs. To a great extent, the R&Ls issued by the government in order to keep the workers subdued and prevent them from threatening the stability of the prevailing authoritarian regime, provided the workers with considerable power resources that increased their power in their respective workplaces in relation to their management. The following sub-sections sheds some light on the power resources available to the management on the one hand, and their workers on the other, in the Egyptian SOEs at the end of Egypt’s state-capitalism era.

4.3.3.1. The managers’ power resources

a. Control over hiring and firing

The public sector company’s hiring process was governed by both Law 97/1983 governing the Egyptian public sector and its affiliated companies (later replaced by Law 203/1991 establishing and governing the public enterprise sector in Egypt), and Law 48/1978 (and its later amendments in years 1983 and 1984) governing the workers’ affairs in the Egyptian public sector. According to these laws, the only organizational positions that could be filled by candidates from outside the organization were the chairman of the BODs and positions at the entry levels of the organization. The chairman of the BODs was to be nominated by the minister in charge of the company concerned and to be hired by a decree issued by the prime minister. The rest of the board members were to be divided into two halves: the first half was to be selected by the CEO of the public sector authority supervising the company (and chosen the senior management team of the company) and the second half was to be elected by the company’s workers.
Job hiring for the entry level of the organization involved posting an advertisement made by the company announcing its interest in receiving applications for the vacant position(s). After receiving any applications, a decision had to be made to select successful candidates. Apart from selecting these new comers, the managers had no control over the hiring of workers for the rest of the positions throughout the organization. Any vacancies that might have aroused at any point of time were to be filled by promoting workers from the lower organizational level. The promotion process would continue until all positions were filled or until a new worker was hired at the entry level of the organization. Accordingly, once new comers were hired, the management had no control over the hiring process throughout the different organizational levels. In other words, the management of SOEs had to work with what human capital was already within the organization. Hiring competent workers from outside the organization was not an option available to the management.

The managers had even less control over the firing decisions. According to the aforementioned laws, firing public sector workers had to be made by the chairman of the BODs after the case was submitted to a committee. The committee consisted of a representative of the governmental authority overseeing the public sector affairs, a representative of the company’s TU, and a representative of the company’s managerial team. The decision also had to be approved by a ruling made by the disciplinary court concerned. Moreover, firing, as a penalty, was only allowed in the rarest of occasions such as the worker failing to show for work for a long period of time, the worker physically assaulting his superiors and/or the worker committing a felony. A Worker could also be fired if his/her performance evaluation reports were ‘weak’ for three consecutive years. Accordingly, firing was not an available tool that can be used by the managers in controlling the workers. These regulations were the main source of the public sector being an icon of employment security in Egypt. However, that does not mean that the managers were powerless in the face of the workers. The following two sections show how having a degree of control over both the promotions and incentive systems provided the managers with the necessary tools for securing the workers’ compliance to the organizational rules and regulations.

b. Control over promotions

Promotions to senior managerial positions in SOEs depended on the recommendations of the concerned position’s superior(s) and the candidate’s performance records prepared throughout his/her employment. In other words, seniority was not taken into consideration
when selecting the employee(s) to be promoted to senior managerial positions. On the other hand, promotions to non-managerial positions were largely based on seniority given that the successful candidates maintained a ‘distinguished’ status in the performance appraisals - called sufficiency report - conducted in the two years prior to the time of promotion. Accordingly, even though promotions within the non-managerial levels of the organization were based on seniority, the fact that the annual performance appraisal affected the eligibility of the employees for the promotion, granted the managers a certain level of power over their subordinates. Less satisfactory performance appraisals meant that the employee concerned was not eligible for being promoted to higher organizational positions.

c. Control over pay

According to Law 48/1978\(^\text{42}\), the BODs of SOEs had the authority to devise the necessary mechanisms needed to increase workers’ productivity through linking performance with pay (chapter seven of the law). Accordingly, the nature of the remuneration systems implemented in each SOE varied among companies. Nevertheless, the law stipulated that, in addition to linking workers’ day-to-day performance to pay, the annual raises earned by the workers were to be linked to the performance evaluation systems implemented in their respective companies (chapter five of the law). Table (4.1) shows the components of the monthly salary received by the Egyptian public sector workers.

Furthermore, according to Law 97/1983 (act 42); the workers of any SOE were to be allocated a minimum of 25% of their respective company’s distributable profits. These 25%, were allocated as follows: The first 40% (i.e., 10% of the company’s distributable profits) to be distributed among the workers in cash. The second 40% (i.e., 10% of the company’s distributable profits) were to be used for workers’ housing (for both the concerned company’s workers and the workers of nearby SOEs). Finally, the remaining 20% (i.e., 5% of the company’s distributable profits) were to be deposited in the National Investment Bank to be used for public-sector-workers’ related social services. Accordingly, a considerable amount of the benefits received by the public sector workers - including their annual cash profit share - depended on the company’s profitability.

\(^{42}\) This is the law governing the workers’ affairs in the Egyptian public sector.
Based on the above, it can be said that the management of SOEs were legally granted the necessary power to better control their workers through fostering goal congruence between the workers, the management, their SOEs, and, ultimately, the state. In other words, the management, headed by their BODs, were granted the right to implement different incentives (i.e., rewarding favourable performance of the company and its individual workers by increased financial rewards for the workers) and penalties (i.e., punishing unfavourable performance of the company and its individual workers by less financial rewards for the workers and less opportunities of promotion) while managing their respective SOEs towards the realization of its goals. Nevertheless, as the following two chapters will explain, the extent to which this power resource was used effectively by the management in controlling their workers differed from one SOE to another.

### 4.3.3.2. The workers’ power resources

#### a. Access to the decision making process

According to Law 97/1983 (Act 30), half of the BODs of SOEs (excluding the president of the board) had to be elected by the workers of the company. Accordingly, the workers of SOEs had their own access to the decision making process (i.e., spaces of exercising power) in their companies at the highest organizational decision making level. Throughout
this space of power, the workers had the chance to negotiate the nature of the MCSs designed for their own companies towards acknowledging their interests. Nevertheless, that ability was constrained – by clauses in the same law and in law 48/1978 – by the requirement that these MCSs need to be conducive for the proper utilization of the concerned company’s resources towards improving its profitability and, hence, achieving the overall developmental goals pursued by the state.

**b. Employment security**

Ever since Nasser issued the laws protecting public sector workers in the 1950s and 1960s, this protection was maintained and even furthered through new legislations favouring public sector workers throughout Egypt’s state-capitalism era. According to the Laws 48/1978 and 97/1983, as long as public workers showed up in their workplaces on time, did their work, maintained the work-related regulations and ethics, did not assault any of their managers, and avoided criminal conduct, their employment contract could not be terminated by their employers or the agents representing them. Furthermore, in situations where a given worker was to be dismissed, such dismissal had to examined by a committee consisting of a representative of the government, a representative of the company’s TU, and a representative of the company’s management before the case was to be transferred for judgment in a disciplinary court. Accordingly, it is not surprising that the Egyptian public sector grew to be an icon of employment security over the years and that its workers considered themselves employed for life.

**c. Access to alternative sources of income**

The Egyptian constitution at the end of Egypt’s state-capitalism - issued in 1971 and suspended in 2011 - stated that the Egyptian state has the obligation to provide ‘health insurance, disability pension, unemployment pension, and old-age pension to all Egyptian citizens’ (Act 17 in the 1971 Egyptian constitution). Also, the Social Insurance Law 112/1980 (later replaced by Law 135/2010) states clearly that the social insurances addressed in the law include, among others, unemployment. However, none of the acts included in the Social Insurance Law addresses the case of unemployment in any way. There is not even a definition for unemployment. Accordingly, despite stated clearly in the constitution and law, an unemployment pension was never applied in Egypt - at least until the end of the data collection period. Accordingly, it is safe to say that the Egyptian
public sector workers were ‘on their own’ as far as having access to alternative sources of income is concerned.

These power resources (i.e., workers’ and management power resources) were moulded into SOEs’ bureaucratic structures. The end result was that Egyptian SOEs were expected to maintain a distinct version of legal-rational bureaucratic organizational structures wherein workers and management were expected to maintain balanced power relations. More specifically, public sector workers were offered labour market security, employment security, job security, work security, wage security, and representation security in the BODs of their respective companies in return for their cooperation in enhancing the economic performances of their respective companies and maintaining the country’s political stability at the national level. Furthermore, the representation security offered to public sector workers allowed their representatives at the BODs level to negotiate the nature of their companies’ official MCSs. Given that the workers’ representatives were expected to protect the interests of their constituents and that the other board members were expected to protect the interests of their ultimate employer - the state - the negotiation processes taking place at the BODs level were supposed to facilitate the design of consensual MCSs that take into consideration the interests of both workers and the state. Accordingly, these consensual MCSs were expected to be accepted and adhered to by both the workers and their operational managers.

Meanwhile, the spaces of power at the operational levels of SOEs were closed to the workers. In essence, such arrangement was expected to facilitate the operational managers’ ability to safeguard the proper implementation of the MCSs designed by the BODs throughout SOEs’ day to day operations - by enforcing the hierarchical supervision across the company’s lower, operational, levels. Furthermore, the fact that the decisions made by the operational managers were supervised by the BODs was expected to ensure that these decisions did not undermine the company’s designed MCSs and/or come at the expense of the workers’ interests.

4.3.3.3. The ‘ideal’ MCSs in SOEs

Aiming at the realization of the ideal power relations sought by the Egyptian R&Ls, SOEs were designed to follow a rational-legal bureaucratic structure. This was based on hierarchical supervision, the design and implementation of transparent MCSs, and on keeping complete records and files that could facilitate the stewardship of SOEs and
evaluating the performance of the workers and managers of these companies. Accordingly, SOEs were structured so that their highest organizational level - the BODs - had the authority to make almost all of the major decisions affecting the company. These included establishing the company’s organizational structure, preparing the annual budgets, specifying the performance and production measurement mechanisms and the ways in which these measurements would be linked to the promotion and pay. Other decisions were related to setting the costing system for the company’s various areas of operations, controlling quality, ensuring the efficient use of resources, and setting the policies necessary for improving workers’ and machine productivity. Below the BODs, the managing director was the person responsible for overseeing the running of the concerned SOE. The managing director’s authority extended over the entire organization both directly and indirectly. Below the managing director, the organizational structure usually consisted of sectors. These sectors were divided into general departments, the general departments were divided into departments, departments were divided into sections and the sections were divided into offices. Such hierarchy provided an explicit career path for workers, given that they were qualified for the relevant promotion. These regulations meant that, practically, every decision had to be approved by the BODs or the managing director overseeing the operations of the company.

Within such bureaucratic organizational structure, detailed rules and regulations were devised to manage the relationship between the workers and their management. Although some differences were allowed among SOEs, the ‘ideal’ MCSs were built upon the premise of having transparent rights and obligations for the company’s workers and management. These rights and obligations were then linked to the concerned company’s performance evaluation system, which, in turn, was linked to the company’s remuneration and promotion systems. For example, the Egyptian labour law at the time had specific clauses explaining the workers’ rights, responsibilities, and the penalties applicable to them in cases of failing to adhere to these rights and responsibilities. Furthermore, the law had other clauses for linking performance to pay through linking up to two thirds of workers’ pay (the variable components of pay) to performance (see table 4.1), as well as clauses for linking performance to promotions.

Given the SOE’s bureaucratic, hierarchical, organizational structure, accounting data and information systems were expected to play a significant role in maintaining the well-functioning of the company’s designed MCSs. At the organizational level, accounting data
provided the main basis for developing and communicating the company’s annual budgets. Furthermore, the accounting data recorded throughout any given year provided the main source of information for the BODs to monitor the performance of the operational managers, their workers, and the entire company. In addition, AISs were planned to transparently link an SOE’s performance measures to its remuneration and promotion systems. In doing so, AISs provided the basis for justifying both the rewards offered for ‘favourable’ behaviour in the concerned SOEs on the one hand, and the penalties sanctioned for punishing ‘unfavourable’ behaviour on the other hand. Nevertheless, the most important characteristic of the MCSs implemented in SOEs was that for whatever budgetary targets, performance measures, reward schemes, and/or penalty systems that were to be implemented in an SOE, these MCSs’ aspects had to be approved by the company’s BODs before being implemented. Such requirement ensured to a great extent that the MCSs that were to be implemented in SOEs would be consensual rather than coercive.

At the national level, SOEs were accountable to two different authorities: their respective holding company and the Central Accountability Agency, which audited the performance of all of the Egyptian public sector companies. In addition, SOEs were required to follow the Egyptian Unified Accounting System. The main purpose of using the Unified Accounting System was for the companies applying it to produce financial information that can be aggregated at the national level and used for national planning purposes.

To sum up, Egypt’s state-capitalism era witnessed both the rise and the beginning of the demise of the Egyptian public sector. Following Naser’s alliance with the communist bloc, and the start of Egypt’s state capitalism, the Egyptian workers in general and public sector workers in particular gained several concessions from the state. These included labour market security, employment security, work security, income security, and representation security. Nonetheless, these concessions came at a price. The workers were required by law to abstain from organizing collective acts of discontent at the organizational and/or the national level. Furthermore, they had to accept a TU that was co-opted by the state and had weak connections to their rank and file (the ETUF). The ETUF was then used by Sadat to maintain his control over the public sector workforce when he started his ‘open door’ economic policy and by his successor, Mubarak.

Both the concessions offered to labour, and the constraints placed on their political activities were legalized through the Egyptian structural factor of R&Ls. In turn, the
structural factor R&Ls set the legal guidelines for the ‘ideal’ power relations and MCSs intended for SOEs. The ‘ideal’ power relations between the workers and their management were largely balanced: while management were given a decent level of control over their workers’ promotion and pay, the workers were being represented at the BODs of their respective companies and were protected against arbitrary dismissals. Nonetheless, these ‘ideal’ power relations were conducive for the maintenance of the management’s ability to control the workers within their respective organizations. The ‘ideal’ MCSs were designed to be consensual. That was supposed to be achieved mainly through the workers’ representatives at the BODs levels and through transparently linking performance to pay and promotions. The following section examines the Egyptian power relations at the supranational (mainly between the state and IFIs) and national (between labour, capital, and the state) levels. It also explains how the exercise of power by these agents affected the Egyptian structural factor R&Ls and the ‘ideal’ power relations and MCSs at the organizational level.


4.4.1. Power relations at the supra-national level

Following the second period of relative social stability and favourable economic conditions extending over the first half of the 1980s, Egypt’s economic conditions reached a point where the government had to turn to the IMF for help in 1986 (Handoussa, 1991; Pratt, 1998). The IMF’s reaction for the Egyptian government’s request for a loan was that such help would be provided only if the Egyptian government agreed to embark a structural adjustment and stabilization package that would pave the way towards a neoliberal, market-led, economic development. Accordingly, in May 1987, the Egyptian government agreed to a stabilization package that required it to reduce its public expenditures, unify the exchange rate, increase interest rates, liberalize pricing policies, and increase the level of autonomy of the Egyptian public sector (Pratt, 1998, p. 22). The main objectives of the stand-by agreement were to prepare the ground for a sustained economic growth, reduce the rate of inflation and stabilize the current account deficit of the balance of payment (Abdel-Khalek, 2001, p. 25). Nevertheless, Mubarak’s reluctance

43 It should be noted here that the performance of the public sector was not the cause - at least not the most prominent one - for such poor economic performance. Instead, the more prominent reasons for such economic condition included the decline in foreign inflows - caused by a decline in petroleum prices as well as in other related sources of foreign exchange -, recession in the world economy, and the sharp decline in the flow of aid (El-Mahdi, 2003).
to implement structural changes that can ignite unrests in the Egyptian social and political spheres (Ayubi, 1995) resulted in the IMF refusing to release the second tranche of the loan and the 1987 standby agreement was deemed a failure (Abdel-Khalek, 2001; Posusney, 2002).

By the end of the 1980s, Egypt had a fiscal deficit of 16.5% of GDP, an inflation rate of about 21.2% and an outstanding external debt equivalent to USD 50 billion (Abdel-Khalek, 2001, p. 44). Faced with its troubled economic performance, Egypt had to turn once again to the IMF for help. This time, and after the Egyptian government showed its willingness to participate in solving the Gulf crisis during 1990-1991, the Egyptian government reached an agreement with both the IMF and the WB as well as the Paris Club (Ayubi, 1995; Paczynska, 2006, p. 54; Farah, 2009). According to the agreement, 50% of Egypt’s foreign debt would be written off if Egypt agreed to fundamentally restructure its economy (ibid.). Following such agreement, a comprehensive stabilization and reform program - namely the Economic Reform and Structural Adjustment Program, ERSAP - was launched in 1991. The program consisted of four phases, the second of which involved ‘. . . further deregulation of prices, opening of markets, promoting investment, boosting and structuring of the financial sector, and granting a greater role to the private sector’ (El-Mahdi, 2003). Reducing the size of the public sector through privatization and encouraging the private sector activity in all sectors including the financial sector were the key goals of this program (Bromley and Bush, 1994; Youssef, 1996).

Following the initiation of the ERSAP, Egypt started to take the necessary steps to transform its economy into a neoliberal, market-led, capitalist economic system wherein the private sector assumed the main role in steering the country’s economic development. Throughout the following two decades (from 1991-2010), the IMF and WB continuously commended the Egyptian economic policy. For example, throughout the two decades following the induction of the ERSAP, the WB has, repeatedly, classified Egypt as a top-ten ‘most improved reformer’ (Beinin, 2012, p. 4). Similarly, the IMF (1996) press release in October 1996, while announcing the extension of a 2-year stand-by line of credit to Egypt, explained that:

‘Since 1991, Egypt has successfully implemented wide-ranging macroeconomic stabilization and structural reform measures supported by two successive IMF credits. Over the period, progress was made in strengthening public finances and creating a more decentralized, market-oriented and open economy’.
Similarly, when Egypt started a new round of structural reforms in 2004 - led by the newly appointed cabinet of the then Prime Minister Ahmed Nazif -, the IMF (2004) expressed its satisfaction with Egypt’s ‘renewed commitment to liberalizing the economy and to removing impediments to private sector growth’ and that it (i.e., the IMF) ‘fully support[ed] the reform efforts of the new cabinet to create an environment conducive to private sector investment’. Finally, less than a year before the Egyptian revolution which toppled Mubarak in February 2011, the IMF’s Executive Board stated that:

‘Egypt [have] made significant progress in wide-ranging structural reforms that accelerated after 2004 . . . [and that the IMF’s] Executive Directors . . . commended the [Egyptian] authorities’ sound macroeconomic management and the reforms implemented since 2004, which had strengthened the resilience of the Egyptian economy in the face of the global financial crisis.’

(IMF, 2010)

4.4.2. The labour-capital-state power relations and the structural factor ‘R&Ls’ at the national level

After successfully concluding the negotiations with the IMF and WB in 1991, the Egyptian government had a more difficult task to accomplish. It had to tell the news to the workers employed by its public sector. Privatization of SOEs was to, and did, cause some major concerns for the workers. After all, the workers were still discontented with the open-door policy initiated by Sadat and what it entailed in tougher market conditions in the form of increased foreign competition in the Egyptian markets. Privatizing SOEs was not going to make them feel any better, especially with their expectation that it would entail reductions in the number of employees in the concerned companies (Kassem, 2004) and that it would jeopardize the employment-security they enjoyed in the public sector. Moreover, the government was still wary of the workers’ ability to initiate strikes and public unrest despite its control over the leadership of the ETUF.

However, despite these concerns on the government part, the government had to show commitment in carrying out the loan conditions stipulated by the WB and IMF. Accordingly, some concessions in favour of the workers were set in place in order to make the law legalizing the privatization process (law 203/1991) more acceptable both in the parliament and for the workers. These concessions included guarantees against mass layoffs of workers, additional protections of health and pension insurance coverage, the
initiation of employees’ share in ownership plans\textsuperscript{44}, and the retention of the profit-sharing scheme for workers (Posusney, 1997, pp. 208-214; Posusney, 2003; Paczynska, 2007).

Accordingly, the Egyptian policy to privatize some of its major manufacturing and service enterprises was formalized by the Public Business Enterprise Law 203/1991. As a result of the 1991 law, sixteen holding companies (HCs) (100% owned by the Government) were established and were made responsible for privatizing as well as operating some 314 wholly-owned subsidiaries (called affiliates). Both the HCs and their affiliates were put under the purview of the Ministry of Public Enterprise. Moreover, in order to expose these companies to free market conditions and facilitate their privatization, the law increased the level of autonomy granted to the affiliates through reducing the level of state intervention in the affiliated companies’ day-to-day operations. In addition, it ensured that both the public business enterprises and private sector companies functioned according to the same legal principles (Paczynska, 2007). Finally, the government also abolished SOEs credit guarantees from the national budget and investment financing. Furthermore, for overseeing the Egyptian privatization program, the government created early in 1992, the Public Enterprise Office under the leadership of the then Prime Minister Atif Sidqi (Posusney, 1997).

However, establishing the legal and institutional frameworks necessary for the Egyptian privatization program was not enough for its success. Evidently, other measures were needed to encourage private investors - both local and foreign - into assuming a greater role in the Egyptian economy. Essential to these measures was the reduction of the restrictions placed on private investors when dealing with their workers. In particular, the labour law in place at the time (adopted in 1976 and amended several times the most recent of which in 1981) was conceived by local businesspersons, and more importantly by foreign investors, as constraining their pursuit of business activities (Paczynska, 2006). Accordingly, the government proposed a new labour law in 1993 that would impact the power relations between capital and labour at the workplace. According to the proposed law, employers would have more flexibility in hiring and firing their workers, workers’ allowed paid leaves would be shortened, workers’ minimum wage requirements would be removed and pay increases would be linked to market profits as opposed to what was an annual right for the workers (Kassem, 2004 and Paczynska, 2006).

\textsuperscript{44} According to these plans, the workers in to-be-privatized SOEs were to be sold 10% of the government’s ownership in their respective companies with favourable credits provided by the state.
Despite the state’s initial hope that the new labour law would be quickly approved by the parliament this did not happen until March 2003. Throughout a decade of negotiations between the government officials, the ETUF leaders, the local legal community, representatives of the business community, and representatives of the International Labour Organization (ILO), the only concession made by the state in favour of the workers was to grant them the right to strike as a response for the agreements between Egypt’s and the ILO. Nonetheless, even this right was restricted by the requirement that strikes had to be approved by two-thirds of the, mostly co-opted, 21 representatives at the federation level of the ETUF, as well as by keeping wildcat strikes illegal.

Throughout 1993-2003, the government had already started its privatization program and was dealing with workers’ protests by using force and/or by granting workers concessions in some cases to end their wildcat strikes (Farah, 2009). The main reason for these strikes on the workers’ part was the downsizing tactics followed by the HCs in order to make SOEs more appealing to private investors. These initiatives ranged from voluntary early retirement schemes to less consensual tactics such as forced transfers, dismissal of part-time workers, and reduction of payments made to redundant workers to the basic component of their monthly pay (which amounts to one third of total monthly pay) (Posusney, 2003; Farah, 2009). Any concessions made by the HCs were localized and case-specific rather than generalized by R&Ls, as was the case throughout Nasser’s rule (Posusney, 2003, p. 278). Table (4.2) summarizes the number of companies sold and the proceeds from privatization during the period of 1991 - February 2006.

The passing of the new labour law in 2003 (Law 12/ 2003) and the appointment of a new government led by Prime Minister Ahmed Nazif in 2004 and 2005 represents a major shift in the Egyptian government priorities as far as labour and capital are concerned. It was clear that the new labour law as well as the new government favoured capital over labour. On the one hand, according to the new labour law, employers were granted an increased level of freedom when it came to hiring and firing workers. For example, the law allowed the multiple renewals of temporary work contracts without any obligation on the employers’ part to upgrade these contracts into permanent ones (Posusney, 2003). This allowed employers to limit the number of permanent workers who are the ones having the right to join trade unions and run for their elections (ibid.). Furthermore, the law granted employers the right to downsize their workforce, lower the workers’ contractual wage, and assign workers to jobs different to those they were hired to perform upon having a
‘valid’ economic reason for doing so (Posusney, 2003, p. 284). In return, the workers were granted a highly restricted right to strike since authorization of these strikes was handed to TU leaders at the federation level rather than leaders in the local units which were closest to the workers.

<table>
<thead>
<tr>
<th></th>
<th>Law 203 Sales</th>
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<th>Joint Venture Sales</th>
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<th>Totals</th>
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<tr>
<td></td>
<td>Number</td>
<td>Value (in LE million)</td>
<td>Number</td>
<td>Value (in LE million)</td>
<td>Numbers</td>
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<tr>
<td>1991-1994</td>
<td>11</td>
<td>418.4</td>
<td>0</td>
<td>0</td>
<td>11</td>
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<tr>
<td>1994/1995</td>
<td>18</td>
<td>962</td>
<td>0</td>
<td>0</td>
<td>18</td>
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<tr>
<td>1995/1996</td>
<td>12</td>
<td>977</td>
<td>0</td>
<td>0</td>
<td>12</td>
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<tr>
<td>1996/1997</td>
<td>29</td>
<td>4,595</td>
<td>0</td>
<td>0</td>
<td>29</td>
</tr>
<tr>
<td>1997/1998</td>
<td>24</td>
<td>2,492</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>1998/1999</td>
<td>33</td>
<td>1,824</td>
<td>0</td>
<td>0</td>
<td>33</td>
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<tr>
<td>1999/2000</td>
<td>39</td>
<td>4,598</td>
<td>1</td>
<td>14</td>
<td>40</td>
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<tr>
<td>2000/2001</td>
<td>12</td>
<td>263</td>
<td>7</td>
<td>118</td>
<td>19</td>
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<tr>
<td>2001/2002</td>
<td>7</td>
<td>73</td>
<td>3</td>
<td>879</td>
<td>10</td>
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<tr>
<td>2002/2003</td>
<td>6</td>
<td>49</td>
<td>1</td>
<td>64</td>
<td>7</td>
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<td>2003/2004</td>
<td>9</td>
<td>428</td>
<td>4</td>
<td>115</td>
<td>13</td>
</tr>
<tr>
<td>2004/2005</td>
<td>9</td>
<td>457</td>
<td>12</td>
<td>4,819</td>
<td>21</td>
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<tr>
<td>2005/2006</td>
<td>7</td>
<td>6,107</td>
<td>12</td>
<td>7,358</td>
<td>19</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>216</strong></td>
<td><strong>23,243.4</strong></td>
<td><strong>40</strong></td>
<td><strong>13,367</strong></td>
<td><strong>256</strong></td>
</tr>
</tbody>
</table>


On the other hand, Nazif’s 2005 government was the first Egyptian cabinet to appoint established businesspersons as ministers to vital ministries such as trade and industry, housing, transportation, health, agriculture, and social welfare; a government that was later called as ‘the government of businessmen’ (Farah, 2009, p. 49; Beinin, 2012). Following the recommendations of the Policy Unit in the National Democratic Party (headed by Mubarak’s son) and with the blessing of both the IMF’s and WB’s, Nazif’s cabinet started a new round of neoliberal economic reforms aimed at improving the country’s economic performance (Beinin, 2012). Towards this end, the cabinet established a new ministry - the Ministry of Investment - with the main task of improving the Egyptian business environment to better attract private investors and to revive the then slow Egyptian privatization program (Farah, 2009). Accordingly, the period of 2004-2006 witnessed a new wave of privatizing SOEs, with sales amounting to 20% of all companies sold from 1991 to 2006 and generating more than 50% of the total proceeds from privatization over the same period. Throughout this new wave of privatization, the government was selling the country’s assets at nominal prices. As a result, in many cases, SOEs were sold at prices
lower than the value of the real estate on which they were built. The company examined in chapter (5) is one such example.

Accordingly, it can be said that Nazif’s years as a prime minister witnessed the capital’s triumph over labour. Many researchers considered Nazif’s policies to subsidize the ruling and business elites at the expense of the majority of the Egyptian population. The improvements in Egypt’s overall economic performance throughout Nazif’s years were accompanied with little care for re-distribution that resulted in more than 40% of the Egyptian population living in poverty (see for example, El-Naggar, 2009; Farah, 2009, p. 52; Marfleet, 2009, p. 33; Beinin, 2010, p. 111; Paciello, 2011). Thus, as capital blossomed in the hands of the few, discontent and anger was building across the deprived many. Indeed, the years 2004-2011 have witnessed an increasing rage across the Egyptian people that culminated in the 2011 revolution with the Egyptian workers from both the public and private sectors being an integral active segment of this population. In particular, the rage of Egyptian workers was reflected in an unprecedented number of them engaging in strikes, gatherings, sit-ins, and demonstrations; more than 1.7 million workers are estimated to have participated in 1913 of these actions through 2004-2008 only (Beinin, 2010, p. 18).

Of the most significant strikes that took place during this period were the strikes initiated by the workers of Misr Spinning and Weaving (Ghazl al-Mahala – a public sector company employing more than 25000 workers) in 2006, 2007, and 2008. In December 2006, some 3000 female workers marched through the company calling for their male colleagues to join them in their protest against the management’s decision to ignore the increase in annual bonus announced by Nazif earlier in the same year - a decision that was being celebrated by the pro-government TU leaders as an achievement of the ruling party (Beinin, 2009). Later in the day, some 10000 workers were gathered in front of the company’s headquarters shouting for their full annual bonus. Eventually, after a 3-days sit-in, the management conceded to some of the workers’ demands, promising the workers a bonus of 45 days and that the company will not be privatized. Since the company’s management did not fulfil those promises until September 2007, 22000 of the Ghazl al-Mahala’s workers initiated another strike asking for improving wages, improving work conditions, changing the company’s ‘corrupt’ management, and impeaching the

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45 Nazif maintained his Office until 2011 when his cabinet was forced to resign as a result of the Egyptian revolution that took place between 25th of January - 11th of February in 2011.
company’s TU committee (Beinin, 2009). While occupying the mill for 6-days, the ‘official’ TU leaders were cast out of the company and an elected strike committee was formed to oversee the strike (Beinin, 2012). At the end of the strike, after negotiating with a committee that included the ETUF’s chief, the workers managed to succeed in getting the management to concede to their demands and to get the company’s CEO dismissed (Beinin, 2009, pp. 83-85). In April 2008, the workers initiated another strike. However, this time their demands expanded beyond the immediate needs of the company’s workers to include increasing the countrywide minimum wage to LE 1200. Nevertheless, as the workers’ demands in this strike were directly linked the overall regime’s policy, the government took the ‘necessary measures’ to prevent the strike from going further. According to Beinin (2009, p. 85), ‘[m]assive repression and intimidation by the regime successfully split the workers’ leadership and aborted the strike’. Nevertheless, such action of repression was coupled with both company-specific as well as country-wide concessions. After dismantling the strike, Nazif, following the instructions of Mubarak, and while commending the workers’ ‘refusal’ for the strike, granted the workers of Ghazl al-Mahala a 30-days bonus, improved the company’s hospital, improved the company’s transportation system, announced the government’s plan to build workers’ housing compounds, assigned LE 400 million for upgrading the company’s machinery, and paid all of the company’s outstanding debts (a total of LE 1 billion) (Ahram, 2008). Furthermore, the entire textile sector workers were granted a bonus of 15-days’ pay and enjoyed an increase in their monthly meal allowance from LE 18 to LE 90, (Ahram, 2008).

4.4.3. Power relations and MCSs in private sector companies at the later years of Egypt’s market capitalism

By the time the data collection for the two case studies was conducted (2008-2010), most of the Egyptian privatized companies along with many other private sector companies were governed by two main laws: law 12/2003 (the Egyptian labour law), and law 159/1981 (the law governing the operations of joint stock companies, limited partnerships and limited liability companies – amended by laws 3/1998, 159/1998, 94/2005, 68/2009). As was explained in 4.4.2, law 12/2003 endowed capital with many privileges. These privileges increased the agents-of-capital’s power resources within private sector companies. In particular, they increased their control over hiring and firing, their control over pay, and their control over promotions. At the same time, these privileges came at the expense of the workers’ previously gained power resources. They decreased their
employment security and their access to a relatively stable pay. Furthermore, law 195/1981 did not provide private sector workers with the same level of access to the decision making process at the BODs level as law 203/1991 did to public sector workers. More specifically, it articulated three methods through which private sector workers could have access to the decision making process in their respective companies. The first method involved free voluntary inclusion in the BODs (i.e., when capital voluntarily invited labour to the space of power at the BODs level). The second involved inclusion in the BODs based on the workers (as a group) owning shares of the company. This was the method intended for privatized Egyptian companies through earmarking 10% of the government’s ownership in the concerned company to be sold to the company’s workers. The third method involved securing access through an administrative committee that was responsible for discussing issues related to the workers of the company. The head of this committee had the right to attend the BODs meetings but not any right to vote. Nevertheless, given the government’s overall pro-investors stance, and as the next two chapters will show, these methods, apart from the case when the workers did own a percentage in the company’s shares, were hardly evident in real life. Furthermore, even when the workers gained access to the decision making process at the BODs level through their assigned shares, and given the workers’ troubled economic conditions, such access was not likely to be maintained for a long period. This is because the workers would usually start selling their shares whenever the prices of these shares increased at a decent margin.

Accordingly, when considered in the context of the latest legal framework governing their post-privatization operations, privatizing SOEs entailed weakening, and in some cases eliminating, the workers’ structural power resources they used to enjoy. Privatization limited workers’ access to the decision making process and shattered their long-enjoyed employment security without any reliable social insurance systems that would provide the workers with alternative sources of income in cases of unemployment in place. Furthermore, privatization did indeed strengthen privatized-companies’ management’s structural power resources through changing the legal context within which their companies operated into one that would allow them to fully exercise their control over hiring and firing, pay, and promotions.

According to the legal framework governing the operations of the Egyptian private sector companies, the Egyptian government had little, if any, control over the MCSs and AISs
designed and implemented in these companies. As long as the management teams of private sector companies followed the R&Ls concerned with the labour-capital relationship in Egyptian private sector companies these management teams had the full autonomy in designing the MCSs they considered appropriate for their companies. Accordingly, it is not surprising that, as the next two chapters show, there were some significant differences in the post-privatization MCSs implemented in the two companies examined.

To sum up, Egypt’s change from state to market capitalism resulted from its worsened economic conditions during the later years of the 1980s and conditions imposed by the IMF and WB if Egypt was to receive a loan that it was in dire need for. This transition triggered the introduction of capital as an active agent into the Egyptian national level power relations. Capital was incorporated into the Egyptian economy through the state offering it investment opportunities both through privatizing its SOEs as well as advertising new favourable investment opportunities and environment. These came at the expense of labour’s previously established power resources at the organizational level. Employment, income and representation security was significantly reduced while unauthorized acts of discontent continued to be illegal. At the same time, capital managed to secure significant power resources to use within their organizations. It secured a high level of control over hiring, firing, pay, and promotion. This secured to capital a high level of flexibility when designing the MCSs to be implemented within their respective companies. This was made possible through reshaping the structural factor R&L through a process of negotiation in which labour was represented by their co-opted TU leaders.

4.5. Conclusion

The current chapter examined Egypt’s power relations at the supranational and national levels during its state and market capitalism eras. It also examined the relationship between the exercise of power by the agents involved in these power relations and the structural factor R&Ls. Egypt’s state capitalism was triggered by the exercise of power at the supranational level between the Egyptian state and the IFIs and foreign governments. During this period, the main agents involved in the power relations manifesting at the national level were labour and the state. Their exercise of power throughout Egypt’s state capitalism shaped the structural factor R&Ls in a way that secured the state’s interest in maintaining a high level of political stability at the national and organizational levels as well as in securing labour’s cooperation in maintaining the ‘well-functioning’ of the public
sector. That was accomplished through offering labour several concessions conducive for the creation of balanced labour-management power relations in SOEs. The ‘ideal’ MCSs based on these balanced power relations were designed to be consensual and transparent, while at the same time being conducive for the organizational level goals and the national level developmental plans.

Once again, the exercise of power at the supranational level between the Egyptian state and IFIs triggered its transition from state to market capitalism. Accordingly, capital was assigned the leading role in achieving the Egyptian developmental plans. In turn, the Egyptian R&Ls needed to be reshaped to provide the legal framework facilitating capital’s incorporation into the Egyptian economy. That triggered the exercise of power at the national level between labour and capital, with the state trying to mediate a resolution that would enable it to attract local and foreign investors while maintaining the political stability within its borders. Capital came out of this battle with far more spoils than did labour. The R&Ls were reshaped so that capital maintained control over hiring, firing, pay, and promotions. At the same time, this stripped labour of their previously enjoyed employment, income, and representation securities. Furthermore, capital was given the legal right to design its own MCSs without interference from the state and with a low risk of the labour initiating acts of discontent at the organizational level.

From an agency perspective, these MCSs are expected to be market-based, consensual, and transparent. On the other hand, LPT expects MCSs to be private and coercive. The following two chapters demonstrate the ways in which the organizational level structural factors and labour-management power relations can affect the nature of the MCSs designed and implemented in two privatized Egyptian companies (ABC and XYZ) before and after their privatization.
5. Power and MCSs in a privatized Egyptian Company: the Case of ABC

5.1. Introduction

The previous chapter explained the power relations at the Egyptian supranational and national levels during its state and market capitalism eras. It explained how the exercise of power between labour and the state during state capitalism resulted in shaping the structural factor R&Ls in a way conducive for the creation of balanced power relations and consensual, transparent MCSs in SOEs. It also explained how the change from state to market capitalism introduced a new agent into the Egyptian power dynamics at the national and organizational level. This resulted in capital exercising its power at the national level to reshape the structural factor R&Ls in a way congruent with its interests. These interests revolved around maintaining a superior power position within their organizations as well as having a high level of autonomy when it came to designing their organization’s MCSs.

The current chapter examines the labour-management power relations and the MCSs designed and implemented in an Egyptian manufacturing company (ABC) before and after its privatization. It focuses on the organization-specific structural factors (‘market conditions’ and ‘technology’) and power relations to examine the extent to which the MCSs designed and implemented in ABC resembled the ‘ideal’ ones sought at the national level before and after its privatization. While doing so, the remainder of the chapter is divided into five main sections. Following this brief introduction, the second section provides some background information about ABC and describes the market conditions within which ABC operated. The third section discusses the power relations manifested in ABC, the company’s designed MCSs and the actual MCSs implemented throughout ABC’s public ownership. The fourth section discusses ABC’s privatization process. The fifth section examines the power relations manifesting in ABC, the company’s designed MCSs and the actual MCSs implemented throughout ABC’s private ownership. Finally, the sixth section summarizes and concludes the chapter.
5.2. Setting the scene

ABC is a manufacturer and exporter of intermediate, seasonal, products used in the food and chemical industries. It was established in 1942, nationalized in 1963 and was an affiliate of the Food Industries Holding Company between 1991 and 1996. In 1996, ABC was partially privatized through an initial public offering in the Cairo Stock Exchange and, by the year 2004, it was fully privatized through sale to an anchor (main) investor.

ABC operates two factories in two different places in Egypt both located at industrial cities that have long been accustomed to capitalist relations of production. Both factories operate three shifts per day covering its twenty-four daily hours. The two plants have a total production capacity of 150,000 tons per annum, of which 65% are main products and 35% by-products. The company has one subsidiary concerned with establishing, producing and trading its two main products. At the time of its privatization, ABC had 1,660 employees (1,410 permanent and 250 part-time). By the end of 2007 (about three years after it was fully privatized), the number of employees was decreased to 848 (all permanent). Finally, it is worth mentioning that ABC’s management team during its public ownership came mostly from a public sector background. However, after its full privatization in 2004, that management team was replaced with a new one whose members came invariably from the private sector.

Little, if any, information is available concerning the MCSs in ABC during the colonial era and the early years of Egypt’s independence - i.e., before the nationalisation of ABC. Accordingly, the focus of this case study is delineated on the power relations and MCSs throughout the company’s public and private ownership eras. In addition, the period for public ownership is considered to extend from the date the company was nationalized until its full privatization in 2004. More specifically, the period of partial privatization is considered a sub-period of the public ownership period. This is despite the fact that partial privatization reduced the holding company's equity in ABC to 39% since such change did not entail many significant changes in the company’s power relations and MCSs.

ABC operated as a monopoly from its establishment until a couple of years before its full privatization in 2004. From 2004 to 2008, it operated in an oligopolistic market. Starting from 2008, the competitiveness of the markets within which ABC operated started to increase as international competitors started to penetrate the Egyptian and Middle Eastern Markets. As explained throughout the chapter, the market conditions within which ABC
operated had a considerable influence over the company’s power relations and MCSs. Accordingly, alongside dividing ABC’s story into public and private sector periods, these two periods cover three different market conditions within which ABC operated. The first type of market conditions, monopolistic markets, coincides, mostly, with the public ownership of ABC. Throughout this period, selling the company’s products was never an issue. The company had its customers lined up for its products. The following two quotes are samples of the responses received from interviewees from the sales department when asked about ABC’s pre-privatization market conditions:

‘Back then we had to sit back and decide which customers to sell to. At some points of time, the customers had to approach the managers personally and ask for favours to ensure that they will get their share of our production, which did not happen all the time. We had to appropriate our production between the customers to make sure that we are selling to most of them.’

‘Until the late years of the public ownership, the company was the sole producer of its products in Egypt; we were working in a monopoly. This means that the sales function was quite limited. All we had to do was to collect the money from the customers. The product was selling itself. We did not need to do any efforts to promote sales.’

Within these market conditions, generating profits was rarely an issue for ABC’s managers. Evidently, the company enjoyed generating profits throughout all its years of public ownership. Such ability to generate profits meant that the company attracted little scrutiny from the ministry/holding company responsible for overseeing the company. As an official in the Ministry of Investment stated, ‘ABC was considered one of our [the Egyptian public enterprise sector] good companies . . . I wish all of the other companies provided the same results as ABC.’ As the company continued to generate profits and enough cash flows that could be used to support covering the budgetary deficits suffered by the Egyptian government(s), little pressure was placed on management to apply strict measures to improve cost management and/or increase profits.

On the other hand, ABC’s ability to constantly generate profits resulted in an overall lack of concern about controlling the company’s costs. As the following section shows, evidence for such attitude can be found in the way ABC’s managers responded to the company’s annual budgetary targets, the way they handled the workers’ loose attendance, as well as the way in which the company’s inventory was poorly managed. In addition, running a monopoly resulted in quality management being a matter of lesser importance when compared to producing the targeted amounts of production. As a member of the quality control department puts it:
‘It is safe to say that the company had no effective quality control department before privatization. The overall attitude was that finishing a production patch on time was more important than ensuring that a high quality product is being delivered to the customers. They customers could do nothing about it. They would take whatever products we sold to them and work with it. They knew that if they do not take our product as it is, others were more than willing to do so.’

Even when a local competitor entered the market in 2001, the company’s management did not change its way of doing business. For them, the new competitor was simply serving those customers that the company was unable to satisfy. Moreover, the competitor was not selling products identical to those produced by ABC. The differences in the technical specifications between the products produced by ABC and those produced by its competitor ensured that ABC maintained the largest part of its customers. According to one of the interviewees in the sales department,

‘... you need to keep in mind that some of the customers stayed with our company because our products were more suitable for their manufacturing process, and others left us because our competitor’s product was more suitable for their manufacturing process. You see we, our company and our competitor, use different production technologies and our products are not identical.’

Accordingly, the increased competition had little, if any, effect on ABC’s business policies. For example, it was the new competitor that had to make sure that they are selling their products at prices comparable to those of ABC in order to be able to compete in the market. Accordingly, the company continued making profits throughout the last three years of its public ownership.

The second type of market conditions within which ABC operated was oligopolistic markets. These market conditions prevailed over the early years of ABC’s private ownership (2004-2008). Throughout these years, the company faced little, if any, market pressures to reduce its costs as the option to increase the company’s selling prices was always available to compensate for any ‘non-competitive’ costs incurred by the company. For example, table (4.1) traces some of the changes in ABC’s main products’ prices following its privatization. These increases in prices were always matched by the company’s single competitor existing at the time.
These privileged market conditions did not start to change until 2008. Towards the end of that year, ABC started to face an increased level of competition as a new local competitor started entering the market. More importantly, the company started to encounter increased competition from global producers of the same main products produced by ABC. The timing for such increased competition could not have been any worse for ABC as it happened when both local and international demand for the company’s products was lower than its usual levels due to the global financial crisis in 2008 and 2009. The Chief Financial Officer (CFO) of ABC described the situation as ‘crazy’:

‘The foreign competitors are selling their products at a price that is lower than our costs. We have filed a dispute with the government to protest unfair market practices on the part of the foreign competitors but these cases take years to impose any real constraints on the foreign competitors’

The impact of these conditions on ABC’s performance was reflected on the EGP 16.5 million losses suffered by the company in 2009. However, while discussion on this is provided later, it should be noted that the real impact of these conditions was a decrease in profits rather than losses.

The increased competition in the more recent years of the private ownership of ABC had its own impact on the ABC’s way of conducting business. For example, it created a market research department, and paid more attention to marketing as opposed to the public ownership period. The MCSs implemented in the company were also affected. For example, competition in the market pressured the management to focus more on cost management, pay more attention to quality management, and pursue performance evaluation and remuneration measures that foster workers’ cooperation on the shop floor.

<table>
<thead>
<tr>
<th>Main product</th>
<th>S.P. before privatization (EGP)</th>
<th>S.P. one month after privatization (EGP)</th>
<th>% increase in S.P.</th>
<th>S.P. in July, 2008 (EGP)</th>
<th>% increase in S.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main product I (type 1)</td>
<td>2270</td>
<td>2700</td>
<td>19%</td>
<td>3350</td>
<td>47.5%</td>
</tr>
<tr>
<td>Main product I (type 2)</td>
<td>2320</td>
<td>2750</td>
<td>18.5%</td>
<td>3400</td>
<td>46.5%</td>
</tr>
<tr>
<td>Main product II (type 1)</td>
<td>2080</td>
<td>2475</td>
<td>19%</td>
<td>3450</td>
<td>65%</td>
</tr>
<tr>
<td>Main product II (type 2)</td>
<td>2060</td>
<td>2450</td>
<td>19%</td>
<td>3425</td>
<td>66%</td>
</tr>
</tbody>
</table>

Table (5.1): Post-privatization price changes in ABC
5.3. Public sector power relations and MCSs in ABC

Being one of the Egyptian SOEs meant that ABC’s power relations and MCSs were expected to follow the ‘ideal’ power relations and MCSs sought by the state and stipulated through the Egyptian structural factor ‘R&Ls’. By following these R&Ls (see section 4.3.3 for more details), ABC was expected to maintain a distinct version of legal-rational bureaucratic organizational structures wherein the company’s workers were invited to participate in the decision making processes taking place at the company’s BODs while being denied access to the decision making processes taking place at the operational level. In adherence to the Public Enterprise Law 203/1991 and its executive regulations, ABC’s BODs included, apart from the president of the board who as selected by the general assembly of the company based on a recommendation by the Holding Company, a number of members that was divided into two halves. The first half was appointed by the holding company and the second half – the workers’ representatives – was elected by the workers. Below the BODs, ABC’s organizational structure (see figure 5.1) was a traditional tall bureaucratic organizational structure similar to the one described in 4.3.3.3. Nevertheless, and interestingly, even though the composition of ABC’s BOD’s followed the guidelines provided the Egyptian R&Ls, both the power relations manifested between the board members as well as the power relations between the workers and management at the operational level seemed to deviate from the ideal power relations perpetuated by these R&Ls. More specifically, as the following subsections explain in more detail, the workers’ representatives (agents of labour) in the BODs appeared to have a stronger power position compared to the other board members (agents of the state). Furthermore, the labour-management power relations operating at the company’s operational levels failed to resemble the powerful managers/less-powerful workers embedded in the hierarchical supervision of the bureaucratically structured Egyptian SOEs. The empirical evidence collected from ABC suggests that these deviations from the ‘ideal’ power relations sought by the state had a lot to do with ABC’s market conditions and the type of technologies adopted in its manufacturing and administrative departments. The following subsection discusses the relationship between these two factors and ABC’s power relations.
Figure (5.1): ABC’s pre-privatization organizational
5.3.1. ABC’s market conditions and use of technology: tipping the scale towards the workers

The market conditions within which ABC operated had a very significant impact on ABC’s workers’ ability to strengthen their power within the company compared to their managers. Being the sole producer of its products in both Egypt and the Middle East for the largest part of its public ownership period meant that ABC’s skilled workers were literally irreplaceable. When this situation was coupled with the company’s labour-intensive production technology, it is not surprising that ABC’s skilled workers were considered by the company’s managers as essential for the smooth running of the company’s operations.

For example, none of the managers interviewed denied the important role played by the company’s skilled workers before its full privatization in 2004. Their justification was based upon the idea that back then, most of the manufacturing processes were operated manually rather than automatically, especially when monitoring the production parameters were performed. Such tasks were not carried out by professional engineers. Instead, they were the responsibility of the more experienced workers at the factory floor. Accordingly, the presence of skilled and experienced workers at the factory floor was essential for maintaining a successful manufacturing process. According to one of the company’s production managers,

‘... of course they [skilled workers] were essential to our work. We [the managers] relied on them to a great extent, not only for maintaining an efficient manufacturing process, but also in making sure that the less skilled workers were trained by the more skilled ones so that they could take their places when they retired. To give you one example, the skilled workers were the ones responsible of making the necessary tests to make sure that the manufacturing process is progressing satisfactorily so that it provides good production. If they were not skilled enough, we would either have to monitor the manufacturing process ourselves or suffer from significant inefficiencies.’

Accordingly, ABC’s market conditions and production technology endowed its workers in the production departments with one of their most important power resources: their superior knowledge of work technicalities. The first immediate effect of the workers’ superior knowledge of work technicalities was their inclusion in the decision making processes taking place at the operational level of the production departments. That was done through allowing workers access to the ‘Production Affairs Committee’.
The ‘Production Affairs Committee’ was responsible for monitoring the manufacturing process and dealing with the production-related issues that could affect meeting the production targets. The committee consisted of members both from the managerial staff as well as the TU leaders. From the managerial staff, the committee was headed by the head of the factories’ sector and included all of the production managers in the company. Alongside the managerial staff, the committee also included six of the elected TU leaders.

From the TU leaders’ perspective, the committee was concerned with addressing issues that might affect the production volumes and, accordingly, the production-volume-based incentives that was received by the workers. According to one of the TU leaders who was a member of the committee at the time, the committee was

‘... responsible for following up on the manufacturing process on a monthly basis. We [the committee] used to meet monthly to address issues such as production variances and productivity. For example, if the production volumes were below the planned levels, we would investigate the reasons for such unfavourable variance, be it an electrical malfunction, a machine breakdown or whatever other reason. We made sure that these issues were dealt with properly and that they were unlikely to happen again’.

Along with being involved in monitoring the production performance of the company, the TU leaders also provided their own recommendations to the other members of the committee concerning other production-related issues. For example, it was the TU leaders that brought into attention the need to reschedule the production plan to better reflect the seasonal nature of the demand on the company’s products. Initially, the production policy was to produce as much output as the available monthly capacity allowed - in order to meet the targets set at the beginning of the year. However, such attitude meant that in periods of lower demand significant amounts of the quantities produced were kept in inventory and that these products are exposed to the risk of becoming partially or completely spoiled. This meant that some of the volumes produced had to be reworked and, sometimes, completely written-off. The TU leaders’ recommendation was to better tune the production process according to the expected demand levels with less production during the off-season periods and extra shifts put in place during busy times to help meet the increase in demand.

However, the production managers within the committee had a different view. According to one of them,

‘They [the TU leaders] had nothing to do with our decisions. They just sat there and said OK to whatever we [the managers] agreed on. I mean, come on, they
knew nothing about our work. They came, mostly, from the administrative departments within the company and they knew nothing about the technicalities involved in our work.’

Moreover, when asked about the TU leaders’ contribution in the revision of the production budget to better reflect the seasonal market demands of the company products, one of the production managers explained that

‘we [the production managers] have been working here in the company for decades and our products have always been seasonal. We have always been aware of that fact and our production plans have always been set to accommodate the market demands’.

Given the difficulty of getting a TU leader to admit that he and his colleagues just ‘sat there and said OK to whatever decision was made by the production managers’, other sources of evidence had to be pursued to validate either side of the arguments. Such evidence sides more with the argument of the managers rather than that of the TU leaders. For example, the TU leaders came mostly from the administrative departments within the company. In the committee that was in place right before the full privatization of ABC, out of the six TU leaders involved in the committee, only one leader came from a production-related department (the Workshops Department). The rest of the leaders came from administrative departments such as Inventories Department and the Employees’ Affairs Department. Moreover, the TU leader that came from the Workshops Department was in fact a full time TU leader - i.e., he was exempted from the day to day duties performed by other workers. Accordingly, he was completely isolated from the actual production process and whatever issues manifested throughout the company’s day-to-day operations.

Nevertheless, if the production managers’ account of the workers’ actual involvement in the production-affairs committee is accepted, a very interesting question arises: Why was the workers’ access to this committee maintained throughout ABC’s public ownership, especially when the fact that such access was not stipulated by law is taken into consideration? To put it differently, if the company’s management maintained the power to deny the workers their access to the Production Affairs Committee, an access that was neither appreciated by the management nor stipulated by law, – that is, if management could really close this space of exercising power to exclude labour from the decision making process – then why, despite the management’s negative views, did labour continue to enjoy this access?
The answer to this question seems to have more to do with the workers’ power on the factory floor than with their actual contribution to the production affairs committee. The workers’ access to the production affairs committee was a reflection of their superior power in the factory floor, mainly due to their superior knowledge of work technicalities, rather than a reflection of the manager’s need for their input when making production-related decisions. In other words, the workers’ access to the production affairs committee is better understood as a concession made by the company’s managers’ to their powerful workers than as an invitation made by the managers to the workers to participate in the committee. It seems that this is the most plausible explanation for the workers’ continued access to this space of exercising power - despite the managers’ lack of interest in and even lack of appreciation for the workers’ participation.

Accordingly, the workers’ access to this space of exercising power at the operational level is better classified as a created rather than an invited access. Furthermore, another important conclusion can be drawn from the workers’ ability to create a space for exercising their power at the operational level through the production affairs committee. Given the fact that allowing the workers’ access to the committee could only be authorized at the BODs level, it can be concluded that the workers’ increased power at the operational level contributed in strengthening their power at the BODs level. It was this increase in the workers’ representatives’ power that allowed them to formalize the TU leaders’ inclusion in the production affairs committee despite the operational managers’ negative views regarding this decision.

In addition, it is important to note that the evidence found for the workers’ superior knowledge of work technicalities was not limited to the production departments. Because of the government’s commitment to provide jobs for all of the university and high school graduates, as well as the increasing numbers of university graduates in Egypt year after year, the administrative departments of ABC were quite overstaffed. Accordingly, the workloads in these departments had to be distributed among the available workers to ensure that everyone had something to do. Eventually, office workers were assigned very specific tasks that they had to take care of throughout their careers. Given the fact that ABC invested little, if any, in computerized information systems throughout its public ownership period, it is not surprising that office workers, eventually, developed a level of superior knowledge about their assigned tasks that nobody else shared.
The case of the accounting department (called the financial sector before privatization) provides a good example of this situation. While no specific figure could be obtained concerning the number of the office workers employed within the accounting department, none of the numbers provided by the interviewees was less than fifty. Every office worker was assigned a specific task and, as his/her years of experience accumulated, he/she became almost the only person skilled enough to master all of the aspects of the particular job. Such level of specialization was high to the extent that, according to the post-privatization CFO, the financial manager overseeing the financial sector staff was unable to explain some of the elements of the financial statements prepared under her supervision and authorized with her own signature. Her explanation for her inability to explain the composition of a certain figure in the financial statements was that ‘. . . the employee responsible for maintaining the records of the asset concerned was not around and that she had to ask him why he recorded the asset in this way’, said the new CFO. These comments coincide with the views of the office workers on the pre-privatization period. According to one of the interviewees from the accounting department,

‘. . . having to work manually meant that the number of employees had to be big; a lot more than what was really needed. It meant that no one knew anything about his[her] colleagues’ work. If you need to get one piece of information, you have to wait until the specific person responsible for preparing it would get it for you, none of his colleagues would be able to get it. Moreover, the final step of aggregating the work done by individual employees was carried out by a single person and nobody else knew how to do that’.

Accordingly, it is safe to argue that ABC’s workers – both in production as well as administrative departments – maintained an influential superior knowledge of work technicalities compared to their managers. When this power resource is added to the workers’ other power resources secured through labour’s exercise of power at the national level46 - and embedded in the R&Ls governing the work relations in Egyptian SOEs -, ABC’s workers-management power relations were tipped in favour of the workers. The evidence collected from ABC suggests that the workers’ ability to strengthen their power compared to their management affected both the design of the company’s official MCSs at the BODs’ level as well as the extent to which the actual MCSs implemented at the operational level resembled these designed controls. The following two subsections discuss these two points respectively.

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46 See 4.3.3.2 for more details.
5.3.2. The exercise of power at the BODs level: the shaping of ABC’s designed MCSs and AISs

The nature of the MCSs that were to be designed in Egyptian SOEs was highly regulated by the Egyptian R&Ls. Yet these same R&Ls allowed for a certain level of flexibility that enabled each SOE to customize its MCSs according to its specific work relations and business environments. The evidence collected from ABC shows that the workers’ representatives in the BODs used this flexibility in a way that favoured the interests of the workers at the expense of those of the management. To begin with, they opened a space of power for the workers - through their elected TU leaders - to participate in the decision making processes at the operational level. Furthermore, they influenced the design of the company’s remuneration system so that the variable component of the workers’ pay was minimized and, consequently, their income was rendered mostly independent from both their and the company’s performances.

Throughout its public ownership, ABC’s workers used to receive four different types of payments: a monthly salary, five annual bonuses paid on different occasions celebrated in Egypt, an annual profit share of 10% (with a maximum of the equivalent of fourteen months pay), and a production incentive of seven and half month when the budget was 100% achieved. The monthly salary consisted of two parts: a basic part (50%) and a variable incentive part (50%). As explained in point c in subsection (4.3.3.1), the nature of the variable component of the workers’ monthly incentive was negotiable. Nevertheless, it was supposed to be used as a tool that fosters the goal congruence between the workers, their managers, and ultimately the state. That was supposed to be accomplished through linking the workers’ monthly variable incentive to the achievement of the company’s monthly production targets.

Apparently, the workers’ representatives were not happy with that arrangement and managed to use their access to the company’s BODs to change the rules governing the variable monthly incentive. According to the new arrangement, the monthly incentive was linked to the workers’ attendance rather than the company’s production levels. In essence, that arrangement meant that as long as the workers avoided unauthorized absenteeism and limited their authorised ones to the limit stipulated by company’s regulations, they were entitled to 100% of the monthly ‘variable’ incentive. Such change meant that, in effect, the incentive component of the monthly salary was fixed rather than variable as almost all workers showed up for work on a daily basis, at least as shown on the attendance register.
regardless of whether this corresponded to reality. Furthermore, as explained in more
details in the following sub-section, the continued interference of the TU leaders in
convincing the managers to approve unauthorized absences and turn them into authorized
ones on paper meant that these days of absence did not affect the number of working days
used for calculating the monthly incentive. Accordingly, the managers had little, if any
control over the monthly salaries of the workers in ABC.

An attempt was made during the public ownership of the company to change the structure
of the monthly salary so that the incentive part was ‘variable’ rather than ‘fixed’. The
intention was for the incentive to be tied to the achievement of budgetary goals, with
reconciliations made at the end of each quarter. However, such attempt was doomed to
fail as the workers’ representatives at the BOD argued against such change on the grounds
that it would negatively affect both the workers and the company performance. According
to one of the TU leaders, their argument was: ‘why should the workers be responsible for
the achievement of the targets as long as they come to work every day and do as they are
told?’ The workers’ representatives voted against the workers being held responsible for
something they had no control over. From their point of view, as long as the workers
showed up to work and followed the instructions of the concerned managers, they should
not be held responsible for the decisions made by the managers. Accordingly, it was
decided that the incentive was to continue to be tied to the number of working days
attended by the worker rather than the achievement of budgetary goals.

The five annual bonuses received by the workers were not linked to performance in any
way. It was considered as a gift from the company to help the workers manage the
economic obligations associated with these occasions. These five occasions consisted of
four religious celebrations and the beginning of the academic year for schools. All entailed
financial obligations on the part of the workers towards their families. Thus the bonuses
were essential for the workers to be able to meet these obligations. However, these bonuses
served another purpose as well. All four religious occasions were associated with an
increased demand for the company products. In fact, these religious occasions were of the
main reasons for the seasonal nature of the demand on the company products. Accordingly, such bonuses usually coincided with an increased work effort on the
workers’ part to help the company better satisfy the increased product demand. In other
words, they served as a compensation for the workers’ increased work load during those
times.
Law 203/1991 stated that the annual profit share to be distributed among the workers in the companies of the Public Sector Enterprise is 10% of distributable profits, with the amount distributed in cash to the workers not exceeding the sum of the annual basic salary of the workers of any given company. In ABC, given the privileged market position that the company enjoyed throughout its public ownership period, generating profits was never an issue. In fact, the 10% of the distributable profits generated by the company every year was enough to grant the workers the right to receive the maximum cash-profit-share allowed by law with some excess profit share being transferred to future years. Accordingly, the annual profit share was not an effective incentive for the workers to improve their work practices. None of the interviewees considered the annual profit share as something that they might not receive in the future. They were used to getting the maximum cash-profit-share each year to the extent that they took it for granted that they will be receiving it every year.

The last type of payment received by ABC workers was the seven-and-half-months’ worth of pay incentive tied to achieving production targets. The workers - both those working at the factory-floor and those holding administrative positions - were to receive a percentage of the maximum incentive equivalent to the percentage of actual production level (measured in units) in relation to the total targeted production level (measured in units). Similarly, achieving targets affected the bonuses received by the managers throughout any particular year. Accordingly, this kind of payment did provide an incentive to both workers and management to boost production to meet the annual targets. In other words, it resulted in goal congruence between the management and the workers. Workers were more than willing to put more effort into increasing production to the level needed to achieve the production target. This was especially the case at the end of a financial year when there was a clearer view on the possibility of meeting the targets. Accordingly, it is safe to argue that, after the success of the workers’ representatives of linking the variable component of the workers’ monthly pay to workers’ attendance instead of the company’s production levels, the only viable mechanism for linking the workers’ pay to the company’s performance - and, hence, the overall broader goals of the state - was the production incentive linked to the realization of the company’s annual budgetary targets.

The rest of ABC’s designed MCSs followed largely the Egyptian R&Ls governing SOEs operations. The company was required by law to prepare annual operational budgets that facilitated the proper utilization of its available resources. These budgets were essential
for linking its resource utilization to the overall, nation-wide planning and fiscal policy. Furthermore, the company’s budgets and their realization levels were essential for evaluating the company’s performance by the concerned government agencies.

The preparation of the annual budgets in ABC was a top-down process. Budgets were prepared at the BODs level with the help of senior management and were communicated down the organizational structure to the concerned sectors, general departments, departments, sections, and offices. Budgets were supposed to reflect various factors such as the anticipated market conditions and the company’s capital budgeting plans. However, given the company’s monopolistic position in the Egyptian and Middle Eastern markets, the company operated in, even though seasonal, relatively stable markets. Given this stability, and what it entailed in the relative ease with which the company was able to meet its budgetary goals and generate satisfactory profitability levels, it is not surprising that the budgetary process was a routine practice where previous years’ budgets were just copied to represent plans for the coming years.

The first step for achieving ABC’s budgetary target was to make sure that the people responsible for achieving these targets were actually at the company during the official working hours. The rules and regulations governing the work life in ABC provided the managers with two control mechanisms that could be used to control attendance. Those were the attendance register supervised by the company’s security personnel - stationed at the company’s gates -, and the personal observations of the operational managers to ensure that their subordinates were actually present during the working hours. Whenever a worker failed to show up for work without prior permission, the incident was supposed to be recorded in the official records of the company. This would ensure that once the worker exceeded the allowed days of unauthorized absence (3 days per year), any additional absences would reduce the variable component of the workers’ monthly salary. Furthermore, frequent unauthorized absenteeism could cause the dismissal of the concerned worker.

Another consequence of recording unauthorized absenteeism was delaying promotions since unauthorized absenteeism affected the result of the annual performance evaluation process (via using the sufficiency report). After the concerned operational manager filled his/her section of the reports, the sufficiency reports were forwarded to the Workers’ Affairs Department so as to fill in the section of the performance appraisal concerned with the negative aspects of the worker’s conduct in the company (i.e., the negative aspects
recorded in the worker’s official employment record). Each section was graded out of 100, with the worker’s overall score determined by the net score achieved. 70 out of the 100 marks for the negative aspects of the worker’s conduct were assigned to unauthorized absenteeism. Accordingly, recorded unauthorized absenteeism could constitute the reason for a worker being given a weak performance appraisal. Scoring ‘weak’ evaluation meant that the concerned worker would not be eligible for any promotions in the following year. Furthermore, scoring a ‘weak’ evaluation for three consecutive years was considered a valid legal ground for dismissing the concerned worker.

Once inside the company, the workers’ performance throughout the day-to-day operations was mostly controlled by the personal supervision of their operational managers. Based on their daily, monthly, and annual workloads, the managers of both production and administrative departments assigned the daily tasks to their respective subordinates and ensured their completion. Nevertheless, this type of control mechanism required the existence of a supporting mechanism that would enable the managers to enforce their decisions on their respective workers. That mechanism was rooted in the Egyptian labour law 137/1981 and was reflected in the company’s annual performance evaluation system.

Following the guidelines of law 137/1981, ABC’s annual performance evaluation system allowed each operational manager to evaluate the performance of his/her respective subordinates over every year through the ‘sufficiency report’ filled at the end of each fiscal year. The sufficiency report identified the main ‘positive’ aspects of a worker’s performance as well as the aspects considered ‘negative’ according to the company’s internal regulations. Any insubordination from the workers at the factory floor was considered to supersede any positive aspects of the concerned worker’s performance and was considered a valid reason to provide workers with a ‘weak’ evaluation. As mentioned earlier, a ‘weak’ performance appraisal meant that the workers’ promotion would be delayed and, if repeated for three consecutive years, the worker would be fired. Accordingly, it is safe to argue that insubordination on the part of the workers in ABC was intolerable.

Given ABC’s bureaucratic, hierarchical, organizational structure, accounting data and information systems were expected to play a significant role in maintaining the good function of the company’s designed MCSs. At the organizational level, accounting data provided the main basis for developing and communicating the company’s annual budgets. Furthermore, the accounting data recorded throughout any given year provided
the main source of information for the BODs to monitor the performance of the operational managers, their workers, and the entire company.

At the national level, before the partial privatization of ABC, the company was accountable to two different authorities: the Holding Company for Food Industries that supervised the company’s operations and the Central Accountability Agency auditing the performance of all Egyptian public sector companies. During that period, the accounting standards followed in ABC were those of the Egyptian Unified Accounting System applicable to all Egyptian public sector companies. After the partial privatization of ABC, both the holding company and the Central Accountability Agency continued to oversee the company’s performance. This was due to the remaining unsold public interest in the company. Furthermore, the partial privatization changed the legal status of the company from a public sector company (subject to the Public Enterprise Law 203/1991) into a joint stock company (subject to Law 159/1981). According to the new legal status, the company was no longer required to follow the Unified Accounting System. Accordingly, the company started to follow the Egyptian Accounting Standards (which highly resembled the International Accounting Standards and established a new department responsible for managing the shares owned by the workers of the company. The new legal status made the company responsible for having its annual financial statements audited by an external auditor and for submitting them to the Cairo and Alexandria Stock Exchange. The latter was responsible for making them available to investors.

5.3.3. The exercise of power at the operational level: ‘implementing’ the designed MCSs and AISs

The empirical data collected from ABC reflects an overall lack of consideration to the company’s official, ‘designed’ MCSs by both the operational managers and their workers. For example, while the company’s official budgets stipulated that the company’s production departments were expected to produce equal monthly volumes of production throughout the year, ABC’s actual monthly production volumes (see subsection 5.3.1) relied more on the company’s actual demand levels than on the targeted levels of production. As one production manager explained,

‘... producing the same amount each month, regardless of the market demand, meant that we [the company] will be storing the finished products for longer periods of time, which increases the risk of the products getting spoiled’.
Even though such attitude might reflect an image of flexible budgeting, the managers’ attitudes toward the end of the financial year suggest a different explanation. As already mentioned, achieving the annual production budget was tied to an annual incentive worth seven-and-half months of pay. The full incentive was paid only if the production budget was complete achieved. Any failure to achieve the production budget meant a decrease in the incentive received by both managers and workers. Accordingly, as the financial year was close to its end, the production managers usually had to decide whether achieving the production budget was attainable given the available capacity and the remaining days of the year. If the managers and the members of the production affairs committee believed that budgets could be met, extra shifts would be put in place to facilitate the realization of the budget. For example, one of the interviewees explained that

‘when the managers felt that the target is achievable with some extra shifts in the last month(s) of the financial year, they would tell the workers about that and the workers were willing to put in the extra effort needed to meet the target’.

Such decision was made irrespective of the existence of an immediate customer demand for the increased production. When one of the members of the committee was asked about this decision to produce more units at the end of the year despite the lack of any customer demand at that particular period, his answer was that ‘... it could always be sold the next year.’ However, other interviewees suggested that this assumption did not always materialize in real life. For example, the company’s post-privatization GM stated that

‘When we [the new management team] first came here, the inventory was literally stacked everywhere in the entrance of the company. Moreover, there were three large silos full of [main product I] that went bad and was thrown away due to being stocked for a long period. The reason behind that was that the workers were being paid an annual incentive based on production levels rather than on sales. They just produced enough finished products for them to be eligible for 100% of that incentive’.

Furthermore, the issues related to inventory were not limited to the finished goods inventory only. These issues also involved the spare-parts’ and supplies’ inventories. For example, the company’s engineers, maintenance technicians, and even office workers used to order extra numbers of the inventory items they needed - be it spare parts, office supplies, or the company’s printed registers - just to save themselves the trouble of going through the process of asking for them again in the near future. The problem was that, once these inventory items were taken by its users, they were expensed immediately and, hence, reduced from the relevant inventory balances. Accordingly, these inventory items did not exist on paper anymore despite the fact that they were still lying in the cabinets
and drawers of the workers in the hope of being used by them in the future. Furthermore, the fact that the inventory balances did not show these items meant that further purchases could be made to replenish the inventory and to be ready for any future demands. The seriousness of the consequences of this habit was best described by the company’s post-privatization GM. Despite the fact that ABC, during its public ownership period, had a separate general department - which was part of the financial sector - responsible for handling ‘storage areas and perpetual inventory’, the GM’s commented that:

‘...there was no inventory department. The inventory was under the control of the financial department. There was no such thing as a closed storage area to which purchases are placed and then handed over when needed on a later date. For example, if 10 pieces of spare parts were ordered, they would be bought and handed over by the person responsible for the purchase transaction to the engineer who asked for them and that engineer would save them in his cabinet. Accordingly, if somebody else needed the same spare part, the company would just order new ones. I remember that when I first came here, I was doing some raids on these cabinets. In some cases, I had to actually break the locks on these cabinets. You cannot imagine what I found there. The spare parts stored there had a value of millions of pounds. . . . [Moreover,] I remember that, one time, we caught one of the workers trying to smuggle some of the spare-parts. Another time, we found some of the spare-parts hidden in the toilet of the mosque. I even found a place, like a tunnel under the engines that was accessible only by some of the electricians, where some of the electrical equipment was hidden. This equipment had a worth of millions and the worst part is that nobody knew it existed. Also, you have to remember that if that was what I found, what about the stuff that they have managed to smuggle outside the company over the years? What I found was only what was left’.

Another example showing the overall lack of regard to the company’s official MCSs was found in the quality control department. Despite ABC’s and all other SOEs’ official commitment to provide high quality products, the real picture was quite different. According to one of the managers in the quality control department:

‘The quality levels in the public sector was really bad; there was no overall quality control system . . . quality was the last thing on the management’s mind. We had the worst staff in the company. For example, the person who just brought your coffee was one of the quality control personnel in the public sector. He was responsible for monitoring the quality of the units produced back then . . . I swear he was responsible for three shifts: morning, noon, and night. He used to sign quality reports without even taking samples . . . we did not worry about things like customer needs, customer service, or focus on quality. Our customers were fighting for our products. They had to take whatever we produced; they had no other option . . . That is why the entire focus of the company’s management was on producing more, regardless of the quality and whether that production was sold or not.’
Nevertheless, the most significant example of the overall lack of regard to the company’s official MCSs was evident in the way in which the company’s workers and operational managers handled workers’ absences. Given their struggle with their increasing economic obligations in relation to the income they received from their employment in ABC, most of ABC’s workers had to pursue alternative sources of income outside the company. That decision on the workers’ part was mostly a response to their inability to increase the level of pay they received from ABC to match their economic obligations. As was explained by one of the TU leaders,

‘[W]hat could we have done? There were laws governing the maximum amount of money we can get. We did our best to ask for an increase in our pay within the limits permitted by the law. At the same time, no one at the Federation level [The ETUF] raised these issues. Similarly, the members of the parliament never questioned the existing laws despite the fact that these laws are unfair to the workers in the public sector’.

For the largest part of ABC’s workers, these alternative sources of income took the form of part-time job(s) that would provide them with extra income. For example, many of the employees in the accounting department assumed part-time, accounting-related jobs that would start right after their working hours in ABC. Maintaining these part-time jobs had its impacts on their working life. The first and most obvious impact was leaving work early. The less obvious one was actual absenteeism.

Leaving work early was obvious because over the years it became something normal, especially for office workers where tight production shifts was not an issue. This attitude was not a unique practice occurring only in ABC. Instead, it was a normal practice in public sector. Few, if any, would expect to get anything done in any of the public sector companies after 1 pm even though the working day officially ends at 2pm. Such attitude was more easily established because of the lesser workloads experienced by the workers in the overstaffed public sector companies. Furthermore, it was usually rationalized by the workers based on the idea that the amount of time and effort they put in their work was more than enough when compared to the money they were being paid.

Absenteeism was less obvious than leaving work early as the workers, especially office workers, tended to skip working days off the records. The most common way of doing that was for one worker to have one of his colleagues sign for him in the attendance register. Indeed, the first problem that the new managers had to deal with after the full privatization of ABC was to make sure that the workers employed by the company were
actually in the company during the official working hours (see also section 5.5). Nevertheless, even if the workers managed to find a way around one of ABC’s two mechanisms designed to control workers’ attendance (i.e., by signing in the attendance register), there still remained another mechanism (i.e., the operational managers’ personal observations) that they needed to find a way around.

According to Law 137/1981 which the labour law in effect until replaced by Law 12/2003, workers were allowed only three unauthorized absenteeism per year that are to be deducted from their allowed annual paid-vacations. Any unauthorized absences exceeding that limit are penalized by deducting a given proportion of the variable incentive received by the worker. Moreover, frequent unauthorized absenteeism can result in the eventual deduction of the entire variable incentive received by the concerned worker. Furthermore, unauthorized absences totalling twenty separate days or ten consecutive days within any given year are considered a legal ground for the dismissal of the worker. Accordingly, the workers usually tried to avoid having any unauthorized absences in their records.

The main way throughout which the workers managed to do so was through mobilizing their access to the decision making process at the operational level. That was mostly done through approaching one of the TU leaders in the production affairs department. In particular, after coming back to work from an unauthorized absence, they would ask for help in getting the approval of the manager to consider the unauthorized absence an authorized one. The only way to do that was for the manager concerned to sign an approval for the worker’s request for an authorized absence dated prior to the day of absence day.

The managers usually accommodated these requests, especially when the concerned worker had already used his three days allowance. The following quotes show few of the managers’ replies to the researcher’s question concerning the reasons behind their willingness to accommodate such requests:

‘I knew these workers very well, and I knew how they would struggle if their salaries is cut by even one pound’.

‘Personally, I would do that so that I won’t be the reason for making their lives any harder’.

‘They were struggling hard enough without me taking away from their salaries’.

Accordingly, despite the availability of the second ‘official’ mechanism to control workers’ absenteeism, this mechanism was rarely used by the managers throughout the company’s day to day operations. It was only used in the rare cases when the concerned
worker’s unauthorized absence affected the smooth running of the production process and/or when the concerned worker showed a tendency of repeating his/her unauthorized absenteeism to the extent that his behaviour would negatively affect the conduct of the other workers. ‘If I allow a worker to make skipping work a habit, there will come a day when I find no one here to run the machines’, explained one of the production managers. In other words, the managers allowed unauthorized absences to go unpunished as long as they did not harm the production process in the short and/or the long run. Accordingly, it can be said that the workers access to the decision making process at the operational level - which granted their TU leaders the ability to approach the managers and ask for favours on their behalf - made managers seek control mechanisms that are based on consent rather than coercion.

More interestingly, issues related to attendance seem to extend beyond those related to unauthorized absenteeism to include the actual use of authorized paid vacations by the workers at the factory floor and the administrative offices. According to Law 137/1981, workers are allowed the annual paid vacations explained in Table (4.2).

<table>
<thead>
<tr>
<th>No. of years the worker has been working for the company</th>
<th>Allowed Annual paid vacations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>15 days</td>
</tr>
<tr>
<td>1 year – 10 years</td>
<td>(to be used after the first six month of employment)</td>
</tr>
<tr>
<td>More than 10 years (and workers above the age of 50)</td>
<td>21 days</td>
</tr>
<tr>
<td></td>
<td>30 days</td>
</tr>
</tbody>
</table>

Table (5.2): Allowed annual paid vacations

The workers were required by law to take a continuous vacation of at least six consecutive working days within any given year. The law also allowed workers to transfer any unused paid vacations during any given year to future years and, in case the worker retired before using his/her accumulated paid-vacations, he/she was entitled the value of these days as a refund. Given the option of accumulating unused paid vacations until retirement, the workers usually treated these paid vacations as a way of saving money. Instead of using the full number of paid vacations available to them, the workers usually used the compulsory six consecutive working days and saved any remaining balances for the future - three days of which could be used to compensate for unauthorized absences in any given year. According to the company’s post-privatization CFO, the levels of the unused vacations maintained by many of the workers, especially office workers, were worth millions of Egyptian pounds.
‘One of them [office workers in the Accounting department] had 500 unused paid-vacation days. I mean, how can you accumulate so many? They only possible way is if she did not take any single day off throughout her career in the company, not even a sickness leave’, said the new CFO.

Furthermore, the TU leaders’ intervention in the decisions made by the operational managers was not limited to handling workers’ absences. The TU leaders were involved in resolving whatever occasional conflicts arose between the managers and the workers. For example, the TU leaders usually interfered to negotiate work-related penalties set by the management on workers in order to either remove such penalties or to make sure that the worker received the most lenient penalty possible. Moreover, TU leaders would intervene to help workers get the required approvals for their medical treatments.

Nevertheless, it is important to note that despite the workers’ ability to mobilize their created space of power towards furthering their interests at the expense of those of the company, this ability was never reflected in their ability to disrespect their managers and/or disregard the decision made by these managers at the factory-floor. For example, one of the production managers at the time explained that they never faced insubordination problems with their workers. According to him,

‘They [the workers] were really ‘polite’ and well disciplined. They would never challenge us as managers. They would not even dare smoke a cigarette in front of us [which is a sign of respect in Egypt].’

Similarly, another manager stated that

‘The workers would never challenge any of the production-related decision made by us [the managers]. They would do as they are told. If they are told to produce a specific amount [of production], they would do it. If they are told that there would be no production in a given day and that there would be some maintenance work instead, they would follow our instructions’.

Amongst all of these informal practices, ABC was still required – by law - to maintain a complete record and file of its operations. Nevertheless, the fact that the Ministry of Investment considered ABC to be one of their ‘good companies’ (see 5.2) begs the question as to whether the actual MCSs maintained throughout the company’s day to day operations were really captured by its accounting records and financial statements. The empirical evidence collected from ABC and presented above suggests that the answer to this question would be ‘no’. That can be seen in the fact that the company’s records failed to keep track of its inventories. It can also be seen in the way the official records disclosed the company’s ability to meet its annual budgetary targets while, in reality, these results
were caused by the decision made at the operational level to boost production without actually having the market demand needed to absorb the extra production. Finally, it can be seen in the fact that, despite the overall sense of disregard to the company’s official MCSs which was evident in ABC, the workers’ annual performance appraisal was usually ‘excellent’.

To sum up, ABC’s public sector power relations and MCSs differed from the ‘ideal’ ones stipulated through the structural factor R&Ls. That was mainly caused by the workers’ ability to utilize their superior knowledge of work technicalities (caused both because of the manual technology used in production and administrative departments and the monopolistic market conditions within which ABC operated) towards strengthening their power at the operational and BODs levels. At the BODs level, the increased power of the workers’ representatives was mobilized to affect the nature of ABC’s designed MCSs in a way that served the interests of the workers at the expense of the company’s interests. The most significant example of this is how the company’s remuneration scheme was designed in a way that decoupled performance from pay almost completely. That was how ABC’s designed MCSs failed to resemble the ‘ideal’ MCSs sought by the Egyptian R&Ls.

On the other hand, the workers increased power at the operational level manifested in them creating a space of power at that level (the Production Affairs Department). Through this space of power, the workers managed to renegotiate the company’s designed MCSs with their operational managers towards the maintenance of a set of ‘informal’ controls that accommodated their work habits (e.g., their attendance issues, quality control issues, and inventory management issues). After describing ABC’s privatization process in section (5.4), Section (5.5) explains how its pre-privatization power relations and MCSs were significantly transformed after its full privatization in 2004.

5.4. The privatization process

ABC was privatized in two phases: the first phase (partial privatization) was in 1996 and the second one (full privatization) in 2004. Even though its partial privatization resulted in reducing the number of workers’ representatives in the company’s BODs from four members to only one member (to represent the percentage of the company’s equity sold to the company’s workers),\textsuperscript{47} the partial privatization did not entail any significant changes

\textsuperscript{47} As was explained in subsection (4.4.2), the Egyptian state, in its attempts to make privatizing SOEs more acceptable to workers, adopted the policy of selling 10% of the publicly owned interest of the to-be-
in the way the company was being managed. As a report made by the United State Agency for International Development (USAID) explains, the company was being run for survival rather than excellence. Such claim was congruent with the interviewees’ reflections about the transitional period. According to many of them, ‘the main concern of the new BOD was to complete the sale of the company to the private sector’. Furthermore, it was stated explicitly in the official records documenting the privatization process of ABC (namely the White Book issued by the Egyptian ministry of investment) that the partial privatization of ABC was to be followed by a sale of the remaining unsold interest to an anchor (main) investor that could invest more in the company.

By the time ABC’s sale advertisement was published, ABC’s share price was fluctuating within the range of EGP 16-21 compared to a share price of EGP 35 at the time of the partial privatization in 1996. Note that the number of the shares issued - 4,600,000 shares - was the same throughout the partial privatization period. The only purchase offer made in response to the sales advertisement was from a foreign investor through three of his companies operating in Egypt. Furthermore, even though the offer made by the government was to sell 1,977,523 shares (representing the 42.99% mentioned above); the investor’s offer was to buy all 100% of the company’s shares at a price of 27.5 EGP per share.

On the 4th of February 2004, 483 sales transactions were completed through the Cairo and Alexandria Stock Exchange, resulting in the sale of 4,398,959 shares out of the 4,600,000 shares issued at the price offered by the new investor with a total price of EGP 120,971,372.5. Accordingly, the foreign investor owned and controlled, through his three companies, 95.63% of ABC. The percentage of shares sold meant that the new investor managed to buy all of the company’s shares except for a minority of shares. This is interesting since the new investor managed to get all investors, including the individual investors and the workers themselves, to sell their shares in one day. When one of the officials in the Holding Company for Food Industries was asked about this situation, he explained that

‘They [the new investor’s companies] were offering a price that is more than the share market price at the time. I think that the investors considered that price to be a good deal for themselves’.

privatized SOEs to the concerned companies’ workers. Based on this ownership, the workers were given the legal right for voting representation in their concerned company’s BODs.
Such claim has its merit as the share market price for ABC decreased significantly throughout the partial privatization period. For example, the company’s share price during the period starting from June, 19th 2001 to April 1st 2003 never exceeded EGP 12.48 Nevertheless, what the above quote does not explain is why the workers were willing to give up their last asset that could grant them voting access to the decision making process at the BOD level of the company. When I started asking questions about this, the interviewees started to feel uneasy. When, finally, one of the TU leaders offered an explanation, he said:

‘They [people from the holding company] told us that the new owners would increase the capital of the company and that we would be required to match their increase if we want to maintain our 10% ownership. There was no way that we could afford to match any additional increases in the capital of the company. We were still paying instalments to repay the cost of the shares that we acquired in 1996, how do you expect us to be able to put in any additional capital?’

However, the fact that the new investor did not make any changes in the company’s capital, apart from increasing the authorized capital – and not the issued capital - suggests that the holding company officials’ advice was more of a way of making sure that the new investor would get what he asked for (that is, 100% of the company’s shares) rather than a genuine concern about the workers’ ability to survive any additional capital increases by the new owners. The other explanation, which was always hinted at but never stated explicitly by some of the interviewees, was that there was some kind of a deal struck between the new owners and the TU leaders to make sure that the 10% ownership owned by the workers would be included in the sales deal. However, no concrete evidence was found to substantiate such claim.

Accordingly, by the end of the partial privatization period, and even before the new investor started to assume the management responsibilities of the company, the workers of ABC had already lost one of their most important source of power in the company, namely their access to the decision making process at the BOD level. The following section explains how the new investor, acting via a new management team, managed to strip the workers of their remaining power resources and left them completely at the mercy of the management.

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48 ABC’s share market price data available from the Cairo and Alexandria Stock Exchange starts from that date. No information is available about the share market price in previous years.
5.5. Private sector power relations and MCSs in ABC

5.5.1. MCSs and power relations throughout the early, oligopolistic years of private ownership: The dynamics of creating a coercive regime of control (2004 - 2007)

Once ABC was fully privatized, a new management team was hired to assume the senior managerial roles in the company (hired from leading private sector multinational organizations operating in Egypt). While the new management team assumed their responsibilities soon after the company was purchased by its new owners, they did not make any immediate changes in the company. As the new CFO said, ‘we were just sitting here to observe and understand how the company was being run’. However, after a short period of observing how the company was being run, the new management team started making changes in the company. While these changes seemed to aim at applying better controls within the company, they also stripped the workers of their power resources and strengthened the management’s power position within the company. In fact, some of the actions taken by the management seemed to be only directed at establishing their power position within the company, while at the same time weakening the workers’ power position rather fostering better managerial controls. The following subsections explain how the new management team in ABC successfully stripped the workers of their power resources and established their own superior power position with the company. It is also show how managerial controls were used by the new management team for the attainment of that end.

5.5.1.1. Abolishing workers’ access to the decision making processes

As explained in 4.4.3, law 159/1981 and its executive regulations stated that the workers of any joint stock company are to be involved in the management of the company in one of three methods: free voluntary inclusion in the BODs, inclusion in the BODs based on the workers owning a percentage of the company’s shares, or through an administrative committee concerned with discussing issues related to the company’s workers. Following the full privatization of ABC, the new owners changed the company’s statute so that the third way would be adopted instead of the second one. Nevertheless, despite the formal adoption of the third way of incorporating the workers in the decision making process in

49 This was the way implemented in ABC throughout its partial privatization period.
the company, not a single interviewee (be they workers, TU leaders, managers nor senior managers) mentioned anything about the existence of such committee or any role played by the workers in shaping the decision making process in ABC after privatization. Furthermore, during a follow up interview with ABC’s CFO so as to explain this issue, he said that

‘there was no department established specifically for that purpose [an administrative department responsible for overseeing workers-related issues]. However, the workers were being represented by their TU. The TU leaders were consulted on issues related to the workers. However, the TU leaders were not allowed to attend the BODs meetings.’

Nevertheless, as the next subsection explains, the early years following the privatization of ABC show that workers’ participation in the decision making process within the company was kept minimal, if there at all. Such isolation from the company’s decision making processes was even furthered when the ‘new’ management team abolished the workers’ access to the decision making process at the operational level through terminating the ‘Production Affairs Department’. By doing so, the ‘new’ management team managed to monopolize the decision making process and close all of the formal spaces of exercising power that were available to the workers throughout ABC’s public ownership period.

Given the absence of the formal channel through which the workers’ grievances could be communicated to the BODs, it is not surprising that the early years of the private ownership of the company witnessed some explicit encounters between the workers (led by their TU leaders) and their management. Throughout these encounters, the workers tried to express their grievances regarding what they considered ‘unjust’ managerial decisions. However, as the following subsections explain, after the workers lost in each one of these encounters with their management, and after being stripped of their power resources, these explicit encounters ceased.

At the same time, the TU leaders were losing their credibility in the company. At the time of the data collection, few, if any, believed in the ability of the TU leaders to influence the decision making process within the company. Some of the workers interviewed explained that ‘they [TU leaders] are not as influential as before’ and that ‘their role in the company decreased considerably’. Others expressed themselves more strongly with statements like the following:
'Back in the day they [TU leaders] were being treated as part of the senior management. I mean, they were respected and their words were heard. Now, they do nothing. All they do is run after the managers begging for favours'

The managers also showed no sign that the TU leaders represented any challenge for them. For example, one of the managers said that

‘They [TU leaders] are not as powerful as before. I mean they cannot affect our decisions like before. For example, I can apply any sanction, as far as the rules allow it, as I see fit to any misbehaving worker without having to deal with the TU leader asking for exceptions on his/her behalf’.

Senior managers were even harsher in their statements. For example, one of the senior managers described TU leaders as ‘useless’. According to that senior manager, the TU leaders ‘ . . . did nothing. They just show up every day, do nothing and take their salaries.’

However, that does not mean that the TU leaders were completely excluded from the picture, especially in the more recent years. After the initial explicit conflicts between the workers and the management subsided, TU leaders seemed to return into the decision making process. However, their participation appeared to be more ceremonial than genuine. Given the legal requirement that the workers be involved in managing the company, ABC’s management needed the involvement of the TU, at least regarding managerial decisions affecting the workers. However, what was really needed by the management was the TU leaders’ quiescence rather than involvement. In other words, for the sake of following the law, the workers’ representatives needed to ‘look like’ they were officially involved in the decision making processes and that is what the new management seem to have managed to secure. Evidence for this claim can be found in the overall lack of appreciation for the role played by the TU leaders, both from the workers and the management. Furthermore, when asked about activities carried out by the TU leaders, interviewees’ answers ranged from ‘nothing’ to ‘occasionally helping the workers with requests related to approving vacations and being transferred to the company’s doctor’.

It is important to note that while these favours are similar in nature to those granted to the TU leaders before the full privatization of the company, the situation was quite different. After privatization, and after the workers’ representatives lost their right to be members of the BOD of the company, the managers were no longer pressured by workers’ representatives at higher organizational levels to accommodate the TU leaders’ requests. Accordingly, the frequency with which TU leaders requests were accommodated was significantly lower than before privatization.
The researcher’s reflection about this specific point is that the TU leaders were successfully co-opted by the management and that the terms for such co-optation was for the managers to approve some of the small favours asked by the leaders in return for their cooperation. This reflection is supported by the workers’ apparent lack of belief in the ability of the TU leaders to help them in any confrontation with the management as well as the managers’ contempt for the TU leaders. Some of the interviewees also expressed the same belief. For example, one of the interviewees explained his belief that the TU leaders ‘have no role’ by saying that

‘The private sector knew how to deal with the members of the TU. They [the management] made sure that these members are happy. They were neutralized. Right now, the management can do whatever they want to do as they have the union members on their side’.

Furthermore a couple of the interviewees hinted at the TU leaders being financially compensated by the management for their cooperation. For example, a deputy manager stated that

‘A member of the workers’ union is being paid the maximum amount of overtime. That person does not even come to work. He is granted a full time absence to work for the union’.

Moreover, while being introduced to one of the TU leaders by one of the managers, the researcher could not help but notice that the manager was addressing the TU leader in a way that did not reflect a balanced power relation between the manager and the TU leader. Instead, the manager addressed the TU leader as his subordinate.

5.5.1.2. Changing ABC’s organizational structure

A few days after changing the statute of the company, the new owners started changing the organizational structure of the company. The new organizational structure was much simpler than ABC’s old bureaucratic one. According to the new structure (see figure 5.2), the GM oversees the operations of nine departments (a tenth department, the supply chain management department, was created in 2009). Each of these departments was headed by a member of the senior management team. Each senior manager, usually hired from the private sector job market, had the autonomy to run his own department with the help of a group of operational managers - which was selected from the company’s pre-privatization managers - as well as lower level staff.
Fitting the company’s workforce into the new organizational structure meant that reallocations of existing workers were required. However, the senior managers who were newly hired by the new owners did not lead such change process. Instead, such task was assigned to the operational management team who was more familiar with the workers’ history. Each one of these operational managers was asked to select the workers he/she ‘... considered most appropriate for the well-functioning of their departments’, as explained by the new CFO. Accordingly, the new departments were filled with the workers selected by the operational managers. The rest of the workers who were not lucky enough to be selected were reallocated into different positions within the company.

Two important points should be taken into consideration about ABC’s restructuring process. Firstly, the new senior management team did not participate in this process. In
other words, problems resulting from the selection process made by the operational managers and the following reallocation process could not be attributed directly to the newly hired managers. Secondly, these selection and reallocation processes did, indeed, entail serious problems for the relationship of workers and their managers from the public sector (i.e., the newly appointed operational managers). For one thing, the workers, especially those who were reallocated rather than selected, felt that the selection process was subjective and not based on the official workers’ employment history evident in each worker’s files. According to one of the interviewees,

“They started asking the existing management at that time about the employees, without reviewing the personnel files to check whether the opinions they provided was taunted by personal opinions. The efficiency reports that were created throughout the previous years were never used to identify the good from the bad.’

Furthermore, the reallocation process was not always accepted by the workers. The most serious and well-remembered incident that happened during these changes was when one of the workers murdered one of the managers. One of the interviewees stated that:

“As far as I remember, he was a carpenter. He applied for the early retirement program [which was initiated in the partial privatization period], and his request was rejected on the basis that they [the management] needed him in the company. After that, he was told to work in a night shift doing something that is not related to being a carpenter. He could not have accepted to do so as he had his own private carpenter business that he ran after he finished the company working hours. He killed the factory manager about this. The thing is both the carpenter and the manager were very decent people. It was the pressure of this period that caused the carpenter to lose it and kill the manager.’

5.5.1.3. Cancellation of the production incentive and neutralizing workers’ access to powerful political actors outside the company

The second explicit clash between the workers and the management took place near the end of 2004. As mentioned earlier, at the end of each financial year throughout the public ownership of the company, the workers of ABC received a profit share of 10% of the company’s distributable profits (with a maximum of 14 months’ worth of basic salary pay) and a production incentive of seven and half months. Given the fact that the annual profits during the public ownership allowed the workers to receive the maximum limit for the annual profit share, and that the annual production budgets were almost usually achieved, the workers of the company were used to receiving an annual bonus of twenty one and half months’ worth of basic salary.
In 2004, the new owners decided to change the financial year for the company to start on the 1st of January and end on the 31st of December rather than starting on the 1st of July and end on the 30th of June of each year. Accordingly, the year 2004 witnessed the preparation of two sets of financial statements and two distributions of profit share to the workers. The first set of financial statements was prepared on the 30th of June, 2004 and the workers were paid the 10% profit share stipulated by law. Given the change in the financial year, the workers expected to receive the production incentive at the end of 2004. However, by the end of 2004, the management announced that the workers were entitled only to the 10% profit share stipulated by law and that no production incentive was to be distributed from that date on. The profits generated by the company during the period starting from the 30th of June, 2004 to the 31st of December were 380,000 EGP after accounting for the costs of the early retirement scheme revitalized by the new management (see subsection 5.2.4 for more details). Accordingly, the workers were paid a profit share of 38,000 EGP in total which is less than a day pay per worker and no production incentive.

Understandably, the workers were quite upset about this. Legally, the new owners were not allowed to change the remuneration systems in privatized companies in a way that is disadvantageous to the workers of the company in comparison to the remuneration system implemented before privatization. Accordingly, the workers of the company decided to take a stand against the management and fight for their rights. Thus, the TU leaders filed a complaint with the TU Committee for Food Industries and acquired the necessary approvals for the workers to organize a sit-in in the company’s factories so as to protest for the new management’s decision. The workers’ collective action caught the attention of the public media and shortly after the Minister of Labour and Immigration became involved in the situation. However, following a meeting conducted between the minister and the TU leaders, the minister announced to the media that the workers of ABC were protesting for things that they were not legally entitled to. When one of the TU leaders was asked about this situation, he explained that

‘The minister listened to us and was completely in support for our demands. He promised us that he will resolve the issue with the management. A couple of days later he went to the media, took the management’s side, and announced that we are causing trouble without having any legal grounds for our demands’

When another TU leader was asked about why the TU leaders and the workers accepted such action from the minister, he replied:
‘What were we supposed to do next? We did everything we could; we escalated until we had a meeting with the minister himself and then he abandoned us. What else could we have done?’

The Minister’s reaction to the demands of ABC workers was influenced by two factors. The first is related to the overall government orientation at that time. As explained in Chapter (4), when Prime Minister Nazeef was assigned his position in the government in 2004, the entire government was pro-business. Furthermore, the new owners of ABC were not individual investors with limited presence in the Egyptian economy. Instead, the group of companies controlled by the foreign investor penetrated different sectors of the Egyptian economy with billions of dollars’ worth of investments.

The second factor is related to the fact that the new general assembly of ABC and its BODs included an ex-minister as well as an ex-general from the state security forces. Accordingly, it is quite reasonable to say that, in this case, the management’s access to powerful political actors (both because of the new owners’ economic significance and the personal connections of their general assembly and BODs members) was much better than the workers’ access to government officials. Consequently, it is not surprising that, eventually, the workers were paid the 10% profit share of 38,000 and the management won their second explicit power struggle against the workers.

5.5.1.4. Controlling attendance and limiting the workers’ access to alternative sources of income

Following privatization, one of the most pressing issues that the ‘new’ management team had to deal with was making sure that the workers actually turned up for work. Apparently, the previous practices the workers were used to during ABC’s public ownership (e.g., skipping work while having colleagues sign in the attendance register and/or skipping work without prior permission) were not acceptable to the new management team. The first attempt made by the management to control attendance was through implementing a thump-print-based electronic system that would register the arrival and departure of the workers every day. However, such method was proven ineffective as the factory workers dealt with chemicals that affected their finger prints and made it impossible to use finger prints as a basis for identifying workers. Accordingly, the system was replaced with another system based on each worker having his/her own ID card that was used to register the time s/he spent in the company. Again, the new system was proven ineffective as the workers started handing their ID cards to their colleagues so that they can swipe it in the
register machine for them. Finally, the management had to appoint some personnel from the security department to oversee the use of the ID cards by the workers and to make sure that each worker used his/her own ID card. It was only then that the management succeeded in keeping track of who was in the company and at what time.

Another reason for the need for tighter controls over attendance was the adjustment made by the management to the working hours in the company. Instead of the old 8am-2pm working hours (which usually ended by 1pm), the new working hours were 8am-4pm. Attendance controls were needed to make sure that the workers followed the new rules and did not continue their old habits of leaving work early. However, as explained earlier, many workers used to leave work early because they had a second job that provided them with financial support needed due to the deteriorating real value of the salaries and wages offered by the Egyptian public sector companies.

Accordingly, alongside increasing the daily working hours and implementing some effective controls to ensure the workers’ adherence to these working hours, the management was also making it harder for the workers to keep their second jobs. For example, one of the interviewees explained how he could not keep up with the work requirements of two jobs for a long time under the new working hours implemented in the company. His words were as follows:

‘Personally, I used to have a second job. However, I could not manage to continue in that job and, eventually, I had to drop it. I used to finish my work here at 4, start my other job at 5 and leave at 10 pm. However, that other job started to become more demanding and I had to stay there until 2 am, which meant that I would not be able to come here at 8 am and work productively. So, in order to keep my job here, I had to drop the other job, especially because that job did not have much of a career.’

Accordingly, the management’s success in implementing an effective control mechanism resulted in strengthening the management’s power position within the company. Such change in the power position of the management was accomplished by increasing the workers’ dependence on the salaries and wages they received in return for their work in the company for their economic survival - remember that Egypt does not provide unemployment pension to its citizens. Thus, the management increased their power through weakening the workers’ power.

Furthermore, the impact of these new control mechanisms on the workers’ ability to pursue alternative sources of income was even furthered through introducing a new culture
to the company. This culture was new to the workers of ABC who spent almost all of their careers in the Egyptian public sector. The new culture entailed staying at the company until the assigned workload is done, even if that meant working well beyond the official working hours. This new culture was most evident in the selling and the administrative departments as the manufacturing departments worked during specific shifts throughout the day.

Concurrently, the management started to implement a new approach for handling the payment of overtime compensation for the workers who had to stay beyond the normal working hours to finish their assigned tasks. Surprisingly, the workers were not being compensated in full for their overtime work. The management set an upper limit of 30 hours per month to the number of overtime hours for which the workers were to be compensated. According to the interviewees from the Accounting Department, this upper limit was easily exceeded during each month, especially with the workload they experienced at the end of each month when the monthly financial statements were to be prepared.

More surprisingly, the workers did not complain about this; at least not in front of the managers. Nevertheless, that does not mean that they were happy about it. For example, one of the interviewees commented on having an upper limit for the overtime hours to be compensated by saying that

‘There is a maximum number of overtime hours for which the worker is going to be compensated. Any overtime worked beyond the maximum number of hours is not compensated. These people [the workers] do not come here to hang around, they come here to work. And when they stay in the company after the working hours, they do so because there is work to be done. How can you put a limit on their compensation? Why should they work extra hours for free?"

It is important to note here that the data obtained from ABC was acquired over the period 2008-2011. This fact means that the quotes from the interviews used here were elicited after the management had sufficient time to establish its power position in the company and render the workers completely powerless. This is substantiated further in following subsections. Accordingly, the fact that the workers had some grievances and did not act upon them means that the management was exercising its power in the company in a way that is far from the explicit encounters with the workers that were evident in the first two years of privatization. In other words, the management’s exercise of power changed from the explicit form of exercising power into a more hidden one.
5.5.1.5. Decreasing the number of workers: Reclaiming control over hiring and firing and destroying the sense of employment security

Another major issue that the new management had to deal with was the number of workers in the company. By the time the new management entered the company, there were around 1,410 permanent workers and 250 day-workers employed. The new management was not happy about both the numbers as well as the distribution of the workers within the company. According to the GM of the company,

‘It’s not only about the numbers; it’s also about the composition of these numbers. When we came here the number of administrative staff was more than the number of production staff. This is not correct. In a manufacturing company like ours, based on my experience, 95% of the workers should be in the production-related positions and only 5% in the administrative positions.’

The management tackled this issue in a way that was so thorough that, by the end of it, almost half of the workers had left the company without being directly fired by the management. However, before going into the details of the processes through which the number of workers was reduced, it is important to understand the context within which such issue was tackled.

By the time ABC was fully privatized, a large number of the Egyptian public sector companies have already been privatized. Although each of the privatized companies was a unique case, the overall impression about privatization was that it entails significant layoffs. Accordingly, the workers of ABC were quite worried about this despite the government officials’ announcements in the media claiming otherwise. None of the workers knew for sure whether they would be able to keep their job. Words like ‘confusion’, ‘worries’, ‘uncertainty’, and ‘anxiousness’ were used by the interviewees to describe how they felt during the early months following privatization. On their part, the management made no efforts in assuring the workers otherwise. It was in this overall context of worries and anticipation that the management started decreasing the overstaffed workforce of ABC. For example, one of the interviewees reflected on the time during which the company was fully privatized by saying that:

‘Everybody was concerned, they were all thinking about leaving the company. Those who chose to leave the company were trying their best to convince the remaining employees to leave as well. . . They were saying that “it is just a matter of time before everybody is forced to leave. Right now there is an early retirement program. This program might not be available in the future when you are forced to leave.” However, to be honest, despite all of these concerns, the new management never forced anyone to leave.’

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When the same interviewee was asked about whether the management made any effort to calm down the workers, the answer was:

“Well, whoever asked any of the new managers about that matter was informed that it were not the company’s intentions to force anyone to leave. However, there were always rumours. And if these rumours were controllable at the administrative level, they were uncontrollable at the workers’ level.”

The first managerial decision for decreasing the number of workers was directed mainly towards those workers who had been accumulating unused-paid-vacation-days throughout their years of working in ABC during the public ownership period; especially those who were close to the age of retirement. Those workers were notified that they had to start using their unused-paid-vacation-days. Accordingly, for those workers who had a large number of vacation days accumulated and were in their late fifties this meant that they would be on a paid leave until their retirement. The forced use of accumulated unused-paid-vacation was also directed towards another group of the workers. These were the workers that were previously believed to be indispensable both in office as well manufacturing departments (more on that in the next subsection).

Workers who were not near their retirement age were given a choice by the management: either to forfeit the legal right to be financially compensated for these unused-vacation-days upon retirement, or to make use of them right away. Apparently, most workers chose to forfeit their right than be absent from the company in such unstable period. Two main justifications were provided for such decision on part of the workers. The first one, provided by those with small balances of accumulated unused paid-vacations, was that ‘the number of days was not worth it’. The second justification reflected the workers’ worry that being away from the company during a period of time that is full of change would mean that they would lose their chance of being part of the new system expected to be implemented by the new management. For example, one of the interviewees stated that

‘. . . if we took the leave, we would have had no role in the company by the time we came back’.

It is important to note here that the workers did not protest to any of these managerial decisions despite the existence of some doubts regarding the legality of these managerial actions. For example, the law requires the worker’s consent and signature on the document authorizing the worker’s absence from the company before the worker makes use of the
unused-paid-vacation-days. Thus when a similar action was taken by the management of another Egyptian company the workers took the case in court. The court ruling was in favour of the workers and it denied the management the right to force their workers to start using their unused-paid-vacation-days. In the case of ABC, the workers - at least those close to the age of retirement and those perceived as indispensable for the smooth running of business - did not have any say in this managerial decision. They were not even asked to sign a consent form. As far as forcing the workers perceived as indispensable for the smooth running of business to start using their unused-paid-vacation-days was concerned, the GM simply commented that

'It was these people that I forced to take vacations for extended periods of time. I sent them letters that they have to take vacations'.

Similar comments were given by the CFO of the company. Another interviewee while reflecting on that decision and how it was executed said:

'[O]ne of my ex-colleagues came into the office one day, started opening his mail, just to see that his career was coming to an end’

However, it can be argued that had the workers disputed this managerial decision in court, they might have gotten the court ruling in their favour.

Concurrent to dealing with the workers with a lot of unused-paid-vacation-days, another action was taken by the management to increase the number of the workers leaving the company. That action involved revitalizing the early-retirement scheme that commenced during the later years of the partial privatization period of the company. The workers were informed that the early retirement scheme was improved with better financial rewards compared to the compensation offered during the partial privatization period. The old compensation was EGP 15,000 and was now doubled by the new management team.

Given the overall sense of anxiousness and anticipation that surrounded the first couple of years following privatization and the way the new management dealt with the issue of the unused-paid-vacations, it is not surprising that the early retirement scheme was quite successful in the first couple of months of its life. These changes were announced on October 30th, 2004. By the end of 2004, the BODs’ annual report stated that the early retirement scheme resulted in decreasing the number of workers by 378 during the first two months of its implementation. As a result, the number of workers employed by the company decreased from 1,410 in June 30th, 2004 to 1,032 in December 31st, 2004).
The number of workers furthered increased by 51 workers in 2005 and one worker in 2006 but that was not enough. Thus, the management created in 2007 the ‘Technical Support Department’ (TSD). As the GM of the company stated, the TSD

‘... [w]as a department that we [the new management] made in order to accommodate all of the useless people that were to be laid off later on. It was a department that we invented. It had the name of ‘technical support’. However, they [workers in the TSD department] did no technical-support-related work at all. They were some workers that were unfit for work.’

Similarly, the workers knew exactly what the TSD was created for. For example, one of the interviewees commented that

‘It was one of the tools used to force the employees to do something that the management wanted, for example to leave. Basically, they used it to set aside the unwanted employees. They [the workers] won’t be assigned any work and they would be paid only their basic salary, with no incentive’.

However, none of the workers that were relocated to the TSD were ‘laid off’ by the management, at least not directly. Instead, these workers were put in a situation where few, if any, options other than to join the early retirement scheme were left open for them.

However, before further discussing TSD, a brief description of the changes made in the remuneration system in ABC at the beginning of 2005 is needed.

By the end of 2004, a proposed change in the remuneration system implemented in the company was approved by the management to start on the 1st of January 2005. The new remuneration system consolidated all of the payments received by ABC workers (including the 14 months annual profit share) into a single pool that was divided into 28 equal fractions. These 28 fractions were distributed as follows: 12 fractions were to represent the annual fixed salary paid to the workers in equal monthly payments (one fraction per month), 9 fractions representing an annual fixed incentive paid to the workers in equal monthly payments, 3 fractions representing an quarterly production incentive paid in proportion of the percentage achieved of the production budget, and, finally, 4 fractions representing four incentives paid for four celebrated occasions (representing four of the five occasions for which the workers used to receive incentives throughout the public ownership period) irrespective of the company’s performance. Apart from these 28 fractions, the workers were still eligible for their legal annual 10% profit share. Accordingly, in the new remuneration system, a worker’s annual basic salary represented around 32.5% of his/her annual remuneration package (assuming a 100% achievement of
the production budget). This remuneration system stayed in place until it was replaced by a new one in 2009.

In 2007, the workers who were considered by the management to be ‘unfit’ to carry on their jobs in the company were informed that they were relocated into the TSD. Once in the TSD, the workers were not required to participate in any of the daily operations of the company. The workers were just required to show up in the morning, stay at their assigned places, and do nothing until the end of the working hours. The new department did not have enough physical space to accommodate all of the workers transferred into it. Accordingly, in some cases, the workers were instructed to stay at their original offices and thus sitting in the same room with their busy colleagues while they were doing nothing all day. The rest of the workers were relocated in an unused office close to the factories’ area that had no air conditioning and not enough furniture to accommodate them all.

During the first couple of months, being assigned to the TSD did not have any impact on the monthly salary received by its workers. However, soon after, a managerial decision was taken entailing that the workers of the TSD were not to receive any kind of the incentives received by the rest of the company’s workers. Accordingly, being a member of the TSD meant receiving less than one third of his/her original salary.\[^{50}\] When the decrease in monthly salary, the increased working hours and the tightened control over attendance are taken into consideration, it becomes quite understandable why the workers in the TSD were left with no choice but to join the early retirement scheme. Accordingly, in 2007, 132 workers left the company.

By the end of 2007, around twelve TSD workers managed to survive the decrease in the monthly pay and the extended working hours. They were sent back to their original positions and the TSD was terminated. When the GM was asked why TSD was closed, his answer was that it was closed for ‘humanitarian and religious reasons’. Moreover, he explained that

> These workers were not being paid the same salaries and wages like the other workers. They came to me [the GM] crying and whining about their inability to feed their children. So out of our [the management team’s] religious responsibility, we told them OK, you can stay but do not expect to be promoted or ask anything else. Besides, the remaining numbers were really small. It did start with a large number of workers, but, by the time we terminated the

\[^{50}\] Note that the rest of the workers were being paid the full amount allowed for the incentive part of the salary including the part tied to achieving production targets.
However, evidence suggests that the management’s reasons behind the termination of the TSD might not be completely ‘humanitarian and religious’. By the end of 2007, news started to emerge about the creation of a new company that was to enter the markets served by ABC and its local competitor. Moreover, rumours were spreading that the new company would be hiring whoever leaves ABC. Apparently, the new company, even though still in the establishment phase, was eager to hire workers with some industry-related experience. Accordingly, as one of the interviewees puts it,

‘They [the management] did not close it [the TSD] out of the goodness in their hearts; they were just trying to stop the new company [the new competitor] from employing workers who had expertise in both the market as well as the way the company [ABC] was being run.’

By the end of the process through which the management succeeded in reducing the number of the workers in the company, the workers had little, if any, doubt concerning the management’s ability to get rid of any ‘unwanted’ workers. Accordingly, the new management team managed to reclaim its control over the firing process. On the other hand, control over the hiring process had already been granted to the managerial staff since the partial privatization of ABC albeit, as explained earlier, it was not used by the managerial staff during the partial privatization period. Consequently, the new management team did not have to get into any kind of confrontation or take any drastic measures to exercise their right to hire new workers; they just hired new managerial staff as they saw fit. Accordingly, by the end of the early years following privatization, the workers had already lost the sense of employment security that they have developed throughout the public ownership period. At the same time, their employment insecurity was furthered through the measures taken by the management to reduce the company’s reliance on the workers’ superior knowledge of the work technicalities. These measures are discussed in more details in the following subsection.

5.5.1.6. Stripping the workers of their superior knowledge of work technicalities: The deskilling of workers

Decreasing the number of workers in ABC was accomplished in such a way that it destroyed the workers sense of employment security. However, that was not the only thing that affected the workers’ power in ABC. In the process of reducing the workers, the new management team targeted a specific group of workers; namely the workers believed by
their colleagues to be indispensable both in the office and the manufacturing departments. The reasoning behind this can be traced in the GM’s answer to the question: ‘How did you manage to reduce the number of workers without losing any of the workers who were indispensable to the company? As he said

‘Honestly speaking I believe that there is nothing called “someone who should not leave the company”. From my experience, work should not be dependent on one person. And I do not believe in keeping someone because he is the best person in a specific post. Look, organizations should be based on an efficient system and not on the people within that system. If you have an efficient system, work would never halt if someone leaves. Personally, when I came here I used to give some specific people extended leaves so that the other people in the department would learn how to work without them. Look, there were people who had the “key” to doing everything in their departments - which is the culture in the public sector - and did not teach any of the workers in their department how to do their work in case they were not there. These people try to be indispensable so that, when they retire, the BODs would rehire them again as consultants. Also, given their advantaged knowledge position, they would be the ones that get higher bonuses. It was these people that were forced by me to take vacations for extended periods. I sent them letters saying that they have to take vacations.’

From the previous quote, it is obvious that the new management team could not tolerate having the smooth running of business being dependant on the presence of a single employee. Accordingly, the process through which the number of workers was reduced did not make any exceptions for workers who had superior knowledge of the work technicalities. Instead, in many cases, it was purposefully directed at these people. For example, the CFO explained how a previous senior manager in the Finance Sector was trying to withhold some information related to the company’s financial records from him and to give him the impression that she was indispensable for the department.

‘She was one of the first people to receive the letters informing the workers about the decision that they had to start making use of their unused-paid-vacations’.

Such attitude was not limited to the administrative departments only. It was applied in the manufacturing departments as well. For example, one of the interviewees explained, after making sure that the recording device used by the researcher was turned off, that the early retirement system and the management’s decision to force people into using their vacations cost the company many experienced factory floor workers. He further explained that the most experienced workers in the factory - those who had the skill to determine the appropriate materials’ mix for production - were gone during this period. He elaborated on that by explaining how the managers in the private sector believe that money can buy
them whatever they need to run the factories and how that was reflected in them (the management) not trying to keep the skilled workers in the company.

However, that was not the only way used by the management to decrease their reliance on the workers’ superior knowledge of the work technicalities. Other ways can be found in the way new technologies were introduced to both the administrative as well as the manufacturing departments. For example, in the financial department, a group of eight accountants were selected to receive their training on the new AIS that was to be developed for and implemented in ABC. The new AIS, which was based on Oracle, was brought to replace the manual bookkeeping process practiced by the workers during the public ownership of the company. Moreover, the new system turned the accounting work into standardized data-entry work with the technical parts being performed by the system itself. Accordingly, with the introduction of the new AIS, the work technicalities that were being mastered by the accountants over the years were now the property of the new AIS. For example, one of the interviewees commented that:

‘Right now, with the Oracle-based accounting system, we are all operators, not accountants. We just fill-in the data fields displayed on the screen and then everything is made automatically. The way I see it, the higher the level of technology used, the lower the level of professional skill expected from the accountant. . . . well . . . and the lower the number of employees needed. An accountant who uses the computerized system can replace two or three accountants who work manually’.

Furthermore, upon the completion of the selected accountants’ training, they were told that upon their arrival at ABC they had to train at least one accountant in the department by teaching him/her what they had learnt during their training process. In this way, the CFO made sure that the secrets to the new technology were introduced to all accountants in the company. Thus, access to knowledge and the new technology was not restricted to the ‘newly’ trained eight accountants who would in that case turn into indispensable workers in the company. Accordingly, by the time the trained accountants finished training their colleagues, the situation was that, for each single function within the accounting department, at least two workers knew how to perform it.

The same effect was achieved in the manufacturing departments, even though not as quickly as it happened in the accounting department. By the year 2009, one of the company’s production lines was completely replaced by a new one. The new production line was highly computerized and experienced workers were no longer required to produce products with acceptable quality levels. According to one of the production managers,
Right now we do not rely on experienced workers like before. The new machines are computerized and the whole manufacturing process is controlled by a single engineer through monitoring a set of parameters.

Accordingly, by the end of the first few years following privatization, the new management team succeeded in stripping the workers of all of their power resources and the workers of ABC were rendered powerless in the face of their management. By the end of this period, the workers believed that turning to government officials for help was not effective.

5.5.2. Power relations and MCSs at the end of the early years of privatization

By the end of the transition period described in the previous subsection (subsection 5.2), the new management team in ABC had successfully managed to strip the workers of their power resources - access to the decision making process, access to alternative sources of income, employment security, superior knowledge of work technicalities, and access to powerful political actors outside the organization. Once such task was accomplished, the workers had little, if any, power resources left for them to hold their stand against any of the management’s unfavourable practices. More specifically, given the high levels of unemployment evident in Egypt, the workers’ loss of their alternative sources of income and the absence of an unemployment pension for surviving unemployment periods, the workers of ABC became highly reliant on their employment in the company for their economic survival. Furthermore, the management’s success in reducing the number of employees and reducing, if not eliminating, their reliance on the workers’ superior knowledge of work technicalities, made it clear that no one is indispensable and that the management had the means necessary to make any ‘undesirable’ worker leave the company ‘voluntarily’.

Accordingly, it can be argued that, after proving to the workers that reaching for the government’s official for help is ‘useless’, the new management team of ABC gave the workers a straightforward ultimatum: Do as you are told or ‘voluntarily’ leave the company. The workers who were in the company by the time of the main data collection at the end of 2009 were clearly those who chose to ‘do as they were told’. Accordingly, it can be said that the workers of ABC were forced into submission by their new management and that a coercive regime of control within ABC was successfully created.

Once such a coercive regime of control was established, explicit confrontations between the workers and the management were rare. However, the absence of such confrontations
is not due to the lack of workers’ grievances. Instead, an understanding that the absence of such confrontations reflects a shift in the form through which power is exercised within ABC is closer to ABC’s work conditions and power relations. Accordingly, it can be argued that, after the first few years following the privatization of ABC, the exercise of power in the company changed its form from a visible exercise of power (where workers’ grievances were acted upon explicitly) to other hidden (wherein the workers developed a sense of powerlessness against their management and a sense of uselessness of any explicit confrontation with their management) and, in some cases, invisible (wherein the workers interests were aligned with those of the management and, accordingly, started to accept and support the actions and decisions made by the management) forms of power. Evidence for this shift can be found in the workers’ reactions to the changes made to the performance evaluation system in the company and their reactions to the ways in which annual raises and promotions were decided by the management team.

Following the full privatization of ABC, the transparent performance evaluation system implemented throughout the public ownership period of the company was completely abandoned. However, instead of replacing the old system with a new, transparent performance evaluation system linked to financial incentives as the proponents of privatization would anticipate, the new management team did not employ any system at all. Workers’ performance was evaluated by their respective superiors without the workers knowing anything about the criteria according to which their performance was assessed or without receiving any sort of feedback about their performance. For example, when one interviewee was asked about how his performance was being evaluated, his answer was: ‘Our performance is being evaluated, but I do not know how.’

Furthermore, the non-transparent annual performance assessment was reflected in the annual raises (i.e., raises that are in addition to the 7% annual raise stipulated by law) received by the workers. Such raises were not uniform across workers. While some workers did not receive any raises, others were given significant ones. Accordingly, since the workers of ABC did not have any formal feedback about their performance, they had to wait and see if they were lucky enough to be granted a raise or not. Usually, decisions related to who gets a raise and of what amount were made in secrecy so that no worker knew how much his/her colleagues were given. As one of the interviewees described it, ‘[t]hose kinds of adjustments [raises in monthly salaries] are done off the record’.
However, the workers usually have their ways of spreading the news around and, eventually, those who did not get any raise started to build a sense of discontent since their efforts were not valued by the management. For example, one of the interviewees explained that

‘Not everybody received the same increase in salary. Some people received some increases in their salaries; others did not even if they are hard workers. This creates a sense of jealousy among us workers. When one employee receives 25% increase in salary and his colleague receives 5% (or nothing), people start developing bad feelings towards each other. I do not have any problem with people getting what they deserve, however, I do have a problem when the people getting the raise include those who do not deserve it and only get it because they are close to their direct manager’.

At the same time, the managers did not provide satisfactory explanations to their subordinates for not giving them a raise. According to one of the interviewees:

‘. . . [W]hen some employees asked [the GM] why they did not receive similar raises to their salaries, they were told that ”your manager did not recommend that you get any”. When the manager was asked, he replied that ”I have a limit that I cannot cross”. What I am trying to say is that the reasons behind these raises are never clear.’

Furthermore, another interviewee stated that whenever he approached his direct manager to enquire about the reasons why he did not receive a raise, the standard answer he received was ‘you [the worker] were not performing well enough’. This answer was not provided in conjunction with any clear instructions as to how the concerned worker can improve his performance in the future.

The workers who did not receive any raises in their monthly salaries were unhappy about it, especially with the absence of a reasonable justification for such differentiation. However, despite their grievance about this situation, they did nothing about it. When one of the interviewees was asked why they accepted such situation, his answer was

‘I have already asked Mr. X [his manager] about it and he told me that there was a limit as to the number of workers receiving the raise this year and that he had to select some people this year. What else could I have done?’

A couple of points are worth noting here. Firstly, even though the worker’s problem was not resolved, he did not pursue it any further. Secondly, no one who complained about this issue in the interviews mentioned anything about turning to the TU leaders for help - as was customary during the public ownership period. The workers’ reaction to their grievances can lead to two important conclusions. The first one reinforces the argument
concerning the diminished role of the TU leaders within the political life of ABC. The second conclusion is related to the change in the form of power being exercised within ABC from an explicit into a more hidden form of power. In other words, after establishing their power position within the company, the new management team did not have to deal with workers confrontations anymore as the workers started to develop a sense of powerlessness and considered these confrontations as pointless.

The other issue related to the performance evaluation system was the promotion system implemented within the company. As explained in subsection (3.3.1.2), the public sector had a well-established promotion system that was based on both the annual performance evaluation of the workers and their seniority. Within such system, the workers knew that if they come to work regularly and do their work, they would eventually be promoted. However, the new management team abandoned this system completely. As one of the interviewees explained, the new management seems to have no interest in promoting workers from the public sector.

‘The private sector has no promotions. It is all about the financial aspects of the job. There is no real promotion . . . There is a financial manager and the employees. There is a sales manager and the employees. There is no opportunity for you to be promoted. You cannot aspire to have bigger roles . . . in the private sector. When the management needs to hire new managerial positions, they hire people they can trust. They hire people like them (from the private sector), especially in the financial sector and the sales department. So these higher managerial positions would usually be filled by people from outside the company’.

Evidently, such view coincides with the managers’ overall belief in ABC workers’ low quality of professional experience. For example, the CFO mentioned to the researcher more than once how his subordinates were worth ‘nothing’ in the external job market.

‘They spent their whole professional life working in the public sector wherein each one of them mastered a very specific function of the accounting department. If any of them wants to find another job, he/she won’t be able to get any. They are over-aged to be just accountants or even senior accountants and under-experienced to be CFO’.

Once again, the workers did nothing to protest against the destruction of their internal labour market. They just kept their grievances to themselves and kept working.
5.5.3. The MCSs in ABC during the more recent, competitive, years of private ownership: responding to market pressures (2008 - 2009)

The period of relative market stability within which ABC operated throughout the early years of privatization was followed by a period of increased market competition. In part, such increased competition was the result of the increases in selling prices made by the new management. According to an interviewee, ‘[the company] have always had competition. We are suffering now because our prices are much higher than they used to be in the past’. At the same time, the demand for the company’s products, both locally and internationally, was much below its normal levels due to the global financial crisis at the time. Accordingly, by the end of 2008, the management started mentioning the increasing market competition in its annual report to the company’s general assembly. By the end of 2009, the management’s annual report to the general assembly of the company started with the following statement (emphasis added):

‘Before presenting the results of operations, we would like to explain to the shareholders that the company have suffered from the negative effects of the global financial crisis affecting all of the economic activities in all countries around the world. Furthermore, the current year have witnessed increases in the prices of our inputs. Also, the company have faced a fierce attack from the Chinese imported [product I] which is being sold at a price that is lower than the local cost of production. It is because of these aforementioned reasons that the company have suffered from losses of EGP 16.5 million that will be transferred to next year . . . The company is working hard to minimize expenditures, increase performance and quality levels, and decrease costs, in order to reclaim its market share’.

Accordingly, 2008 and 2009 witnessed a number of serious changes to the MCSs in the company. These changes were directed at effecting three main changes in the company: managing costs more efficiently, improving product quality and maintaining strong customer and supplier relations, and improving performance within the company.

5.5.3.1. Cost management initiatives

By the beginning of 2009, a Supply Chain Manager was hired to help control costs across the company’s supply chain. According to the new manager,

‘. . . The situation here was a mess. You name it; the ordering process, the storage space, the storing process, and/or the accounting for inventory, they were all ineffective . . . the problem, in my opinion, was that, after privatization, the new owners hired new people to fill top managerial levels only. Middle management positions were still filled with people from the public sector even
though it is these people [middle management] that effect change within the company’. Accordingly, the new manager oversaw an overall renovation process to the company’s inventory management process. According to the new rules, nobody was allowed to order purchases at quantities exceeding what was truly needed. Furthermore, items purchased were to be stored in the inventory and handed out only on a need-to-use basis. In other words, the workers’ previous tendency to order excessive purchases and take the entire amount purchased upon its arrival at the company was taken under increased control. The new policy was aimed at ‘better controlling costs and allowing for the creation of a history for each inventory-item-usage’, as the new manager explained. Furthermore, in order to facilitate the creation of inventory-item-histories (which is to be used as the basis for informing future procurement decisions, a completely new storing system was devised so that each inventory-item was coded with its unique code. The new coding system, along with facilitating the tracing of the usage of each inventory item, allows the company to improve its accounting for the inventories at hand.

It is worth mentioning that, prior to the implementation of these new changes, the workers’ previous practices related to procurements and inventory had rendered the AIS in place completely useless for controlling inventory. The workers’ old tendency to take the entire quantity purchased of spare parts upon its arrival to the company made it impossible for the AIS to keep track of the actual quantities of spare-parts within the company. Furthermore, several inventory items were not properly coded into the AIS. Evidently, when the worker concerned with updating the computerized system was unable to find the appropriate code for the newly purchased inventory item(s), he/she would just add the item to one of the existing codes in the system rather than contacting the IT department to create a new code for the new item. Eventually, such attitude resulted in a situation wherein new spare-parts-items were purchased despite their existence in the company. For example, the supply chain manager explained that, after he was hired, spare parts worth EGP two millions were retrieved from the engineers throughout the company. Note here that this incident is different from the one mentioned by the GM in subsection 3.2.4.2, which means that, despite the GM’s attempts to control the workers’ attitude towards procurement and inventory management, the workers continued to follow their old inefficient work practices. In fact, the supply chain manager explained that, even after he set the new rules for procurement and inventory management, the workers were still doing what they were used to do:
'A worker came to me one time asking for 10 units of [a given inventory item]. However, I changed the order to be for five units instead of 10 before I signed it. Later on, when I was in the storage area, I found him asking for 10 units from the stores’ controller. And the amazing part was that the stores’ controller got him the 10 units he asked for. Apparently, neither one of them made the effort to read the order after I signed it.’

Such attitude can be viewed as an evidence of the workers’ lack of awareness and/or concern about the impact of their work-related practices on the company’s overall performance.

5.5.3.2. Quality Control

In contrast to what was the case before ABC’s privatization, the new management team had a genuine concern about product quality and customer satisfaction. Accordingly, following the privatization of the company, a quality manager was hired to improve the quality control department within the company. However, with the increased levels of competition, a different manager was hired to restructure the quality control department and improve its performance. With the new manager’s efforts, the company obtained two quality certificates (ISO1800 and ISO2200) and the quality management function within the company was changed from focusing mainly on assuring product’s quality into managing quality throughout the company’s supply chain. For example, the quality control department was responsible for raw materials testing, monitoring products’ quality throughout the manufacturing process, and handling customer complaints reported by the sales department.

However, it is worth mentioning that advocating the new quality-focused culture was not as easy as it sounds. After all, the quality managers had to change the culture of decades of focusing solely on production. For example, there were situations where both the sales manager and the production manager(s) were more than eager to get a certain production patch approved by the quality manager(s) in order to timely satisfy a given customer’s order, even if the quality specifications of that specific patch were outside the acceptable margins.

Another way of improving the company’s production quality was through introducing new production technologies. By the beginning of 2009, a completely new production line located at the company’s plant where the administrative offices are located was ready for production. The new production line ensured producing higher quality products through utilizing machines with higher technology as compared to those used in the old production
Introducing the new plant offered the opportunity to both increase products’ quality and reduce costs. More specifically, with the introduction of the new production line, materials’ utilization rates were improved and, at the same time, the old production line was rendered disposable. Accordingly, the new production plant offered the company’s management team the opportunity to stop manufacturing main product (I) in one of its plants and focusing completely on utilizing the new production line. With this change, the workers operating the old plant were now disposable and the management team were granted the opportunity to further reduce costs through reducing the number of workers employed by the company.

Consequently, once again, the management was in the pursuit of making the workers ‘choose’ to leave the company. However, the tactics employed by the management to pursue this goal were less obvious compared to the old tactics employed during the early years of privatization. The most obvious tactic used by the management to tackle this issue was to start moving workers from one plant to the other. While such decision might appear innocent, it had significant impacts on the workers of the company. To begin with, the workers generally lived close to their workplaces. Moving them from one plant to the other meant that they would go through considerable hardships to be able to meet the company’s working hours. These included having to spend more time and money to commute to the new workplace. Eventually, some of the workers failed to adjust to these new changes and chose to apply for the early retirement arrangements offered by the company and leave the company. By the end of the data collection period, the workers who were still at the old plant and who were by that time almost doing nothing throughout their working hours were being paid only their basic salaries without any incentive. However, even though it was quite early to examine their reaction to these new changes, no incidents were reported regarding any explicit confrontations with the management in response to these unfavourable changes.\footnote{While this is outside the scope of this research, it is worth mentioning that these confrontations did not take place until the year 2011 when the Egyptian people all over the country, including the workers from both the public as well as private sectors, started to explicitly speak out their grievances about the country’s unfavourable economic conditions and government practices and, successfully, accomplished their revolution against the regime that has been in control of the country for over thirty years.}

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5.5.3.3. **Improving performance**

Improving performance within the company was largely based on adopting more transparent performance evaluation systems and tying performance to pay. Two examples are provided for this managerial trend: the first is establishing a company-wide performance evaluation system that is used as the basis for annual bonuses and raises paid to workers. The second example is changing the remuneration system so that incentives are better linked to performance.

*a. The new performance evaluation system*

One of the major comments the researcher offered to the senior managerial staff concerning the company’s management control system was the absence of a transparent performance evaluation system that ties performance to pay and provide periodically a formal feedback to the workers. Accordingly, a new performance evaluation system developed by the GM was introduced with the intention of being used as the basis for annual raises and bonuses. The new performance evaluation system measured workers’ performance through ten performance indicator measures and seven workers’ quality measures. The performance indicator measures are: appearance, attendance, handling work pressure, cooperating with colleagues, cooperating with superiors, being responsible, being organized, quantity and quality of work performed, the ability to learn, and technical knowledge. The seven workers’ quality measures are: meeting targets, communication, punctuality, leadership, problem solving, team-working, and decision making.

The performance evaluation form is to be filled and signed by the direct manager evaluating the workers’ performance. Furthermore, once the form was filled and signed by the direct manager, the concerned worker is required to see the evaluation, discuss it with the manager and then sign it to show that he/she has been informed about it. Finally, the form has to be signed by a manager at a higher organizational level to approve it.

It is important to note here that the implementation of the new performance evaluation system took place during the last two weeks of the data collection period. Accordingly, there has been not enough time to better examine the consequences of its implementation. Nevertheless, it shows the management moves towards motivating workers’ cooperation rather than securing their obedience.
b. Tying incentives to performance

In an attempt to foster the company’s performance, the last couple of months in the year 2009 witnessed some significant changes in the rules governing the incentives paid to the workers of ABC. These changes spread across the company to cover the sales, production, and supply chain management departments. For example, in the sales department, the previous tendency to pay the workers their entire monthly salaries (i.e., both the fixed part and the variable incentive) was abandoned. The new rules for earning the monthly incentive stipulated that earning the monthly variable incentive is dependent on realizing the monthly sales budget for each sales personnel.

Another example can be found in changing the rules for earning the monthly incentive earned by the delivery truck drivers in the company. According to the supply chain manager:

‘The distribution team was being paid a fixed monthly salary in addition to a monthly incentive that is based on the number of customer deliveries made by each truck each month. However, there has been an upper limit to that incentive. The maximum number of deliveries used for calculating the monthly incentive was seven deliveries. Accordingly, any further deliveries beyond the seventh one did not affect the incentive received by the truck driver . . . As you can expect, the drivers rarely made any effort to make more than seven deliveries per month. Once they made the seventh delivery, they would find excuses just to get their trucks out of service. They would report it broken, take longer time for maintenance, and take longer time for the deliveries themselves . . . For me it was very strange. That is why I changed these rules. I removed the upper limit for the incentive earned by the truck drivers. Also, I stopped tying it to the number of deliveries. Instead, earning the incentive is now based on the length of the trips and the quantities delivered. You should see the results of these changes now. The monthly deliveries are more than tripled . . . Now if one of the drivers has a problem with his truck he is more than eager to get it fixed as soon as he can . . . . The GM was reluctant about this change in the first couple of months, especially with the increase in the payments to drivers. However, after he saw its impact on the drivers’ behaviour, he is highly supportive of it’.

Similar changes were undergone in the production departments. For example, greater focus was placed on achieving the production budgets through re-implementing the annual production incentive that was cancelled in 2004. Moreover, new rules were set for the realization of the monthly variable incentive by the workers of the company - with a special focus on the factory workers - in a way that would ensure tying the monthly variable incentive to the workers’ contribution to the manufacturing process.
5.5.4. The role of accounting under private ownership

Given ABC management’s tendency to control workers through coercion rather than consent, especially in the early years of privatization, there was little, if any, need by the management to rely on accounting in securing workers’ genuine cooperation in the company. Accordingly, the role of accounting in ABC throughout private ownership resembles largely the private accounts expected by the Hopper et al. (2009) model. In order to substantiate this claim, the current subsection explains two main issues related to the accounting function within ABC. The first one is related to how accounting information was considered the private property of top management, and the second one is related to how accounting was used in furthering the interests of the owners of capital - namely the foreign investor holding the majority equity in the company - at the expense of the company’s other stakeholders.

5.5.4.1. Accounting information as the private property of top management

As mentioned earlier, one of the earliest changes that took place after privatization was the computerization of the accounting AIS implemented in ABC. It is important to note, though, that the new computerized system focused mainly on the financial accounting function within the company. For example, while, on the one hand, the system facilitated the preparation of the monthly financial statements of the company, on the other hand, most of the cost accounting information was prepared manually by the company’s cost accountant and then was used to update the computerized system. Furthermore, these costing data were prepared by the cost accountant under the supervision of the GM. For example, the cost accountant explained:

‘I am responsible for the entire costing process within the company. I calculate the manufacturing costs using documents collected from different departments across the company. These cost data are then used to update accounts such as changes in inventory levels and to prepare various costing reports such as variable and fixed costs, standard costs, and variance analysis . . . These reports are submitted regularly to Eng. X [the GM] so that he can determine the selling prices for the company’s products, monitor the costs of production and inform the engineers in the factories about areas requiring cost control.’

And that:

‘At the end of each year, I use the data from the previous year, adjust them for the market strategy for the next year, and prepare the budgets for that year.’
These budgets were communicated to the concerned departments across the company through the GM. Furthermore, these targets were communicated to the production departments in terms of the number of units to be produced each month. Costing data were not usually part of the information communicated to the production managers. In other words, the production managers were not made responsible for the costs associated with their departments. They were simply required to make sure that the production budget was achieved each month. Accordingly, cost management was done mainly through the GM based on the regular reports sent to him by the cost accountant.

5.5.4.2. The power over accounting by the owners of capital

Following the privatization of ABC (which, as explained earlier, resulted in the foreign investor owning more than 96% of the company’s equity through three of his companies operating in Egypt), and following the new owners’ success in severing the workers’ access to the decision making process throughout the organization, little, if any, challenges were left that could stop the new owners from monopolizing the decision making process both within the company and at the general assembly meetings. Evidently, the new owners, both acting through their own decisions and their senior management team, took the liberty of making and effecting decisions that would further their own interests at the expense of the other stakeholders of the company.

For example, once ABC was privatized, the new owners decided that a management contract will be signed granting one of their companies the privilege of managing ABC in return for 10% of the company’s profits before taxes. However, strangely enough, the payments made by ABC through the management contract did not cover any of the top management staff salaries or bonuses, or any of the remunerations offered to the members of the BODs. In fact, the contract did not even cover for the implementation costs of the new computerized AIS adopted after privatization. In one of the follow up phone interviews, the company’s CFO explained that at the time of data collection,

‘The contract did not have any purpose except for ensuring the transfer of 10% of the company’s profits before taxes to [X] company. . . Remember that they received their 10% before calculating taxes while all of the other parties involved in the distribution of the company’s profits [such as workers, members of the BODs, and minority shareholders] were given their percentage of the distributable profit after tax. This means that, if you want to compare them to the rest of the parties, they were being given about 12% of distributable profit after tax . . . The only impact of this contract on the company’s operations was that [X] company provided us with the main raw material necessary for our
products. This raw material accounts for up to 80% of our cost of sales. It was supposed to serve as a way of reducing costs of raw materials through getting bigger purchase discounts when our purchases are combined with the purchases of the rest of the group. However, the quality grade of the raw material needed by the other companies was much lower than what was required by our company and, eventually, we ended up spending more due to the lower yields ratio associated with the lower quality inputs.'

Accordingly, the management contract affected all of the parties allowed a share in the company’s profits, including the workers, the government (through taxes), minority-holding investors, and even the members of the BODs through decreasing the figure of distributable profits before tax. That was not the only way in which the new owners made decisions that negatively affected other stakeholders of the company. Another example can be found in the way the new improved production line was documented. Legally, the Egyptian tax allowed for a tax exemption period of five years for a new company entering the market, but not for an existing company making upgrades to their existing manufacturing processes. Accordingly, in order to benefit from the tax exemption allowed by law, the new production line was not registered as an upgrade to the existing production lines of the company. Instead, a subsidiary company was created, in which ABC owned 97% of shares, and to which the new production line was assigned. However, it is important to note that this new subsidiary had existence only on paper. It did not have its own administrative place. Instead, some of the existing workers were assigned to the new company without even being asked to move into a new office space. For example, the same senior management team of ABC was assigned the management responsibilities of the new company. Furthermore, the financial manager of the new subsidiary shared the same room with the deputy manager of accounting in ABC. Furthermore, most of main product (I)’s manufacturing activities were assigned to the new company. Once it was produced, it was sold internally to ABC at an internal transfer price that ensured that most of the profits generated from selling the product were channelled to the new subsidiary. Accordingly, it is not surprising that while ABC suffered from losses of around EGP 16.5 million in 2009, its subsidiary generated tax-free profits of around EGP 18.5 millions. This figure was not to be included in the financial statements of ABC until 2010, when the company was facing less challenging market conditions.

While the previous example can be viewed as a tax management practice rather than earnings management - even though it actually reflects both -, that does not mean that the new owners refrained from earnings’ management activities. Evidently, acting through their senior management team, the BODs decided that since 2009 was a bad year in any
case, some of the expenses for the next year were to be charged to the current year instead. Around 80% of the cost of sales of ABC came from the cost of the main raw material used in production. Purchases of this raw material was conducted through one of the group company’s and were usually received by ABC in a number of deliveries; the first of which was taking place in January of each year. However, in 2009, when it was clear the company generated losses rather than profits, the company was making serious efforts to finish the January purchase transaction before the yearend so that it can be added to 2009’s purchases expenses rather than 2010. Evidently, these efforts were successful and the losses of ABC in 2009 were furthered through increasing the cost of sales for the same year.

To sum up, ABC’s privatization entailed a period of dynamic change for its pre-privatization MCSs and power relations. Throughout the early years of this period, the new management team gradually, yet steadily, abolished the workers of their previously enjoyed power resources while, at the same time, redesigning the company’s MCSs. That was accomplished through a number of steps: First, the workers’ access to the decision-making arenas at the BODs and operational levels was terminated (i.e., closing their invited space of power at the BODs level and their created one at the operational level). Second, the workers’ superior knowledge of work technicality was undermined through the introduction of new technologies at the manufacturing and administrative departments. Third, the workers’ access to alternative sources of income was abolished through extending the daily working hours while significantly improving control over attendance. Fourth, the management’s control over hiring and firing was established. Control over hiring was secured through the Egyptian R&Ls governing work relations in private sector companies. On the other hand, control over firing was established through asserting the management’s ability to force unwanted employees to resign ‘willingly’ from the company (mainly through the TSD). That was supported by the management’s monopoly over the decision making process at the BODs level which facilitated the redesign of the company’s remuneration system in a way that better served the management’s interest in forcing the workers to resign. These changes were facilitated with ABC’s stable, oligopolistic market conditions that granted its managers considerable control over the prices of its output.

Despite the workers’ attempts to resist these managerial practices, management was on the winning side in almost all of their confrontations with their workers. That resulted, eventually, in the workers developing a sense of powerlessness in the face of their
management that was followed with their decreased interest in initiating any further confrontations. Meanwhile, the management was gradually replacing the company’s pre-privatization, informal MCSs with new ones that were designed at the BODs level. These MCSs were mostly coercive as they paid little attention to transparency, linking performance to pay, or securing workers’ consent. Accordingly, while the workers obediently implemented these coercive MCSs, they majority of them were less than inclined to offer their genuine cooperation.

Nonetheless, this situation changed when the management was faced with more competitive market conditions that pressured management to enhance the quality of its products while better managing its costs. This requires a more cooperative workforce. Accordingly, the management started to redesign its remuneration system to better link performance to pay in an attempt to foster goal congruence between them and the workers. It also started to pay more attention to managing costs throughout its entire supply chain (thus the creation of the supply chain department) and to improve the performance of its quality control department. Unfortunately, the data collection period ended before the full impact of these changes could be examined.

5.6. Conclusion

ABC is a case of change. It is about the MCSs’ transformations before and after privatization. During its public ownership period, ABC was expected to design and implement MCSs congruent with the R&Ls governing Egyptian SOEs’ work relations - i.e., the ‘ideal’ MCSs shaped at the national level. These ‘ideal’ MCSs are predicated on the creation and maintenance of a specific, ‘ideal’ type of labour-management power relations: the balanced labour-management power relations. Nevertheless, the monopolistic market conditions within which ABC operated, along with the type of technology it relied on within its manufacturing and administrative departments, resulted in a situation wherein the company’s actual power relations were different from the ideal ones.

In particular, ABC’s pre-privatization actual power relations were those of powerful-labour (i.e., the third scenario presented in 2.5.3.3). This superior power position was created through the workers’ ability to mobilize their available power resources: namely, their employment security, their access to the decision making process at the BODs levels, and their superior knowledge of work technicalities (skill). Throughout their superior
power position, the company’s workers managed both to strengthen their power position within the company (e.g., creating access to the decision making process at the operational level) and to negotiate the nature of the company’s official MCSs in a way that accommodated their perceived interests. These interests were not always congruent with those of their ultimate employer (the state). In addition, when the implementation of the company’s official MCSs at the operational level hindered the workers’ ability to pursue their perceived interests; they mobilized their available power resources to negotiate the implementation and maintenance of an informal set of MCSs that accommodated their interests. These informal controls were maintained at the expense of the company’s AISs’ ability to reflect a ‘fair’ reflection of the company’s operations.

By the time ABC was fully privatized, these informal controls and the power relations underpinning them have already been maintained for a period of time sufficient for their institutionalization. Accordingly, changing ABC’s MCSs (both formal and informal) was not an easy task for the ‘new’ management team appointed by the company’s private owners. In particular, management needed to reconfigure the company’s labour-management power relations before they could design and implement an alternative set of MCSs to replace ABC’s public sector ones. Towards strengthening their power position (and towards realizing the first, powerful management, scenario explained in 2.5.3.3), management gradually, yet steadily, abolished the workers’ previously maintained power resources. Meanwhile, ‘new’, coercive MCSs conducive for the creation and maintenance of these new power relations, and for the realization of capital’s interests, were gradually introduced to ABC. While doing so, management benefited from the privileged market conditions within which ABC operated during the early years of its private ownership (as it enabled them to afford having a compliant, yet not fully cooperative, workforce). Nevertheless, when these market conditions became more competitive, management was in a situation where they needed more than workers’ mere obedience (namely, their cooperation). That was sought through modifying the company’s MCSs so as to offer the workers some justifications for their subordination to management.

Accordingly, ABC’s post-privatization experience can be divided into two different versions of the same regime of control. The first version spanned over the oligopolistic years of the company’s private ownership period. During this period of time, ABC’s regime of control was coercive. Furthermore, the ‘symptoms’ of this coercive regime of control could be seen in the managerial practices and MCSs directed towards the creation
of management’s superior power position and the realization of capital’s interests. These practices and MCSs paid little attention to the workers’ interests and cooperation. In addition, they pressured the workers into adhering to what they considered as ‘unfavourable’ managerial practices.

The second regime of control spanned over the company’s more recent competitive years. Once again, ABC’s regime of control during this period was coercive. Nevertheless, in this case, the ‘symptoms’ of this coercive regime of control were less observable than in its earlier version. In particular, as management succeeded in establishing its powerful position compared to workers, the workers started to develop a sense of powerlessness and, hence, were less inclined to explicitly challenge the managerial practices and MCSs they considered ‘unfavourable’. In addition, with management’s ‘new’ interest in securing workers’ cooperation and what this entailed in changing the company’s MCSs in a way that would better link the workers’ performance to their pay, ABC’s regime of control could have been easily mistaken for a consensual regime of control. Throughout both regimes of control of ABC’s private ownership period, capital and management utilized their superior power position to use the company’s AISs so as to monopolize the accounting information produced by these systems as well as to further their interest at the expense of the company’s other stakeholders.
6. Power and MCSs in a Privatized Egyptian Company: the Case of XYZ

6.1. Introduction

The previous chapter explained how the structural factor ‘R&Ls’, along with the company-specific structural factors ‘technology’ and ‘market conditions’ were mobilized by labour to establish a stronger power position against their management at the BODs and operational levels before the privatization of their company. That was reflected in the MCSs designed at the BODs being different from the ‘ideal’ MCSs perpetuated by the state. It was also reflected in the actual MCSs implemented at ABC’s operational level being decoupled from its official, designed ones. The change in the national level structural factor ‘R&Ls’ following Egypt’s transition from state to market capitalism, and following the privatization of ABC, enabled the ‘new’ management team to challenge the company’s pre-privatization power relations and to successfully alter them to its favour. That was associated in the design and implementation of coercive, non-transparent MCSs during ABC’s early years of private ownership. These MCSs were modified to appear more consensual and more transparent after the level competition facing the management increased.

The current chapter demonstrates the labour-management power relations and the MCSs designed and implemented in a second Egyptian manufacturing company (XYZ) before and after its privatization. However, unlike the case of ABC, XYZ offers the chance to examine how a company’s market conditions and use of technology (i.e., its company-specific structural factors) can be conducive for the creation and maintenance of the balanced labour-management power relations sought by the state through the R&Ls shaped at the Egyptian national level. Furthermore, it offers the chance to examine the roles played by the company’s designed and implemented MCSs and AISs in the maintenance of these power relations.

The remainder of the chapter is divided into five sections. Following this brief introduction, the second section sets the scene by providing some background information about XYZ and the market conditions within which it operated. The third section discusses the power relations, MCSs, and AISs designed and implemented in XYZ throughout its public ownership. The fourth section discusses the privatization process of XYZ and its
implications for the power resources available to the workers of XYZ after the privatization of the company. The fifth section addresses the dynamics of power leading to the maintenance of the pre-privatization power relations, MCSs, and AISs. Finally, the sixth section provides some summary and conclusions.

6.2. Setting the scene

XYZ is a textile mill serving both Egyptian and international markets. XYZ was established in 1947 and nationalized in 1961. It has been an affiliate of the Textile Manufacturing and Trading Holding Company (TMTHC) subject to the Egyptian Public Enterprise Law 203/1991 since 1992. XYZ operates eight factories located in one of Egypt’s industrial cities. Each of the factories operated three daily shifts of eight hours. Furthermore, it is worth mentioning that the company continued to be managed by the same management team throughout its public and private ownership periods. While some members of this management team obtained their postgraduate degrees from the UK, their work experience was limited to the Egyptian public sector. Given the lack of information regarding the MCSs in XYZ throughout the colonial era and the early years of Egypt’s independence (i.e., before the company was nationalised in 1961), the focus of this case study is limited to the MCSs and power relations in XYZ during its public and private ownerships.

The textile industry is considered the oldest industry in Egypt’s modern history (Benin, 2007). Furthermore, it is one of the country’s largest and most competitive industries (ibid.). In 2008, the textile and apparel industries employed 25% of the industrial labour force in Egypt and contributed 5.6% of the Egyptian GDP, 27% of industrial production, and 18% of total commodity non-oil exports (IDA, 2012). Accordingly, given the size of the sector within which it operated, XYZ is considered to operate in one of the most competitive manufacturing sectors in Egypt. Based on the empirical evidence collected from the company, it is evident that these competitive market conditions prevailed throughout XYZ’s public and private ownership periods.

Operating in a highly competitive industry had some significant implications for the way XYZ was managed. For example, unlike ABC, XYZ did not have the luxury of freely setting its own prices as these prices were highly constrained by the overall market prices determined by the supply and demand forces of the entire sector. Accordingly, generating profits was not just a matter of producing and selling enough units - with a sufficient
contribution margin - to meet domestic and international demand. Instead, controlling costs, improving productivity, maintaining high levels of product-quality, actively seeking new customers, and retaining existing customers were of paramount importance for XYZ’s survival first and subsequently its profitability. As one of the company’s production managers stated,

‘Our entire business is about maintaining our good reputation in the market. I mean it is the quality of our products that allows us to keep our customers and attract new ones. This is the reason why we [XYZ], unlike many other companies, managed to survive the international financial crisis.’

In addition, generating profits was not the only concern of XYZ’s management team. Instead, the company’s performance - both financial and operational - had to be comparable, if not better than, the performance of its main competitors. Accordingly, XYZ’s key performance indicators were periodically benchmarked against those of its main competitors. Such benchmarking was not limited to the financial performance of XYZ. Instead, it was largely focused on performance indicators related to the company’s manufacturing activities as well as the efficiency of these activities. At the end of each accounting period, XYZ’s performance was benchmarked against the performance of eight of its key publicly owned competitors in areas such as the value of production, the value of domestic sales, the percentage of domestic sales to production, the value of exports, the percentage of exports to total sales, the number of workers, worker’s productivity, the percentage of wages to the value of production, the productivity of one pound of wages, and the average wage/salary per worker.

Furthermore, in addition to these operational implications of XYZ’s highly competitive industry, the market conditions within which XYZ operated had some significant political implications as well. It is important to remember that the workers employed in the Egyptian textile sector are considered to be of the most politically-active workers in Egypt. In fact, and as explained throughout chapter 4, many of the R&Ls governing the capital-labour relationships in Egypt were legislated as a result of the political activities of the textile workers both at the company and the national levels. Accordingly, even though XYZ’s workers did not take part in the major political actions which were initiated by their counterparts in other textile companies and resulted in the legislations favouring workers at the Egyptian workplace, these encounters helped them develop their political expertise on how to articulate and pursue their interests within their company. Examples
for the workers’ use of this ‘political expertise’ will be provided when discussing XYZ’s post privatization power relations and MCSs.

6.3. Public sector power relations and MCSs in XYZ

As was the case with ABC, being one of the Egyptian SOEs meant that XYZ’s power relations and MCSs were expected to follow the ideal power relations and MCSs sought by the state and stipulated through the Egyptian R&Ls. By following these R&Ls (see section 4.3 for more details), XYZ was ‘ideally’ expected to maintain a distinct version of legal-rational bureaucratic organizational structures wherein the company’s workers would participate in the decision making processes taking place at the company’s BODs while being denied access to the decision making processes taking place at the operational level. XYZ’s actual power relations followed that model.

XYZ’s pre-privatization BODs consisted of a president, two appointed members recommended by the holding company, and two elected workers’ representatives. The company’s managing director - also the chairman of the BODs - was responsible for overseeing the company’s operations and presenting the company’s results of operations and any work-related issues to the other members of the BODs in their periodical meetings. Below the BODs, XYZ’s chain of command (see figure 6.1) resembled, to a great extent, the tall bureaucratic organizational structure evident in many Egyptian SOEs. It was organized into sectors headed by presidents. The sectors consisted of general departments headed by general managers. Finally, the general departments were divided into departments headed by managers.

The BODs was responsible for making most of the decisions affecting the company’s operations- see subsection 4.3.4 for examples of the decisions made by the BODs. Furthermore, it was also responsible for overseeing the proper implementation of these decisions by both the managers and their workers. The spaces of power in XYZ’s operational levels were closed to the workers as they were neither invited nor managed to create their own access to the decision making processes taking place at these levels. Accordingly, the company’s operational managers monopolized the decision making processes taking place at all of the organizational hierarchical levels below the BODs.
Managing Director

- President of quality sector
- President of production sector and top management representative
- President of maintenance sector
- President of administrative sector
- President of commercial sector
- President of financial sector
- General manager of security
- Managing Director

**Figure (6.1): XYZ’s chain of command**
President of financial sector

- General manager of salaries
  - Department manager
- General manager of computer
  - Department managers (2)
- General manager of auditing and internal control
  - Department managers (4)
- General manager of costing and budgeting
  - Department managers (2)
- General manager of Cotton
  - Department managers (2)
- General manager of cotton accounts
- General manager of balance sheet
- General manager of auditing and internal control
- General manager of costing and budgeting
- General manager of Cotton
- General manager of cotton accounts
- General manager of balance sheet
- General manager of computer
- General manager of salaries

*Figure (6.1) continued: XYZ’s chain of command*
To a great extent, the distribution of power throughout XYZ’s organizational levels was conducive for the creation of the balanced (i.e., comparable) labour-management power relations sought by the state. On the one hand, the workers’ invited space of power at the BODs level offered them the chance to ‘officially’ negotiate the nature of the MCSs designed for their own company. Throughout these negotiations, the workers’ representatives seem to have done their best to safeguard the interests of their rank and file and to make sure that the rest of the board members were aware of the workers’ views on the company’s designed MCSs. For example, one of the TU leaders explained that the elected board members

‘. . . had a say in every decision involving the workers (such as setting the annual budgets and deciding the workers’ profit share at the end of each period) . . . They [the elected members] made sure that the rest of the BODs heard what the workers thought about these issues.’

Furthermore, being members of the company’s BODs meant that the workers’ representatives had the legal right to oversee the proper and fair implementation of the company’s designed MCSs. For example, another TU leader explained that:

‘Back in the day [i.e., before privatization], we had our own elected members in the BODs. These members made sure that the workers were treated ‘fairly’ by the management.’

To some extent, the workers’ representatives’ genuine interest in safeguarding the workers’ interests was a result of the democratic nature of the TU leaders’ election process in XYZ as well as the genuine participation of the workers in these elections. The workers’ representatives and TU leaders believed that they were ‘given’ their roles - solely because of the rest of the workers. For example, when one of the company’s TU leaders was asked why he was so keen on raising the issues that concerned the workers to the management even in some cases this involved situations where confrontations with the management entailed serious actions such as strikes and occupying the factory, his answer was that

‘I am an elected TU leader; which means that if I do not take care of the issues troubling the workers, I will not be here [in the TU leader position] next year. Furthermore, I am only doing what I would want any other TU leader to do for me [as a worker] when I am not in charge.’

Thus it seems that the workers’ representatives and TU leaders did their best to safeguard the workers’ interests and/or to be able to justify their decisions if they were perceived by the workers as being against these interests.
However, closing the spaces of power at the operational level to the workers meant that the operational managers had the authority to safeguard the proper implementation of the MCSs designed by the BODs. Such task would have been quite difficult to accomplish by the operational managers had the workers’ representatives and TU leaders interfered with the operational managers’ decisions to favour the workers at the expense of the proper implementation of the company’s official MCSs (as was the case with ABC’s workers). Nevertheless, the empirical evidence collected suggests that this situation did not materialize in XYZ.

Little evidence was found for the workers’ ability to affect the decision making processes taking place at the company’s operational level. Only two main exceptions were noted by the researcher. The first exception was when the TU leaders approached managers for minor exceptions when a given worker was about to be penalized. The second exception was when the workers’ representatives in the company’s BODs exercised their right to oversee the operational managers’ conduct with their workers to ensure that the company’s designed MCSs were implemented fairly on the workers.

Nevertheless, it is important to note that none of these two exceptions occurred in a way that would favour the workers’ interests at the expense of the smooth running of the company’s operations and/or the proper implementation of the company’s official MCSs. More specifically, the TU leaders’ and/or workers’ representatives’ interventions in the decisions made by the managers were neither intended to undermine the company’s established MCSs nor were performed often enough to make ‘bending the rules’ one of the workers’ habits. For example, according to one of the TU leaders interviewed,

‘... we [TU leaders] might have interfered to stop a worker from being penalized once or twice but that was always dependent on the worker’s case being genuine. I mean we never supported unjustifiable misconduct and we never listened to workers that continuously disregarded the work regulations. After all, had we started doing that, we would have never been able to get anything done [i.e., work would have been disrupted].’

Similarly, another TU leader explained that,

‘Whoever disrespected the rules would never find anyone to support them ... I mean if things are not done right, how would the company survive?’

Accordingly, it can be argued that even though the workers’ access to the decision making processes at the BODs level was an invited one (i.e., an invited space of power), it did help them maintain a balanced power relation with their managers. The following
subsection explains the role of XYZ’s market conditions and use of technology in the maintenance of these balanced power relations. Subsection 6.3.2 discusses the nature of the MCSs and AISs associated with XYZ’s labour-management power relations.

6.3.1. XYZ’s market conditions and use of technology: maintaining the company’s ‘ideal’ power relations

Working in a competitive industry like the Egyptian textile sector meant that XYZ’s workers’ ‘skill-set’ was not ‘unique’. For one thing, the Egyptian textile industry employed more than 25% of Egypt’s industrial workforce. In addition, in the financial year 1999/2000 the Egyptian spinning industry contained about 58 privately-owned companies alongside the other publicly-owned companies controlled by the TMTHC (CARANA, 2002). Finally, XYZ has its own accredited technical school that provided a somewhat constant supply of trained textile workers. Accordingly, and unlike the case with ABC’s workers, XYZ’s workers were not capable of doing things that nobody else could do. In other words, they did not possess any unique, superior knowledge of work technicalities.

The empirical evidence collected from XYZ suggests that the company’s operational managers were aware of this and that they used it to justify the workloads they expected from their workers. As the president of the production sector phrased it:

‘Why should they [the workers] object to the amount of work expected from them? Firstly, the machine can deliver the required output and, secondly, their counterparts in other textile companies [mostly public sector companies] do deliver comparable amounts. Why can’t they [XYZ’s workers]?’

That level of awareness was even furthered and sustained over time with the periodical benchmarking practices conducted by the TMTHC across its affiliated companies. More specifically, throughout XYZ’s public ownership period the TMTHC established a benchmarking practice wherein the key performance indicators (KPIs) of its subsidiaries were shared and compared among these companies. The main premise behind this benchmarking was to promote the efficiency of the TMTHC subsidiaries’ operations by making sure that company-specific best-practices were identified and shared with the rest of the subsidiaries. These KPIs covered the various operational aspects of the concerned companies including worker’s productivity, the percentage of wages to the value of production, the productivity of a one pound of wages, and the average wage/salary per worker. Evidently, it was these KPIs, along with other company-specific machine-
capacity specifications, that served as a viable justification for the workloads expected from the company’s workers.

Furthermore, the type of technology used by the company in its production departments ensured that its manufacturing processes did not heavily rely on the existence of highly-skilled workers. More specifically, XYZ’s workers’ main responsibility was to run the spinning machines towards the realization of their daily production targets. This task had little, if any, role in affecting the quality of the output produced by their machines. Accordingly, unlike the workers of ABC, XYZ’s workers’ power resources were limited to the set of resources created by the structural factors shaped through the interaction between labour and the state at the national level. These involved access to the decision making process at the BODs level and employment security – see subsection 4.3.3.2 for more details.

Accordingly, XYZ’s workers’ lack of any ‘additional’ power resources that could alter the company’s labour-management power relations in their favour was reflected in the reproduction of the ideal, balanced labour-management power relations sought by the Egyptian R&Ls. As explained in more details in the following subsection, this situation was reflected in the design, implementation, and maintenance of MCSs and AISs conducive for reinforcing these power relations while, at the same time, facilitating the realization of XYZ’s organizational goals. Finally, given the fact that the empirical evidence collected from XYZ reflected a situation wherein the company’s actual MCSs and AISs resembled its designed ones, the following subsection describes XYZ’s designed and implemented MCSs and AISs simultaneously.

6.3.2. The exercise of power at the BODs and operational levels: XYZ’s designed and implemented MCSs and AISs

The workers’ access to the decision-making processes at the company’s BODs level was conducive for the design of consensual MCSs that were acceptable by both the workers and their operational managers. More specifically, the workers’ representatives constituted a valuable line of defence for the workers against any ‘unacceptable’ managerial decisions and practices. Furthermore, the fact that the workers’ representatives had a say in all of the decisions made by the company’s BODs - including those dealing with the company’s MCSs - resulted in a situation where the management controls approved by the BODs had to be defendable, i.e., justifiable, by the managers, the workers’
representatives, and the TU leaders. On the one hand, the managers had to be able to justify their practices if these actions were to be approved by the BODs. On the other hand, the workers’ representatives and the TU leaders had to make sure that they could justify their decision to support the managers’ practices whenever their constituents questioned these practices especially if they wanted to be re-elected.

Furthermore, the company’s MCSs were supported by the design and implementation of AISs conducive for their implementation and maintenance over time. These MCSs and AISs revolved around the idea of transparently stipulating everyone’s rights, responsibilities, the mechanisms used for evaluating the extent to which these responsibilities were met (i.e., the company’s performance evaluation system), the rewards associated with fulfilling these responsibilities (i.e., the remunerations and promotion systems), and the penalties triggered by failing to do so. The company’s annual budgets were a cornerstone in these MCSs and AISs.

The preparation of the annual budgets was the responsibility of the BODs. Operational budgets were largely prepared according to expected market conditions - both local and foreign - as well as the available production capacities. The starting point for preparing the annual operational budgets for any given year was the previous year’s budget. These numbers were then adjusted to reflect the anticipated changes in market conditions. Both purchases of raw materials and targeted production volumes were determined based on the sales budget and the planned level of inventories. The annual budgeted production was then translated into monthly, weekly, and daily workloads to be achieved by the production managers and their workers.

Achieving the annual production budget was the main drive behind most of the management controls implemented within the production departments. After the annual production budget was ultimately translated into shift workloads for each factory (three 8 hours shifts each day), production targets were further broken down into production targets for each machine in any given production shift. Once machines’ targets were determined, it was the responsibility of the machine’s assigned-worker to achieve his/her targeted volumes. Furthermore, it was the shift’s production manager responsibility to make sure that the workflow runs smoothly and that workers actually work and do not just ‘appear’ to be working. Being able to achieve the budgetary targets hinged upon two main things. Firstly, the company’s workers had to be in the company throughout their assigned
working hours. Secondly, the production managers had to make sure that the workers worked ‘efficiently’ throughout their shifts.

Unlike many other Egyptian public sector companies, XYZ did not appear to have any serious issues related to controlling attendance. Both before and after privatization, the main attendance-control mechanism in place is two attendance registers kept by the security staff responsible for allowing people into the company’s premises. The first register is for the employees to sign in upon their arrival at and departure from the company. The second register is held by the security staff themselves and they are responsible for recording on their own the time at which each employee arrived at and departed from the company. At the end of each day, both registers are compared and delivered to the personnel department to update the records of absent employees.

The evidence collected from the general manager of auditing and internal control supported the finding that attendance was quite non-problematic in XYZ. When asked about her experience in the company, she explained that

‘I joined the company two years before it was privatized. Before that, I had experience in another publicly-owned textile company as well as two private-sector ones. When I first came here I was amazed by how the company was run. Let me put it this way, our company has always been managed with the mind-set of a private sector company. I mean, we have always had tight [efficient] controls over all aspects of operations . . . such as attendance, inventories, and financial controls.’

On the other hand, making sure that the workers worked efficiently throughout their shifts is accomplished by two main types of control: direct supervision and post-production productivity reports. Direct supervision is carried out by different managerial staff at different managerial levels. The first layer of direct supervision is the shift’s production manager within each factory. The second layer is the factory’s production manager responsible for overseeing the workflow in all three of the daily shifts. While factory managers are not around 24/7, they did manage to visit the production lines several times per day making thus sure that everything is unproblematic. The third level of direct supervision is the president of the production sector through his continuous involvement in most of the production-related issues as well as his frequent visits to the different production lines. The fourth layer is the production-planning manager. Though this is not his principal task, the production-planning manager did perform some occasional visits to the different production lines. According to the production-planning manager, the main purpose of his visits to the production lines is to
The last layer of direct supervision is the MD of the company. Since he is an engineer and a former president of the production sector, the MD is well interested in the smooth running of the company’s different production lines. Accordingly, it is not surprising that many of the interviewees mentioned the MD’s daily visit to the factories. Apparently, these visits do not have a fixed time. Instead, they can take place at any time within the day. Given all of these different sources of direct supervision, a working environment was created wherein the workers did not know when and by whom they were going to be checked. According to one of the production managers,

‘[I]t is quite difficult for the workers to waste time when we [the managers] are around most of the time. Besides, even if they have some unsupervised time, they still need to deliver their targets at the end of the shifts.’

The second control mechanism implemented in the production departments take the form of machine productivity reports that are produced at the end of each shift. These reports were produced automatically through the computerized system implemented by the Computers Department. The report show the standard productivity for each machine given the nature of the product being produced as well as the performance summary for the worker operating this machine. According to the general manager of the Computers Department who is the manager responsible for the company’s computerized information system, ‘the standard figures rely mainly on the machine’s standard productivity and the performance indicators obtained from rival companies [i.e., benchmarking]’. Accordingly, the way in which standard figures are set did not allow any chance of asking any worker to produce an amount that exceeds the machine’s practical capacity and/or a standard worker’s ability to operate the machine efficiently.

As mentioned earlier in subsection 6.3.1, the way in which standard productivity figures are set by the management provided the main basis for consent on the shop floor. Furthermore, the productivity reports collected by the managers at the end of each shift provided the basis for exercising ‘management by exception’ where unsatisfactory machine-output called the attention of the managers involved. Once spotted, the concerned worker is called by the manager and asked the reason for such unfavourable variance in ‘his/her’ machine output. Based on the reasons provided by the worker concerned, the manager then decides whether they are within or beyond the control of the worker.
Situations in which the unfavourable variances are found to be caused by workers’ negligence and/or slacking are considered a basis for disciplinary actions involving deductions from the production incentives received by the factory workers.

In addition, productivity reports are aggregated and reviewed by the production-planning department to make sure that each factory’s production is in accordance to the budgeted levels. Production issues discovered by the production-planning department are discussed with the factory and shift managers to decide whether there were some acceptable explanation(s) for their occurrence. Frequent unjustified unfavourable production variances called for disciplinary actions for the shift and production managers themselves. Such control mechanism provided an incentive for the shift and factory production managers to exert extra effort to avoid being investigated by the production-planning department. Accordingly, it can be argued that XYZ’s MCSs were designed and implemented to avoid any disruption to the company’s operations and/or any ‘misconduct’ on the workers part.

Evidence for the design and implementation of MCSs conducive to the realization of the company’s and ultimately the state’s goals could also be found in the company’s administrative departments. For example, issues related to managing inventories in XYZ have been mostly resolved long before the company was privatized in 1998. In particular, managing finished goods inventory in XYZ is quite straightforward as the units produced by the factories are delivered to the inventories department, recorded in the company’s accounting records and kept until shipped to customers. In contrast, controlling the inventory of spare-parts needed for maintenance purposes was more complicated. According to the general manager of the Computers Department,

‘. . . [W]e [the company] have more than 25000 items in the spare-parts inventory. That is why controlling spare parts inventory has been one of the first functions to be computerized in the company. If I remember correctly, it was around 1986 when we started controlling for spare parts by using computers . . . The level of control over inventory that we have maintained since we started using the computerized inventory management system could have never been achieved by using the manual system that was used before. I mean, we used to have offices full of employees just to keep the necessary records for managing inventory . . . Managing finished goods inventory is quite straightforward; that is why we are still doing it manually.’

Apparently, maintaining a computerized system for controlling inventory enabled the company to maintain a satisfactory level of control over the company’s inventories both before and after privatization. Evidence for such claim, beside the implicit confidence with
which the general computer manager talked about the results of implementing a computerized system for managing spare parts inventories, comes from the fact that none of the interviewees mentioned any inventory-related issues throughout the data collection period.

In addition, as explained before in section 6.3.1, the competitive markets within which XYZ operated meant the company’s managers paid a considerable level of attention to the company’s production quality. In order to maintain such level of quality, XYZ’s quality control covered all areas of the company’s supply chain. For example, the same interviewee explained that,

‘*Our quality control and management starts long before we start production. In our industry, we purchase all our annual requirements of cotton within a month’s time. So our quality control starts with making sure that our inventory of raw materials is at the required levels of quality. After that, quality controls are conducted in the entire supply chain to make sure that the products delivered to our customers (especially the foreign ones) meet their quality specifications.*’

Furthermore, being part of a competitive industry meant that selling the company’s products was not a straightforward issue. Indeed, a passive strategy in which the company’s sales team stays indoors and waits for the customers to approach the company as was the case with companies operating in less competitive markets such as ABC was not appropriate for XYZ. Accordingly, it is not surprising that XYZ’s sales team has always been active in trying to maintain the company’s existing customers and attract new ones.

The main control mechanism implemented to ensure the sales team would always do their best was linking monthly incentives to achieving the company’s sales budget as well as the sales team’s ability to manage the collections for their sales. Evidently, XYZ’s sales team received a percentage of their monthly incentive (a variable part of the workers’ monthly income) in accordance to the percentage achievement of their budgeted figures. Furthermore, the annual profit share received by the company workers was highly dependent on the company’s ability to meet its budgets.

It is important to keep in mind that linking performance to pay was not limited to the sales department. XYZ’s remuneration system consisted of two components: the monthly income, and the workers’ annual profit share. The former consists of three components: a basic component, a variable component, and a ‘production’ incentive. The basic
component – i.e., 40% of total monthly income - is the fixed part of the workers’ monthly income. Deductions from the variable component – i.e., 40% of total monthly income - are calculated based on workers’ absenteeism, and the penalties imposed on workers for their bad performance and/or behaviour.

The ‘production’ incentive - i.e., 20% of total monthly income - is calculated based on factory workers’ achievements of the monthly production budgets. It is important to keep in mind that these production budgets are further linked to the individual workers’ productivity reports produced at the end of each shift. Accordingly, the actual production incentive received differed among workers based on their respective performances on the factory floor. This arrangement would have been extremely difficult in the absence of a computerized information system designed to link performance to pay within the production departments. As explained earlier, in the sales departments the workers are paid the ‘production’ incentive based on their ability to meet their sales budget and the efficiency of their receivables’ management. For the workers in the other non-production departments, the ‘production’ incentive is calculated based on the achievement of the company’s overall budget. According to the company’s cost manager, the workers in the non-production department are paid the incentive based on ‘... the role they play in helping the company achieve its annual budgets’. Furthermore, he explained that the role played by each department in achieving the company’s annual budget is related to ‘... being able to deliver what they are expected to, facilitating the work for other related departments, and saving costs as much as possible’.

The workers’ annual profit share is calculated according to law 203/1991. The law states that the annual profit share to be distributed among the workers in the companies of the Public Sector Enterprise is 10% of distributable profits, with the amount distributed in cash to the workers not exceeding the sum of the annual basic salary of the workers of any given company. Finally, it is worth mentioning that for all public sector workers their annual raises were set at 7% of the basic salary unless otherwise stated by the President of Egypt on the Labour’s Day (1st of May) each year.

Given the company’s pay structure and the TU leaders’ tendency not to intervene in favour of regular misbehaving workers, the management have an effective control over 40% of the workers’ monthly income to use in maintaining their control over the workers. Furthermore, both the 20% ‘production’ incentive and the annual profit share helped generate a sense of goal congruence between the management and the workers with the
goal being meeting budgets and maximizing profits in order to maximize pay. Most of the interviewees were quite conscious of the budgets and their impact on their monthly and annual pay. Throughout the data collection period, many interviewees mentioned that, for a given month, their pay was not going to be normal because of the poor market conditions and the company’s inability to meet its budgets. Even though these observations were made post-privatization, the fact that most of the interviewees did not mentioned any post-privatization changes in the way the company was managed in general, and the way in which performance was linked to pay in particular, supports the argument that the same attitude was evident prior privatization.

Another example of fostering goal congruence between the workers, their managers, the organization, and, ultimately, the state, can be found in the company’s promotion system. Like many other Egyptian publicly owned companies, promotions within XYZ are highly based on seniority; especially when workers at the lower organizational levels are concerned. Nevertheless, that does not mean that the managers have no control over promotions. Evidently, the rules and regulations governing the promotion process in XYZ include a condition that allows only ‘distinguished’ workers to be considered as candidates for promotions. These ‘distinguished’ workers are noted as such based on the workers’ performance evaluation carried out at the end of each year. Furthermore, for a worker to be considered eligible for any given promotion, he/she have to be evaluated as ‘distinguished’ for two consecutive years prior the year of the promotion.

Accordingly, for workers to pursue an un-delayed career in XYZ, it is pertinent that they maintain a ‘distinguished’ status throughout their employment. For lower-levels workers, being appraised as ‘distinguished’ depends on their continued respect for their superiors, their productivity at the work place, and their efficient use of the factors of production. Furthermore, ‘distinguished’ workers are expected to avoid unauthorized absenteeism, being subject to any work-related penalties, and/or pretending to be ill. Given the TU leaders’ and workers’ representatives’ tendency to honour and respect the company’s official rules and regulations, XYZ’s promotion system provided yet another reward for those workers who managed to fulfil their work responsibilities.

XYZ’s AISs are designed to ensure that the company’s workers were held accountable for their performance in the company. Furthermore, the focus on accounting for workers’ performance on the factory floor was of paramount importance for the well-functioning of the company’s MCSs in place. The fact that the first area of the company’s accounting
information system to be computerized was that of the workers’ machine utilization on the factory floor provides evidence for the above claim. By doing so, it was possible for the management to adequately monitor individual workers’ performance levels and link these levels of performance to their monthly pay. The second area that was computerized in the company’s accounting information system was the inventory management function of the company’s MCSs.

Apart from these two computerized areas, the rest of the company’s AISs were performed manually. The lack of technology in these areas was compensated for by having a considerably large financial sector, consisting of 14 departments, capable of producing the reports needed for governance purposes at both the company and the national levels. At the company level, accounting was the main tool available for the BODs to monitor managerial performance and ensure the proper implementation of the company’s MCSs, including the company’s annual budgets. At the national level, like all other public sector companies, XYZ was accountable to two different authorities: the TMTHC and the Central Accountability Agency. Furthermore, the accounting standards followed in XYZ throughout its public ownership period were those of the Egyptian Unified Accounting System applicable to all Egyptian public sector companies. Given the fact that the role of the AIS implemented in XYZ extended beyond the traditional financial bookkeeping functions to cover areas related to implementing a transparent performance evaluation system that is linked to pay, it can be argued that XYZ’s AISs was quite advanced when compared to other Egyptian public sector companies.

6.4. The privatization process

By the 31st of July, 1997, XYZ’s capital structure was composed of 54.4% owned by the TMTHC, 19.4% owned by other public companies, and 26.2% owned by private investors. At the end of the same year, on the 12th of December, 1997, TMTHC announced its intent to offer its share in XYZ’s equity for sale to an anchor (main) investor from the private sector. By the 4th of January, 1998, and after considering two purchase offers from Egyptian private investors and one offer from a foreign investor, 90% of the 54.4% equity owned by the TMTHC was sold through the Cairo Stock Exchange to one of the Egyptian investors (who was one of XYZ’s major customers) and 10% to the company’s shareholding-workers’ association. Accordingly, right after its privatization, on the 4th of January, 1998, XYZ’s capital structure was composed of 6% owned by the company’s
shareholding-workers’ association, 19.4% owned by other Egyptian public companies, and 74.6% owned by the private sector - of which 48.4% was owned by the new investor.

A couple of points need to be mentioned in relation to XYZ’s privatization and its impact on the power relations and power resources within the company. Firstly, in order for the workers to be able to buy their allocated 10% of the government owned interest in XYZ they had to establish an association for shareholding workers that would represent them in the sales process and manage their owned shares after the company was privatized. Since this requirement was mandatory for all public sector companies that were to be privatized, and since the Egyptian privatization program started in 1992 (concurrent with the initiation of the Egyptian ERSAP), XYZ’s shareholding-workers union was established in 1994 as a preliminary step towards XYZ’s privatization. The presidency of the union was assigned to the then head of the spinning mill. When asked why the shareholding-workers union was not led by one of the TU leaders at the time, one of the current TU leaders explained that

‘Engineer Y is a good person. I mean he is fair and he has always been involved in the workers-related issues. Everybody respected him. Also, he had a very good experience both in the administrative aspects of working in the company and the issues that are of concern to the workers. Besides, at that time we were mainly looking for someone that we can trust and who can take care of the administrative procedures associated with creating and managing the new union.’

By 1996, Engineer Y had become the MD and Chairman of the company’s BODs. Accordingly, when XYZ was privatized in 1998, Engineer Y was acting both as the existing Chairman of the company and the official representative of the workers’ shareholding-workers union.

Once XYZ was privatized, its legal status changed from a subsidiary of the TMTHC subject to the Egyptian Public Enterprise Law 203/1991 to a corporation subject to Law 159/1981 and its executive regulations. XYZ’s new legal status meant that its workers were to be involved in the management of the company via one of the three methods explained in subsection (4.4.3). Given the workers’ ownership of 6% of XYZ’s ownership after it was privatized, the second method of workers’ representation in the BODs was the method adopted in XYZ. Furthermore, given the fact that Engineer Y was the official representative of the shareholding-workers union, he was selected as the only workers’ representative in XYZ’s post-privatization BODs. Furthermore, given his outstanding performance as XYZ’s Chairman prior to its privatization, he was unanimously elected as
the Chairman and MD of XYZ after its privatization and remained in this position until
the time XYZ’s data collection was completed in 2010.

Accordingly, ever since Engineer Y was assigned the position of XYZ’s Chairman and
MD he has been acting both as the only formal means of access for the workers to the
decision making process at the BODs level as well as an agent for the owners of capital to
safeguard their assets and make sure that these assets generate sufficient returns in order
for their investment in XYZ to remain viable. Even after XYZ’s workers sold their shares
in the company after a couple of years - that is after the company’s share price was
appreciated by more than three folds - and the shareholding-workers union was dissolved,
no steps were taken by the workers to establish an alternative means of access to the
decision making process at the company’s BODs level. Thus Engineer Y continued his
dual role as the company’s Chairman and MD as well as an intermediary between the
workers and the owners of capital. Evidently, all of the interviewees were content with
Engineer Y’s attitude towards the workers and his fair style of management. Indeed,
throughout the interviews conducted regarding XYZ, not a single interviewee, including
the existing TU leaders, expressed any concern about Engineer Y. Furthermore, he
appeared to have a universal appreciation throughout the company. Evidently, such
attitude towards the MD is not unfounded. For example, one of the interviewees stated
that Engineer Y has always ‘tried his best to take the workers’ side whenever their
demands were justifiable’. Furthermore, two of the interviewees referred to an incident
when the Engineer Y during one of the years when XYZ generated above-average profits
asked the owners for a personal bonus of EGP one million just to distribute it among the
workers of the company as an extra bonus for their good performance throughout that
year.

The second point that needs to be mentioned in relation to XYZ’s privatization and its
impact on the power relations and power resources within the company is the restrictions
imposed on the new owners in XYZ’s sales contract. These restrictions required the
owners to commit to fully utilize the available capacity of the company, improve and
upgrade the existing production lines and products, improve exports, maintain the existing
labour force, pay the workers a minimum of all the financial benefits that they were
receiving at the date of privatization, and to refrain from using the land owned by the
company in any way that is not related to the company’s main area of operation. Based on
these restrictions and the Egyptian Labour law in effect at the time of XYZ’s privatization, the new owners’ ability to fire existing workers was greatly limited.

6.5. Private sector power relations and MCSs in XYZ

Privatization did not entail any major changes in the way XYZ was managed. The same organizational structure was maintained, the workforce was kept intact, the remuneration system continued to follow the same rules as the pre-privatization days, and the overall power relations, MCSs, AISs, market conditions, and production technology described throughout section 6.3 continued. Furthermore, according to the general manager of the Computers Department,

‘...the changes that were implemented in the company after it was privatized were merely implementations of our [the company’s] development plans set well before privatization’.

The most frequent answers that were provided whenever an interviewee was asked about the post-privatization changes that took place in the company were ‘nothing’, and ‘everything is the same as it was before privatization’.

Two main exceptions were mentioned by some of the interviewees. The first was when two of the interviewees mentioned that the control system was a bit tighter than before which is mainly a result of having less intervention taking place on part of the TU leaders when it came to penalizing workers. The second and more usual exception, was that the decision making process was much more faster than during the public ownership period due to XYZ being set free from the control of the holding company. As one of the interviewees explained, ‘now, we [the company] have full autonomy, Engineer Y is in the company on a daily basis and he have the authority to tackle all of our daily issues’.

Apparently, Engineer Y won the complete trust of the new owners in running the company. When asked why this is the case one of the company’s consultants explained that the company

‘...have always been and still is doing well. Apart from the recent years affected by the international financial crisis, we [the company] have been generating satisfactory profits each year...we are even doing much better than the other companies owned by our owners. You will not believe it but the owners actually come to Engineer Y for advice concerning some of the issues they are facing in their other companies. That is why we have full autonomy in our operations. I mean, how do you expect those who are struggling with their other companies [i.e., the owners] to come and tell us, the more profitable company, how we should run our business?’
The previous description projects an image of post-privatization stable power relations and MCSs within XYZ. Nevertheless, that does not imply XYZ’s post-privatization period did not witness any confrontation between labour and capital. On the contrary, XYZ’s post-privatization era witnessed many struggles between the workers and the new owners. During those struggles each side tried to either effect a new change on the other side or resist attempts made by the other side to effect new, unfavourable arrangements. In what follows, three of these incidents are described in an attempt to explain the nature of these encounters, the nature of the power resources mobilized by the winning side to further its interest, and the overall impact of these power struggles on the power relation between XYZ’s workers and the owners of capital. These three encounters were the three main events mentioned by the interviewees where the workers and management explicitly disagreed on one of the decisions affecting the work arrangements in XYZ. The first two incidents involve situations where the workers emerged victorious from their struggle with the owners. The third incident involves a situation where the owners managed to defend their decision against the workers’ demands. Finally, it is worth mentioning that all three incidents are relatively new with two occurring in 2008 and one in 2009 and they were all related to modifying the remuneration system implemented in the company.

As explained in subsection 4.4.2, 2008 witnessed the revival of the Egyptian labour movements and, therefore, a number of protests, strikes and sit-ins were initiated by the workers around the country. Throughout the first week of April 2008, the workers of El-Mahala Textile Manufacturing started their protests against the managerial practices in their publicly owned company. These protests were further escalated into a strike, a sit-in, and eventually turned into a major demonstration protesting all around the city of El-Mahala El-Kobra (El-Mahala). By the end of the first week of April, both Prime Minister Ahmed Nazif and President Mubarak were following the events unfolding in El-Mahala. By the 9th of April, 150 protestors were arrested. Also, an announcement was made by the prime minister that, following the president’s orders, the workers of El-Mahala were to be paid a grant equal to 30 days of basic salary, the monthly meal allowance was to be increased from EGP 18 to EGP 90 for all public sector textile workers and that 15 days of basic salary were to be paid to all textile workers around Egypt.

52 The meal allowance is a part of the variable component of the monthly income received by the workers that is based on the actual days of attendance for each worker.
Even though the meal allowance was announced to be paid to the public sector textile workers only, once the workers of XYZ were informed about it, they started asking for receiving the same increase in the meal allowance granted to their colleagues in the public sector. Initially, the management, based on the orders of the owners, refused the TU leaders’ request to be treated in an equal manner to their counterparts in the public sector textile company. However, the workers were quite persistent on their demands. Their argument, as phrased by one of the TU leaders, was that

‘... since the company was privatized, the new owners kept paying us the same money paid to the other public sector companies. Furthermore, our performance has always been compared to theirs [the workers of the public sector textile companies]. Why cannot we get the same increase in pay that they get?’

Accordingly, a series of negotiations commenced between the TU leaders and the owners regarding whether to implement the increase in pay or not. Engineer Y was acting as the middleman between the two sides. Nevertheless, as the owners showed more reluctance regarding approving the increase in the meal allowance, the workers decided to reinforce their demands by a company-wide strike and a sit-in which was carried out in front of the company’s premises. In this way, they announced their demands not only to the owners but to the public as well. By the 16th of April, the Egyptian newspapers and media were talking about the 3000-workers strike organized by the workers of XYZ requesting the increase in the meal allowance and the immediate payment of the 15 days of basic salary grant announced by the prime minister. Eventually, on the 19th of April, and after being contacted by members from TU federation and government officials from the ministry of Labour and immigration, Engineer Y managed to convince the owners to pay the extra money on the grounds that the workers ‘were already struggling with their economic lives and that while the extra money would cost the company so little, it would mean a lot for the workers’, as explained by the cost manager.

It is important to note that, even though Engineer Y used to be the official workers’ representative in the BODs as long as the shareholding-workers union was in place, that role was officially terminated once the union was dissolved as a result of the workers’ sale of their shares. Accordingly, by the time of this first incident, the workers did not have any official access to the decision making process at any level of the organization apart from their trust that Engineer Y cared enough about them to take care of their issues personally. Nevertheless, once Engineer Y relayed the workers’ demands to the owners of the company and had his request denied, it was up to the workers to fight for their own
demands. Evidently, the workers and their TU leaders were aware of that and were willing to fight for their ‘rights’. For example, one of the TU leaders stated that

‘... [the owners] can pressure us [the TU leader] to accept their terms but, as long as we do not give up and accept these pressures, they cannot force us to accept it. It is all about our resistance, the government wants things to go smoothly, they do not like confrontations. However, we cannot accept any resolution that comes at the expense of the workers’ interests.’

Accordingly, the workers’ ability to open and maintain a channel of negotiation with the owners despite their reluctance to grant the workers their demands can be seen as a successful attempt to create their own access to the decision making process (i.e., this is an instance of a created space for exercising power) at the highest level of the organization.

Soon after the aforementioned issue was resolved, the Egyptian prime minister announced that for the financial year 2008/2009, the annual raise for the Egyptian public sector workers would be 30% of basic salary instead of the traditional 7% annual increase. It was furthered explained that this raise would be obligatory for all public sector companies and that it would be applied to the private sector companies in Egypt as long as they could afford it. This announcement was confirmed by the Egyptian president during his speech on Labour Day.

Given the recent raise approved by the owners of XYZ, and given the explicit statement made by the government that the raise was not compulsory to the private sector companies operating in Egypt, the BODs announced that the raise will not be implemented immediately and that it will subject to further consideration in due course. The workers’ reaction to this announcement was quite severe. According to one the TU leaders,

‘As a worker, I am used to the public sector; I am not used to the private sector. Accordingly, I automatically expect that my raise will be added to my salary once it is announced by the government. So, when the management says that they are going to study the possibility of applying these raises, we make a stand. What are they going to study, it is our right and we deserve to receive it now [i.e., as soon as it is announced]. So, we stopped working and we started negotiating with the management and even the government officials if our negotiations with the management are not successful. We usually say to the government officials: If the management cannot afford the raise, you (the government) should help them through offering them cheaper tax rates or cheaper energy costs. We are not supposed to pay for what the government is not willing to pay. The government should make it easier for the management to pay our raises. For us (the workers) it does not make any sense, how come the private sector keeps paying us salaries comparable to the public sector [and not other private sector companies] and then refuses to pay us the same raise paid to other public sector workers?’
Accordingly, the workers initiated a second strike asking to be treated in the same way the workers of the public sector were being treated. As the negotiations prolonged, the strike was turned into a sit in. Evidently, the negotiations between the workers and the BODs did not come to an end until the TU leaders managed to get the attention of the members of the Parliament. According to one of the TU leaders,

‘... we [the workers] got the full raise. However, that was not before I brought in the Parliament’s Labour Force Committee to the company to interfere in the negotiations with the owners. I managed to get 12 members of the Parliament to come here to the company and interfere with the negotiations to avoid getting the 30% raise announced by the president in three phases over the year (10% every four months).’

Nevertheless, the reasons why the owners of XYZ finally agreed to the demands of the workers were not limited to the interference of the members of the Parliament in the negotiations. According to the cost manager, the company had some contractual obligations to export certain amounts of its output to its foreign customers. Furthermore, these contracts included penalty clauses for failure of delivery. As the cost manager puts it

‘[t]he costs of not meeting our shipments deadline were a lot more than the costs associated with approving the 30% increase. After all, we are talking about a 30% increase in basic salary not full salary and, as you know, the salaries around here are still structured around the same rules applied since the time of the public sector. What I am trying to say is that the basic salary is quite small and the required increase was quite manageable. Let me put it this way, the full pay that we were losing due to the strike was quite close to the annual increase we were asking for.’

These two incidents show that the workers of XYZ are far from being helpless in the face of their management. Indeed, the way they managed their confrontations with the owners of the company shows their ability to effectively mobilize their available power resources to pursue their interests and their resilience in the face of what they considered as ‘unfavourable’ managerial practices. Nevertheless, it is important to keep in mind that the workers’ power position was not overwhelming for the management to the extent that the workers would be able to enforce something that they did not have a valid argument for. For example, when the workers started complaining about their annual profit share being different from one year to another and wanted to have a fixed amount of profit share every year regardless of the actual distributable profit figure they were not as successful as they were in the two incidents mentioned above.
These demands on part of the workers started around the year 2009 when the international financial crisis started to impact XYZ’s profitability and the workers received less money for their annual profit share. Accordingly, they started to pressure their TU leaders to take actions so that the annual profit share would be a fixed figure instead of a variable one. Nevertheless, and despite the fact that the TU leaders did discuss these issues with the CEO, these attempts were never successful and were not even pursued any further by the TU leaders themselves. When describing this situation, one of the TU leaders explained that,

‘[T]he workers do not think about these things [i.e., fluctuations in annual profits as a result of changing market conditions and its impact on the workers’ annual profit share]; if you give them 10EGP in one year [as profit share], they will be unhappy if you give them EGP 5 in the following year. From their point of view, they do what they are asked to do, why would they be affected if factors outside their control caused the company to generate less profits? Even if I tell them that I have managed to get them the entire 30% increase in their monthly salaries, they will not pay attention to that and they will just say that they want to receive the same profit share they received in the previous year. Of course I cannot do that. That is how the workers think differently. No matter how often I tell them that they receive what they deserve, they do not understand it.’

Accordingly, it is quite safe to argue that despite the fact that XYZ’s post privatization era was quite more politically active than the pre-privatization era, the overall power relations between the workers of XYZ and their management were a balanced one. In that context, any practices that are justifiable by either the workers and/or the owners of capital were allowed a chance to materialize within the company.

6.6. Conclusion

XYZ is a case of continuity. It is a case where a company’s pre-privatization balanced labour-management power relations and their accompanying transparent, consensual MCSs (i.e., the second scenario explained in 2.5.3.3) were safeguarded and maintained after its privatization. During its public ownership period, XYZ’s power relations and MCSs resembled, to a great extent, the ‘ideal’ ones perpetuated by the Egyptian structural factor ‘R&Ls’ (see 4.3.3). Both XYZ’s competitive market conditions and use of technology were conducive for the creation and maintenance of these power relations and MCSs as they limited the workers’ ability to develop their power resources beyond those allowed by the R&Ls governing the Egyptian public sector work relations. In particular, the company’s competitive markets allowed XYZ’s holding company to establish a
benchmarking practice that compared the operational and financial performances of its subsidiaries. In turn, these benchmarking practices were used by both management and TU leaders to justify the workers’ workloads and remunerations. In addition, the use of a type of technology that did not allow the company’s workers to develop a superior knowledge of the company’s work technicalities while, at the same time, being conducive for transparently evaluating workers’ performance and linking it to their pay facilitated the creation and maintenance of these power relations and MCSs.

Within this consensual regime of control, XYZ’s AISs played a focal role in the maintenance of the company’s MCSs and their underlying power relations. In particular, they constituted the mechanisms through which the company’s plans were devised; broken down into specific monthly, weekly and daily workloads; and communicated across the organization. In addition, they transparently linked the workers’ and operational managers’ ability to deliver their assigned workloads to the company’s performance evaluation and, remuneration systems.

Given the company’s profitable operations and effective MCSs, the ‘new’ owners of XYZ chose to maintain its pre-privatization MCSs and AISs. Nevertheless, while the initial decision to maintain XYZ’s MCSs was made by capital, it was up to the workers to defend the maintenance of these MCSs when the owners tried to deny the workers what they perceived as their ‘rights’. While doing so, and after their invited access to the decision making process at the BODs level proved ineffective, XYZ’s workers created their own informal space of exercising power in order to challenge the owners’ decisions. Throughout this created space, the workers successfully defended the justifications offered to them in return for their acceptance of, and adherence to, the company’s MCSs. In turn, they managed to sustain the company’s balanced power relations and, accordingly, to protect what they considered being their rights. The following chapter applies the power informed model developed in Chapter (2) to the empirical materials presented in Chapters (4), (5) and (6).
7. Privatization, Power, and MCSs: The Power-Informed Model Applied

7.1. Introduction

The current chapter analyses the empirical evidence provided in chapters four, five, and six. The power-informed model proposed in chapter two is utilized in an attempt to illustrate its potential in explaining the MCSs transformations in the two case studies presented in chapters five and six (ABC and XYZ respectively) both before and after their privatization within the context of the macro-level analysis presented in chapter four. While doing so, the remainder of the chapter will be organized into three main sections.

Following this introduction, section two discusses the power relations and MCSs during Egypt’s state capitalism era. The three levels of power included in the framework presented in chapter two – i.e., supra-national, national, and organizational - are analysed with the ultimate purpose of explaining the power relations at the organizational level. Furthermore, given the fact that state capitalism renders state with the official role of controlling the country’s means of production, the national level state-labour power relations are analysed in order to explain the extent to which these power relations affected the nature of the structural factors - excluding market conditions and technology - existing in state-capitalist Egypt. In addition, the section explains how these structural factors, along with the different market conditions within which each company operated and the type of technology used in each company, affected the power relations between management and workers in the Egyptian State-Owned Enterprises (SOEs) in general and in ABC and XYZ in particular. Finally, the MCSs and AISs designed and implemented in both companies are analysed in light of their existing power relations. Section three follows the same line of analysis followed in section two so as to discuss the power relations and MCSs during Egypt’s market capitalism era. Finally, section four concludes the chapter through linking ABC’s and XYZ’s actual regimes of control to the three scenarios presented in subsection 2.5.3.3.
7.2. Power relations and MCSs during Egypt’s state capitalism era (pre-privatization power relations and MCSs)

7.2.1. Power relations at the supra-national level

Egypt has been one of the LDCs that reached out to the international community for help so as to finance its economic development plans following its independence. Following the failed negotiations with the capitalist financial institutions (namely the World Bank and the International Monetary Fund), the state headed by Nasser turned to the socialist financial donors (namely the USSR) for help (see 4.3.1). Thus an alliance started which affected the Egyptian military, political, economic, and cultural life for more than a decade. Throughout this period, Nasser established and maintained a state-led economic system that is rooted in the socialist ideology. The following sub-section examines the power relations and structural factors throughout Egypt’s state-capitalism era.

7.2.2. Power relations and the structural factors at the national level

Throughout Egypt’s state capitalism era, the power relations at the national level were mostly those of power relations between labour and the state. This can be traced to the Egyptian state’s reliance on publicly-owned means of production, distribution, and exchange to lead Egypt’s economic development, and to the fact that the increase in the size of the Egyptian public sector was usually achieved at the expense of the private sector’s size through nationalization (see 4.3.2). Accordingly, throughout Egypt’s state capitalism era, the relative importance, size, and power of Egypt’s capitalists were minimal.

In this labour-state power relationship, each of the two agents involved, were trying to overpower the other with the ultimate goal of effecting changes favourable to them and not necessarily to the other. Evidently, throughout Egypt’s state capitalism, the Egyptian state managed to be the winning side as it managed to develop its power over labour along the ‘forms’ dimension of power explained in subsection 2.4.2.3. Nevertheless, that does not mean that the power struggle between labour and the state was ‘one-sided’. Instead, while developing the form of power it exercised over labour from the visible to the hidden and then to the invisible form of power, the state had to concede to labour in many occasions. These concessions ranged from restructuring the appropriation of surplus value generated by SOEs in a way that would better satisfy labour, to opening different spaces
of exercising power through which labour had the opportunity to participate in the decision making process both at the organizational and the national levels. The following subsections discuss the development of state’s power alongside the ‘forms’ dimension and the relationship between this development and both spaces of exercising power (at the national and organizational levels) as well as the structural factors operating at Egypt’s national level.

7.2.2.1. From the visible to the hidden form of exercising power: power relations and the structural factor of R&Ls

Throughout the time period covered by the current research (1952-2011), the Egyptian political system was that of an authoritarian regime wherein the Egyptian political life was dominated by a single political party (the Social Democratic Party headed by Nasser, and the National Democratic Party headed by Sadat and then Mubarak). As explained in subsection 4.3.2, maintaining the political stability of such an authoritarian regime throughout Egypt’s state capitalism hinged to a great extent on the Egyptian state’s ability to control the Egyptian labour. Furthermore, achieving the kind of economic development aspired by the Egyptian state relied to a great extent on the Egyptian labour being invested in the realization of this aspired economic development. In other words, one of the ultimate goals of the state throughout Egypt’s state capitalism was to maintain a profitable public sector that employs a quiescent and cooperative workforce as a way of maintaining the political stability at the organizational and national levels as well as boosting the Egyptian economy.

Maintaining political stability could have hardly been sustained had the Egyptian state constantly dealt with acts of discontent initiated by public sector workers who could not resolve their grievances with their management teams. These acts of discontent usually escalated from localized sit-ins and strikes to collective actions extending beyond the organizational boundaries within which these grievances originated. The latter involved both workers from other companies as well as citizens from the cities where the organizations concerned were located. These incidents of visible clashes between the state and labour were usually dismantled by the state using the military and police forces.

However, while the state’s use of force might have temporarily silenced the voices of discontent in the localized contexts within which they originated, it does not necessarily prohibit the occurrence of similar actions in different organizations, or even in the very
same organizations in which the voices of discontent had already been silenced by force. In other words, if the Egyptian state was to maintain a stable political environment in which it did not have to use violence in suppressing labour’s discontent, the state had to devise alternative, less visible ways to prevent labour’s acts of discontent from extending beyond their organizational boundaries and to secure labour’s quiescence.

Preventing labour’s grievances from being spontaneously addressed outside their organizational boundaries was mainly accomplished through two measures. Firstly, changing the Egyptian R&Ls in a way that would enable the state to keep labour’s acts of discontent controlled both at the organizational and national levels. This was accomplished by making all sorts of labour strikes as ‘illegal’ and punishable by prison. Secondly, the ETUF was established, and co-opted by the state to make sure that the only legal and legitimate representative of labour was sympathetic with the regimes policies and ideologies (see subsection 4.3.2). Nevertheless, this was not enough to ensure labour’s quiescence whenever reasons for discontent did exist. Labour’s quiescence was sought by the state through offering labour with an alternative, ‘legally accepted’ course of action that labour could follow whenever they wanted to address their grievances. This alternative course of action was based on the state opening some spaces of exercising power through which labour had the opportunity to participate in the decision making process carried out at both the national and organizational levels (see subsections 4.3.2 and 4.3.3.2).

Accordingly, whenever the workers employed by a given SOE had some complaints about their work relations and/or conditions, they were expected to address these issues through their elected TU leaders who had access to the decision making process at the highest (BODs) level of their organizational structure. Furthermore, if the negotiations between the TU leaders and the management team of the concerned SOE were not successful, the workers should have either pursued the issue further through the higher levels of the ETUF and/or their elected members of the parliament. Once this ‘legal’ channel for addressing labour’s grievances was established, the state was provided with a new justification for using force with whoever chose to ignore them. This was justified on the grounds that the workers who continued to initiate strikes, sit-ins, and demonstrations were viewed as breaking the law and not as workers who were expressing their grievances.

By successfully managing to accomplish this task, the Egyptian state has succeeded in evolving its form of exercising power over the Egyptian workers from the ‘visible’ to the
‘hidden’ form. That is not to say, however, that such transition was unanimous among workers. Evidently, as subsection 4.3.2 shows, there remained a segment of the Egyptian labour that refused to adhere to the ‘rules of the game’ developed by the state and continued to initiate strikes, sit-ins, and sometimes demonstrations to express their discontent with their work conditions. Nevertheless, the percentage of these workers was decreasing as the Egyptian state began to evolve its exercise of power to the ‘invisible’ form.

### 7.2.2.2. From the hidden to the invisible form of exercising power: power relations and the structural factors of labour markets and MOPs

As explained in subsection 2.4.2.3.3, in order for one agent to be able to exercise the ‘invisible’ form of power over another, two conditions have to be met. Firstly, the powerful agent has to be able to limit the set of alternative courses of action available for the less powerful to the alternatives acceptable by the powerful. Secondly, the first condition has to be maintained for a sufficient period of time so that the powerful agent has the necessary time and resources to develop and offer the less powerful some legitimations that would make the course of action preferred by the powerful acceptable by the less powerful as well.

The first condition was achieved by the Egyptian state through shaping the structural factor ‘R&Ls’ in a way that limited the ways in which public sector workers could articulate and address their grievances to the ways acceptable by the state and by using force to dismantle any grievances expressed by ‘unacceptable’ ways. As far as the second condition is concerned, making these state-made repressive measures acceptable to labour required the state to offer several economic, political, and ideational concessions to labour. On the political front, as explained in the previous subsection, the state included labour in the decision making process at the national and organizational levels by opening to them different spaces of power.

On the economic front, the state, led by Nasser, endowed the Egyptian workers with numerous privileges that both increased their power within their respective SOEs and offered them better living conditions outside their organizational boundaries (see subsection 4.3.2). By doing so, the state did not only provide labour with economic concessions. Instead, the changes made by the state in the R&Ls governing the hiring and firing mechanisms in SOEs gradually shaped Egypt's labour markets. More specifically,
the rigid hiring and firing policies that restricted the management’s ability to hire new employees to the entry level of their organizations and limited their ability to fire existing employees to the rarest of occasions provided SOEs’ workers with one of their most valuable work-related privileges: employment security.

Meanwhile, the political and economic endowments offered to the Egyptian population in general, and to the Egyptian labour in particular, were ‘wrapped’ in the nationalist ideas promoted by Nasser throughout the early years of the post-colonial Egypt as well as the socialist ideas promoted following the issuance of the socialist decrees of 1961. Based on these ideological standpoints, labour was offered, and eventually bought, the idea of being the partners of the state in defending Egypt’s independence against imperialism and capitalism as well as in leading the country’s economic development through industrialization. Within this partnership, workers were assigned the tasks of maintaining political stability and promoting economic development through improving productivity in their respective SOEs. All of this was being accomplished while emphasizing the idea that the workers are the ultimate owners of their own SOEs. In return, the state promised the workers decent living standards and fair work conditions while it was defending the country’s independence.

One of the main factors that facilitated the state’s task of getting labour to accept their role in achieving the Egyptian economic development goals was the extent to which Egyptian labour was familiar to the work relations inherent in capitalist MOPs (including state-capitalism). As explained in section 4.2, capitalist work relations existed in Egypt long before its independence in 1952. Accordingly, even if there might have been some cases of uneven development from the feudal to the capitalist MOP, the majority of Egypt’s industrial cities were well accustomed to the idea of selling their labour power for a wage. Accordingly, the Egyptian state, led by Nasser, did not have to introduce labour to a completely ‘new’ MOP with its own set of work relations. It just needed to convince labour of the importance of their role in enhancing the economic conditions of the country and, consequently, themselves.

Nasser was successful in maintaining a quiescent workforce. That was most evident in the almost total absence of strikes from 1957 until 1967 when Egypt was defeated in its war with Israel. Accordingly, it can be argued that the Egyptian state, under Nasser’s rule, managed to successfully develop its power over the Egyptian workers from the ‘hidden’ form of power to the ‘invisible’ form by successfully getting them to embrace Nasser’s
promoted nationalist and socialist ideologies. The extent of Nasser’s success in getting labour to internalize his promoted ideas and thus take his power over most of the workers to the ‘invisible’ form was evident in the fact that these workers, along with the rest of the Egyptian population, kept defending his ideas long after he died in 1971. Furthermore, it was also evident in the nation-wide ‘bread’ riots in 1977, in the length of time it took Mubarak to overcome his reluctance and follow the repeated ‘advice’ of the IMF and WB to restructure the Egyptian economic system (from 1981 to 1991), and in the length of time it took him to pass the 2003 labour law which abolished many of the workers’ rights that they managed to gain throughout Nasser’s rule (1993 - 2003).

Nevertheless, albeit labour’s attempts to defend the economic gains they managed to accumulate throughout Nasser’s rule, three main factors hindered their success in this front, especially after the second period of relative stability that extended until the mid-1980s. Firstly, the Egyptian economy was going through a tough time following the global reduction in oil prices which resulted in the return of many Egyptians working in the Gulf countries and the significant decrease in the remittances these people used to send to Egypt. Secondly, after Nasser’s death in 1971, both his successors did not share his interest in pursuing economic development through the vehicle of the public sector. Accordingly, by the time the public sector workers’ real wages started declining in the mid-1980s, the Egyptian public sector along with its workers had already started being considered as a burden to the Egyptian government rather than a strategic asset. Thirdly, given the legal framework governing the ways in which the workers were allowed to express their grievances, the workers had to go through the ETUF in order to ‘legally’ express their discontent; an institution whose leadership was both detached from the confederation’s rank and file and was co-opted by the state.

7.2.3. Power relations, MCSs, and AISs at the organizational level

7.2.3.1. From the national to the organizational level: the characteristics of the ideal regimes of control in SOEs

Given the nationalist and socialist ideas promoted by the Egyptian state, it would have been quite difficult for the state to maintain a quiescent labour force had it not provided labour with consensual work environments. The corner stone for these consensual work environments was for the R&Ls shaped at the national level of exercising power to inform the design and implementation of consensual MCSs that were rooted in balanced (i.e.,
comparable) management-labour power relations in SOEs. Following the R&Ls governing the work relations in SOEs, the design and implementation of MCSs took place at two different organizational levels in Egyptian SOEs: the BOD level for the former and the operational level for the latter. Thus the following two points ($a$ and $b$) discuss how labour-management labour power relations were expected to affect the design of MCSs at the BOD level of SOEs and how these designed MCSs were expected to affect both the labour-management power relations and the implementation of these designed MCSs at the operational levels respectively. Point ($c$) discusses the role of accounting in the maintenance of these MCSs.

**a. Power relations at the BODs level and the design of MCSs**

The Egyptian SOEs were bureaucratically structured. Ideally, such structure entails a hierarchical chain of command that concentrates power at the highest decision making level of any concerned organization (i.e., the BODs). Furthermore, for each of the lower organizational levels, there should exist a clear distinction of the super-ordinates (i.e., managers) and their sub-ordinates (i.e., workers), with the managers having superior decision making privileges compared to their workers. Moreover, the managers’ access to the decision making process would ideally be exclusive. In other words, given the bureaucratic structure of Egyptian SOEs, the ideal labour-management power relationship would be one in which spaces of power (i.e., decision making arenas) would be closed to labour throughout the different organizational levels of the concerned companies.

Evidently, the Egyptian state’s approach for creating consensual work environments in SOEs relied heavily on reshaping these labour-management power relations into more balanced ones. The first step for creating such a balanced power relation between labour and management was to open spaces of exercising power to labour at the highest organizational level of decision making in their respective bureaucratically structured companies. Throughout these spaces of power, the agents of labour and the agents of the state were allowed the opportunity to negotiate the MCSs to be implemented in their concerned companies (i.e., to exercise their power visibly).

The MCSs resulting from this visible exercise of power (i.e., negotiation) were expected to be acceptable by both labour and the state. Nevertheless, it is important to keep in mind that these negotiation processes were governed by the R&Ls shaped by the interaction between labour and the state at the national level. These R&Ls constrained the negotiation
processes between the elected TU leaders and the other members of the BODs in SOEs to outcomes that would be congruent with the ultimate goals set by the state for SOEs (i.e., promoting productivity, efficiency, and profitability of SOEs as a way of fostering the economic development of the entire country). Accordingly, the same regulatory framework that allowed labour access to the decision making processes within their respective companies required that such access would not come at the expense of the overall national goals promoted by the state. This included both the economic goals related to the Egyptian public sector being the vehicle through which economic development was achieved as well as goals related to political stability. In other words, while the state was empowering labour at the organizational level, this empowerment was always constrained by the R&Ls developed by the state to limit the set of ‘legally-accepted’ outcomes of these negotiations to those favourable by the state (i.e., the state’s exercise of hidden power).

Consequently, even though differences were allowed to exist among the MCSs implemented in individual SOEs, all of these MCSs were expected to follow some common guidelines. The main premise behind these guidelines was the creation of work environments wherein transparent, consensual MCSs were implemented in SOEs. In turn, these MCSs had to ensure that everybody knew their rights, responsibilities, the rewards for fulfilling their responsibilities, and the penalties for failing to do so while, at the same time, ensuring the efficient use of the resources allocated to the concerned SOE and the maintenance of acceptable profitability levels. Once designed, these transparent, consensual MCSs were expected to be respected and adhered to by both management and labour throughout the different organizational levels in SOEs. In other words, by allowing labour to participate in designing the MCSs implemented in their own companies, it was expected that these MCSs would minimize the visible encounters of power between labour and management at the operational levels of their concerned companies. Accordingly, in essence, these MCSs were expected to serve as the vehicle through which the BODs of SOEs, and ultimately the state, will exercise their hidden power over both the lower level management and the workers of SOEs (excluding the agents of labour in the concerned SOE’s BODs).

b. Power relations at the operational level and the implementation of MCSs

While the R&Ls shaped at the national level aimed at balancing the management-labour power relation at the BODs level of their respective companies, the labour-management power relations at the operational levels of SOEs were not regulated to be balanced ones.
This can be seen in the fact that the decision making processes at the operational level were meant to remain closed to labour. Furthermore, the same R&Ls ensured that management at the lower organizational level of SOEs, while ensuring the implementation and maintenance of the MCSs devised at the BODs level, will be respected and obeyed by labour (see 4.3.3.1).

Nevertheless, it is important to keep in mind that management’s power over labour at the operational level was not absolute. Evidently, while the R&Ls granted the management the power to control the levels of pay received by their workers (both monthly and annually) and their promotions, management was denied unrestricted control over hiring and firing which, in turn, granted labour a high level of employment security. Furthermore, given the supervisory role played by the BODs, labour was given the chance to ask for their agents in their companies’ BOD to rectify any unjustifiable conduct initiated by management at the operational level. However, such interference was never intended to be used as a tool through which labour would be able to influence the management’s decisions at the operational level in a way that would undermine the company’s designed MCSs. Instead, such interference was only expected to take place whenever management acted in violation to these MCSs. In other words, it intended to ensure the implementation and maintenance of the company’s designed MCSs and not to undermine them.

The successful implementation and maintenance of these MCSs (i.e., the vehicle through which the BOD’s, and ultimately the state, exercised its hidden power over the workers of SOEs) was critical for deciding whether this hidden power would evolve into the invisible form or not. More specifically, if the justifications offered to the workers of SOEs by the state as well as by their BODs were good enough for the workers to embrace and follow these MCSs for a sufficient period of time, there would be a chance that the BOD’s power over its workers (as well as its lower level management) would evolve from the hidden to the invisible form of exercising power. Alternatively, if these justifications were not good enough to keep the workers invested in achieving the organizational goals set by the BODs of their respective companies, then the sustainability of the BOD’s exercise of its hidden power over their workers (and, consequently, the sustainability of the MCSs designed for SOEs), and consequently the development of this hidden power to the invisible power would be jeopardised.
The realization of the first alternative - i.e., the development of the BODs and ultimately the development of the state’s power from the hidden to the invisible form - in SOEs would mean that the state actually managed to accomplish its ultimate goal: made workers believe that the realization of their own interests aligns with adhering to both the MCSs designed for their respective companies as well as with the R&Ls designed for the maintenance of the country’s overall economic and political goals. The realization of the second alternative in SOEs would mean that the MCSs designed for SOEs would be subject to contestations by the workers. Furthermore, if these contestations which would entail devolving the form of power exercised from the hidden to the visible form were not resolved within the organizational boundaries within which these MCSs were implemented, then the state would face the risk of having its R&Ls being subject to similar contestations at the national level.

c. The role of accounting in the maintenance of MCSs in SOEs

As was explained in 4.3.3.3, accounting was a cornerstone for the well-functioning of the socialist Egyptian economy at the national level. Furthermore, it was a cornerstone in all of the MCSs designed for SOEs. At the national level, financial indicators were the key parameters used for evaluating SOEs’ performances and making sure that their budgets were synchronized with the overall national development plans. At the organizational level, accounting was intertwined with almost all aspects of the MCSs in the bureaucratically structured SOEs to provide the transparent links necessary for the well-functioning of the MCSs in place.

7.2.3.2. From the ideal to the actual regimes of control: ABC and XYZ compared

Despite the guidelines provided by the R&Ls governing SOEs’ work relations, these same R&Ls did provide some room for the agents of labour and the agents of the state at the BODs level of SOEs to negotiate the nature of the MCSs to be implemented in their respective companies. The end result of these negotiation processes relied to a great extent on the power relations between the agents involved - the labour-elected members on the one hand and the state-appointed members on the other hand. More specifically, given the room for negotiations that was allowed at the BODs level of SOEs, the extent to which the MCSs designed for any given SOE reflected the ideal features set by the R&Ls governing the operations of SOEs depended on the extent to which the agents involved did actually maintain balanced power relationships. Similarly, the extent to which the
actual MCSs implemented throughout the day to day operations of the concerned SOE reflected the ‘official’ MCSs negotiated at the company’s BOD level depended on the extent to which management did actually maintain a superior power position compared to labour at the operational level of their concerned company.

Evidently, XYZ and ABC provide two different scenarios as far as the design and implementation of MCSs are concerned. On the one hand, XYZ can be considered as an example of how the state’s attempts to manufacture economically profitable, relationally consensual, and politically controlled workplaces in the Egyptian SOEs successfully manifested in real life. This is evident in the fact that both the designed and implemented MCSs in XYZ followed to a great extent the guidelines provided by the state-set R&Ls. On the contrary, the designed and the implemented MCSs in ABC during the later years of its public ownership were quite different from the ideal workplace regime sought by the state.

The reasons for the discrepancies between the MCSs designed and implemented in XYZ and ABC can be traced back to the actual power relations between labour and management in both companies and to the effects the structural factors had on these power relations. Evidently, the structural factors of MOPs (which facilitated the maintenance of capitalist work relations in Egyptian SOEs), the labour markets (which provided labour with their employment security), and R&Ls (which granted management with control over pay and promotions, and granted labour access to the decision making process at the BODs level), were not the only structural factors affecting the labour-management power relations in XYZ and ABC. More specifically, both the market conditions within which each company operated and the type of technology used in each company had a significant impact on the labour-management power relations and the MCSs existing in each company.

As explained in subsection 5.3.1, both the monopolistic market conditions within which ABC operated, and its reliance on the superior knowledge of skilled workers in production and administrative departments, tipped the company’s scale of power in favour of the workers. At the same time, as explained in subsection 6.3.1, the competitive markets within which XYZ operated along with its use of technology that did not require highly skilled workers facilitated the creation and maintenance of the balanced labour-management power relations sought by the Egyptian R&Ls. These differences in the labour-management power relations were reflected in both the designed and the
implemented MCSs evident in both companies. Furthermore, they were reflected in the different roles assigned to accounting in each of the two companies.

**a. Power relations at the BODs level and the design of MCSs in ABC and XYZ**

The balanced power relationship between the agents of labour and the agents of the state in the BODs of XYZ was reflected in the design of consensual MCSs that were acceptable to both labour and management while, at the same time, being conducive to the efficient utilization of the company’s allocated resources and the generation of acceptable profitability levels. The cornerstone for the MCSs designed for XYZ to be consensual was making sure that the company’s annual budgets, what it entailed in performance targets, the performance evaluation systems tied to these performance targets, and the remuneration and promotion systems tied to these performance evaluation systems, were all transparent and justifiable throughout all of XYZ’s organizational levels. As explained in subsection 6.3.1, the market conditions within which XYZ operated played a significant role in facilitating the justifiability of the MCSs designed for XYZ. More specifically, benchmarking XYZ’s operational and financial performances against those of its public sector competitors - along with the company-specific machine-capacity specifications - provided the company’s BODs with a viable justification for the annual budgets they prepared and for the workloads derived from them.

Once the annual budgets prepared by the BOD were justified, the rest of XYZ’s MCSs were designed in a way that would ensure the smooth running of the day to day operations of the company aiming towards the achievement of the company’s budgetary goals. More specifically, effective controls were designed to ensure that the company’s workers showed up for work for all the different shifts in every working day of the week. Furthermore, once in the company, the workers were closely monitored to make sure that the daily production targets were met with minimum slacking and foot-dragging (see 6.3.2). In addition, the efficiency of these controls was improved when the computerized system was installed to automatically produce the performance reports for each machine at the end of every shift and to transparently link these reports to the workers’ incentives and performance evaluation which, in turn, was explicitly linked to promotions.

By doing so, the acceptability of the MCSs implemented in XYZ by its workers was increased through establishing a sense of goal congruence between the workers and their managers. More specifically, goal congruence between the workers and their managers
and, ultimately, the state, was fostered through transparently linking the workers’ ability to meet their daily production targets, along with their overall performance at the company, to the company’s performance evaluation system. Subsequently, the company’s performance evaluation system was explicitly linked to both workers’ promotions and their monthly and annual pay. In addition, the fact that the workers were assigned 10% of the company’s annual distributable profits improved the level of goal congruence between the workers and their managers. Finally, it is worth mentioning that both the promotion and remuneration systems implemented in XYZ were to a great extent comparable to those applicable to their counterparts in the other Egyptian public sector textile companies. This facilitated the XYZ’s workers acceptance of the financial benefits they received from their company.

On the other hand, the MCSs designed in ABC followed a different trajectory. Even though ABC’s labour’s superior power position started at the operational, rather than the BODs level of the company, this superior power position at the operational level did indeed feedback to strengthen labour’s power position at the BOD’s level. This is evident by the fact that the MCSs designed for ABC were quite different from the ideal MCSs sought by the state. That can be clearly seen in the way ABC’s workers used their access to the BODs to create a space for them to exercise their power at the operational level through the creation of the ‘Production Affairs Committee’ (see subsection 5.3.1). It can also be seen in the way ABC’s workers used their access to the BODs to reshape the company’s remuneration system in a way that rendered their monthly pay mostly fixed in relation to their actual performance in the company and to be paid annual bonuses that were not linked to neither the company’s nor the workers’ performance in any way (see subsection 5.3.2). Accordingly, as the empirical evidence shows, it can be argued that ABC’s labour, acting through their agents in the company’s BOD, managed to shape the nature of the MCSs designed for the company in a way that accommodated their interests (which was, in this case, eliminating the risk of receiving lower pay whenever the company performed poorly and increasing their share in the company’s surplus value) at the expense of the state’s interests (which was devising MCSs that would link labour’s performance to pay as a way of fostering goal congruence between labour, on the one hand, and the company and, ultimately, the state on the other hand).

Nevertheless, it is important to keep in mind that even though ABC’s workers managed to effect these changes in the MCSs designed for their company, these changes were never
meant to be used by the company’s workers as a way of undermining the MCSs designed for ABC and/or the company’s management. Firstly, undermining the MCSs designed for the company would have threatened the company’s ability to achieve its goals and, accordingly, its survival. Secondly, the R&Ls governing the operations of SOEs, including ABC, were devised in a way that ensured that management at the operational level of SOEs had the means needed to protect their authority in their respective companies. This is demonstrated by the fact that the rest of ABC’s MCSs were designed to both safeguard the lower-level management’s authority within their departments, facilitate the smooth running of the company’s day to day operations, and to ensure the maintenance of acceptable profitability levels (see subsection 5.3.2).

b. Power relations at the operational level and the implementation of MCSs in ABC and XYZ

Just as the labour-management power relations at the BODs level affected the design of the MCSs in both XYZ and ABC, the labour-management power relations at the operational levels of both companies affected the ways in which these designed MCSs were implemented in the day to day operations of each of the two companies. Evidently, the labour-management relationship at the operational level of XYZ did resemble to a great extent the ideal power relations sought by both the company’s BODs and the state’s R&Ls. More specifically, the company’s lower level management did maintain their superior power position over labour as they monopolized the decision making process at the company’s operational level while carrying out their responsibilities so as to safeguarding the proper implementation of the company’s designed MCSs. That can be clearly seen from the fact that spaces of power at the operational level of XYZ were actually closed to the company’s workers. Throughout this superior power position, the managers made sure that the workers adhered to the MCSs designed by the BODs. They closely monitored the company’s workers to prevent them from slacking on the job and to ensure the achievement of the daily, monthly, and annual production targets. They also made sure that workers’ actual performance was reflected in their monthly (through productivity reports) as well as annual (through the sufficiency reports) performance evaluations (which were, in turn, linked to the company’s remunerations as well as promotions systems). They also ensured the maintenance of proper controls over both inventory and the quality of production (see subsection 6.3.2). The explicit link which was designed into the XYZ’s MCSs between the workers’ performance and their ability to help
achieve the company’s monthly and annual budgetary targets on the one hand, and the remunerations’ and promotions’ systems on the other hand, was actually maintained and strengthened throughout the company’s day-to-day operations. As a result, it is neither surprising that XYZ’s workers were quite aware of the importance of achieving the company’s monthly and annual budgets, nor that they were genuinely invested in achieving these budgets.

On the other hand, the powerful-labour power relations manifested at ABC’s operational level resulted in a situation where the company’s actual MCSs resembled neither the ideal MCSs sought by the state nor the MCSs designed by the company’s BODs. As explained in subsection 5.3.1, the main reasons behind these deviations can be traced back to the market conditions within which ABC operated, the types of technologies used across the company, and what that entailed in the workers having a superior power position compared to their management. From this superior power position, the company’s workers were able to negotiate the design of the MCSs that were to be implemented in ABC. Such negotiation aimed at devising MCSs that better accommodated their interests at the expense of the company’s overall goals and at strengthening the workers power position in the company. By successfully managing to negotiate the design of ABC’s MCSs at the company’s BODs level, the workers were explicitly exercising their power at that level to reshape both the nature of the labour-management power relations at the operational level and the nature of the MCSs (i.e., the vehicle through which the BODs and ultimately the state exercised their hidden power over the company’s lower level managers and workers) that were to be binding for both the workers as well as their immediate managers.

In addition, when these ‘negotiated’ MCSs (which became ABC’s formal MCSs) clashed with the workers’ need to reduce the number of hours they spent at the company, the workers (acting through their agents in the Production Affairs Committee) managed to renegotiate the company’s formal MCSs towards the maintenance of a set of informal controls that served their interests at the expense of the company’s interests (5.3.3). To a great extent, the workers’ need to reduce the number of hours they spent at the company can be traced back to the market conditions within which ABC operated and the remuneration systems it employed. As explained in section 5.2, ABC had its customers lined up for its products for the greatest part of its public ownership. Within these market conditions, generating profits was not a challenge. As explained in subsection 5.3.2, ABC’s profits were not only enough to ensure its survival but also to offer its the
maximum profit share allowed to them by law (with some excess profit share being transferred to future years). Accordingly, one of the variable components of the workers’ pay was effectively rendered fixed\(^5\).

Consequently, out of the four types of pay received by ABC’s workers (see subsection 5.3.2); the only type of pay that could have helped link workers’ performance to pay was the annual production incentive that was tied to the company’s ability to meet its production budgetary targets: a type of pay that usually affected performance in a negative rather than a positive way (see subsection 5.3.3). Accordingly, both ABC’s actual designed MCSs and its market conditions resulted in a situation where the company’s workers were almost always paid the maximum amount of pay allowed by the R&Ls governing ABC’s operations. When this situation was coupled with Egypt’s worsened economic conditions during the second half of the 1980s (a period of time through which both the public sector workers’ real wages and the Egyptian public sector were deteriorating in value), ABC’s workers had to pursue alternative sources of income in order to be able to meet their increasing economic obligations. For the largest part of the company’s workers, these alternative sources of income were secured through maintaining a second, and sometimes third, job (see subsections 5.3.3, 5.2.3.1.2 and 5.5.1.4).

Nevertheless, the workers’ ability to fulfil the contractual obligations of these extra jobs was constrained by their existing contractual obligations towards ABC as well as by the company’s MCSs (see subsection 5.3.2). Accordingly, in order for ABC’s workers to be able to find the time needed for their other jobs without sacrificing their employment in ABC and/or the money they received from this employment, they had to devise some mechanisms that would enable them to shorten their working hours in ABC without being reported as ‘absent’. In devising these mechanisms (see subsection 5.3.3), ABC workers used their access to the decision making processes at the company’s BODs and operational levels in order to secure their managers’ cooperation in ‘working around’ the company’s ‘formal’ attendance controls. The managers usually accommodated these requests. Nevertheless, such compliance was contingent on two important conditions. Firstly, the concerned worker’s absence should not have affected the smooth running of the company’s operations. Secondly, accommodating these requests was not allowed to result in undermining the managers’ authority over the workers in relation to carrying out their

\(^5\) Note that the workers’ monthly salaries were redesigned at the BODs level to link the variable component of the workers’ monthly pay to attendance instead of achieving budgetary targets. Furthermore, the five annual incentives received by the workers were not linked to performance in any way.
managerial roles. Accordingly, by using their superior power position in the company ABC’s workers were able to negotiate with their managers another set of ‘informal’ controls that accommodated the workers’ needs while safeguarding the managers’ ability to maintain the smooth running of the company’s day-to-day operations and their ability to safeguard their authority over the workers.

Nevertheless, it is important to keep in mind that securing the managers’ cooperation and maintaining the proper implementation of the company’s designed MCSs could not be achieved simultaneously. Firstly, allowing the workers’ to reduce the number of working hours they actually were at company meant that the company’s control over attendance was undermined. Secondly, accommodating the workers’ need to avoid having their absences from being shown in the company’s annual performance evaluation undermined the company’s performance evaluation system and, hence, further weakened the link between workers’ performance and their pay. Accordingly, it can be argued that ABC workers had utilized their superior power position in the company in undermining the company’s formal MCSs in a way that allowed them to further their interests at the expense of the company’s interest.

Finally, it is important to keep in mind that the workers’ success in securing their managers’ cooperation did not undermine the company’s attendance controls only. Evidently, the workers’ representatives’ requests that the managers show empathy to the workers’ challenging economic conditions were not limited to situations relating to unauthorized absences. These requests extended to most of the situations wherein a worker was to be penalized in a way that would jeopardize his/her chances of getting a ‘distinguished’ performance appraisal. That was evident in the fact that, after ABC was privatized, the company’s post-privatization management team found out that almost all workers’ performances were evaluated as ‘distinguished’ throughout their years of public employment.

By challenging the formal MCSs designed at the BODs level, the workers were effectively resisting the BODs’ exercise of hidden power over them. Furthermore, by succeeding in establishing an alternative set of informal controls, the workers did not merely render the company’s official controls ineffective. Instead, these informal controls represented the ‘new rules of the game’ that were to be followed by them and their managers. In essence, these informal controls represented the vehicle through which ABC’s workers exercised their hidden power over their immediate managers.
On the other hand, XYZ’s workers’ reaction to the decrease in their real wages was
different from that of ABC’s workers. Instead of renegotiating the company’s formal
MCSs towards the formulation of informal controls that would allow the workers to pursue
alternative sources of income, XYZ continued to maintain the implementation of its
formal MCSs throughout its day-to-day operations. Throughout this period of time, a
number of factors facilitated the maintenance of XYZ’s formal MCSs despite the
increasing economic pressures challenging the Egyptian public sector workers’ ability to
meet their economic obligations. Firstly, the MCSs implemented in XYZ were given
enough time to be institutionalized to the extent that the company’s management team was
unwilling to abandon the ‘deal’ struck between the workers and the agents of the state on
how to run the company - which was manifested in the MCSs designed and implemented
in XYZ. That can be seen from the fact that the managers continued to safeguard the
implementation of XYZ’s designed MCSs both before and after it was privatized in 1998.
This was evident in the ‘hands-on’ supervision exercised by the managers from the
different organizational levels, including the company’s CEO (see 6.3.2).

Secondly, as these MCSs established a ‘real’ link between performance and pay, they
presented the company’s workers with the option of working harder in order to increase
the financial rewards they received from the company. That option was applicable to the
monthly income received by the workers - through the variable component of the monthly
salaries received by the workers - as well as the incentives and profit share they received
annually. Furthermore, the viability of this option was increased because of both the
competitive market conditions within which XYZ operated and the large number of
workers employed by the company. In particular, the maximum annual profit share
allowed to be distributed to the workers was equal to 100% of the total annual basic
salaries paid to the workers, with a ceiling of fourteen months of the company’s workers’
total basic salaries. Given the large number of workers employed by the company and the
competitive markets within which XYZ operated, the company did not manage to generate
enough distributable profits for the workers to be entitled to receive the maximum amount
of profit share. Accordingly, throughout this period of time, the option of the workers
working hard to increase the company’s profits as a way of increasing their own income
became viable.

Finally, the financial rewards received by XYZ workers were comparable to those
received by their counterparts in the other Egyptian public sector textile companies.
Accordingly, the workers of XYZ were subject to similar remuneration systems to those existing in most Egyptian textile public sector workers, including the more politically-active workers affecting the policy making at the national level. In a way, that meant that XYZ-workers’ worsened economic conditions were caused by the overall economic conditions prevailing throughout the entire country rather than by any mismanagement on their managers’ part. Furthermore, it meant that improving their income beyond the level allowed by their company’s remuneration system was not a decision that could be made by their management team. Instead, it was a decision that was to be made by their ultimate employer, the state. Nevertheless, there is no empirical evidence that shows any attempts made by the workers of XYZ to initiate collective action at the national level to challenge the state into improving their pay. On the workers’ part this decision can be explained given the legal constraints developed by the state to prevent such ‘unauthorized’ collective actions initiated by the Egyptian workers, the fact that the ETUF (the authority who had the power to authorize these collective actions) was highly co-opted by the state, and given XYZ’s workers’ history of not initiating these collective confrontations with the state at the national level. Accordingly, it is not surprising that the empirical evidence shows that XYZ’s workers chose the ‘legal’ alternative course of action in the form of working hard to improve their monthly incentives and annual profit-share.

When linking the labour-management power relations and MCSs implemented in XYZ to the wider labour-state power relations, the consensual MCSs designed and implemented in XYZ represent yet another layer - at the organizational level - of the state’s exercise of its hidden power over XYZ’s workers. In essence, these consensual MCSs, along with the R&Ls governing work relations in Egyptian SOEs, limited the set of courses of action available to labour at the organizational level to those favourable to the state, both economically and politically. Furthermore, the state’s success in developing and maintaining this layer of exercising its hidden power over labour fed back to support the state’s exercise of hidden power over labour at the national level. This was evident in XYZ’s workers’ commitment to resolving their work-related issues within the boundaries of their organizations and not by collective actions at the national level.

In addition, the successful implementation and maintenance of the consensual MCSs found in XYZ over time eventually resulted in developing the form of power exercised over the company’s workers from the hidden to the invisible form. This can be seen from the extent to which the workers of XYZ considered the R&Ls, and MCSs, governing their
work relations as the ‘normal’ work conditions of public sector workers. Furthermore, it was evident in the workers’ genuine participation in the company’s pursuit of increasing its profits within the guidelines set by the company’s MCSs.

In contrast, ABC’s labour-management power relations represent a situation wherein the state’s hidden power over labour was challenged at the company’s BODs and operational levels. This can be seen in the fact that the company’s official MCSs deviated from the ‘ideal’ ones sought by the state. Furthermore, it can be seen in the fact that the company’s actual MCSs were decoupled from the official ones designed by its BODs. Within these power relations, it is quite difficult to expect the exercise of an invisible form of power by the state and/or its agents in ABC’s BODs over the company’s workers. Instead, the empirical evidence collected from ABC suggests that the company’s workers were able to exercise an invisible form of power over both their immediate managers and the agents of the state in the BODs. This can be seen in their ability to renegotiate a set of informal MCSs that better accommodated the realization of their interests while, at the same time, being accepted by management as the ‘normal way of doing business’.

c. The role of accounting in the maintenance of MCSs in ABC and XYZ

The differences between XYZ’s and ABC’s actual power relations, and MCSs, were reflected in the nature of the AIS they each implemented. As explained earlier, the main premise behind the consensual controls designed and implemented in XYZ was the creation and maintenance of transparent MCSs that explicitly stipulated the organizational agents’ rights, responsibilities, the rewards associated with fulfilling these responsibilities, and the penalties punishing the failure to fulfil these responsibilities. A cornerstone for the creation and maintenance of these MCSs was the existence of an information system that would facilitate planning the company’s annual goals, breaking down these annual goals into monthly, weekly, and daily targets to be achieved by the managers and workers, evaluating the performance of the company’s managers and workers compared to these goals, and linking the results of these performance evaluation processes to the company’s remuneration and promotion systems in a transparent way.

XYZ’s AISs were designed and implemented to assume this role. That was evident from the fact that the company’s annual budgets were devised by the company’s BODs and communicated throughout the company as a way of informing the company’s workers and managers of their responsibilities throughout any given financial year. Furthermore, it was
evident when the first component of the company’s MCSs that was to be computerized and integrated into the company’s computerized AIS was the productivity reports that measured the individual workers’ machine utilization throughout the company’s three daily shifts. Once these productivity reports were computerized they were used as the basis for evaluating the extent to which the workers succeeded in fulfilling their daily responsibilities on the factory floor. In turn, workers’ performance evaluations were linked to the percentage of the variable component of the monthly salaries they were eligible to receive. Furthermore, when aggregated, the productivity reports provided the basis for evaluating the performance of the company’s managers regarding the extent to which they succeeded in achieving their monthly budgetary controls. In addition, XYZ’s AISs were essential for fulfilling its reporting obligations towards both its holding company which required providing information regarding the company’s financial and operational performance, as well as the Central Accountability Agency. Accordingly, it can be argued that given XYZ’s balanced labour-management power relations, the company’s AISs were assigned a fundamental role in the creation and maintenance of the consensual, transparent MCSs created through these balanced power relations.

On the other hand, ABC’s actual MCSs - i.e., the MCSs shaped after the workers managed to establish their superior power position - were based on the idea of working around the company’s ‘official’ MCSs towards the implementation of negotiated MCSs that accommodated the workers’ need for reducing their actual working hours without jeopardizing the company’s survival and the workers’ ability to receive the maximum income possible from their employment in ABC. Within this arrangement, the company’s AISs represented yet another part of the company’s controls that needed to be ‘worked-around’.

ABC’s AISs were designed to safeguard the proper implementation of the company’s ‘official’ MCSs. More specifically, ABC’s AISs were designed to assume a role similar to that assigned to the AIS designed and implemented in XYZ - though not in the same detailed way in which XYZ’s AIS were designed and implemented to monitor and control the workers’ behaviour in the manufacturing departments. Accordingly, implementing ABC’s AISs properly - i.e., implementing them in a way that transparently reflected the actual day-to-day practices of the company’s managers and workers - would have hindered the workers’ and management’s ability to sustain their negotiated ‘informal’ MCSs. More specifically, implementing the ABC’s ‘official’ AISs properly would have
exposed the company’s managers and workers to the scrutiny of the external government agencies responsible for monitoring (i.e., ABC’s holding company) and auditing (i.e., the Central Accountability Agency) ABC’s operations.

Accordingly, in order to be able to maintain their negotiated, ‘informal’ controls, ABC’s management and workers had to find an arrangement that enabled them to ‘work around’ the company’s official AISs. This arrangement was based on the premise of decoupling the company’s official AISs from the actual day-to-day practices of the workers and their management so that the workers and their managers would be able to maintain their negotiated ‘rules of the game’ while, at the same time, making sure that the company’s official records reported their adherences to the company’s official MCSs. Avoiding to record any negative aspects of the workers’ performance in their annual sufficiency reports and the operational managers’ tendency to boost production towards the end of the fiscal year despite the absence of market demand to absorb such increased production are examples of this attitude (see subsection 5.3.3). Accordingly, it can be seen that after the workers succeeded in establishing their superior power position compared to their managers, their power position was reflected in undermining both the company’s ‘official’ MCSs and the role played by the AISs implemented within these MCSs. More specifically, it can be argued that ABC’s AISs played a greater role in enhancing the company’s external legitimacy than it did in facilitating the company’s planning and control processes.

7.3. Power relations and MCSs during Egypt’s market capitalism era (post-privatization power relations and MCSs)

7.3.1. Power relations at the supra-national level

Egypt started switching its strategic alliance at the supra-national level from the communist bloc to the capitalist west in the 1970s under Sadat’s rule. Given their ideological and economic standpoints, it is not surprising that the capitalist west, as well as IFIs such as the WB and the IMF that they dominated, were not sympathetic with the level of involvement that the Egyptian state maintained in leading the Egyptian economic development process. Evidently, the IFIs did not shy away from sharing their views on how the Egyptian economic system should be restructured with the Egyptian state. However, the way in which these views were offered to the Egyptian state differed considerably from the time they were first offered to Sadat in the mid-1970s to the time
they were ‘offered’ to Mubarak in the late 1980s. While Sadat was offered ‘advice’ on how the Egyptian economy should be restructured to offer less subsidies to the Egyptian people and to allow the private sector the opportunity to assume a bigger role in the Egyptian economy, Mubarak was given loan conditions upon which the IFI’s willingness to extend its help to the Egyptian state hinged.

Nevertheless, throughout these years, the main premise behind the IFI’s recommendations remained the same: to replace Egypt’s state-led economic policy with a market-based economy that assigned the private sector a leading role in leading the Egyptian economic development process. Given the expected ramifications of this transition on Egypt’s political and economic life, the Egyptian state was more than reluctant to follow the IFI’s ‘advice’ (see 4.4.1). Nevertheless, after struggling with the dire economic conditions that dominated Egypt’s economy throughout the second half of the 1980s, the Egyptian state’s ability to sustain its resistance to the loan conditions stipulated by the IFI’s was significantly diminished. That is evident in the Egyptian state’s willingness to actively follow the loan conditions stipulated in the 1991 standby agreement between the Egyptian state, on the one hand, and the IMF, the WB, and Paris Club, on the other hand. Accordingly, once again, the Egyptian state-IFI’s power relations at the supra-national level triggered Egypt’s transition from one economic and ideological standpoint (state capitalism) to another (market-capitalism). The following subsection examines the impact of this transition on the power relations and structural factors operating at the Egyptian national level.

7.3.2. Power relations and the structural factors at the national level

Changing Egypt’s economic and ideological philosophy from state-capitalism to market-capitalism entailed significant changes in the power dynamics manifest at the Egyptian national level. Evidently, the gap resulting from the Egyptian state’s shrinking economic role was to be filled with a nascent local capitalist class and a reluctant foreign investors’ community. Accordingly, the previously neutralized private capital was to be, once again, reintegrated into the power relations taking place at both the Egyptian national and the organizational levels through both privatizing SOEs as well as providing attractive opportunities for new private investments. In other words, the labour-state power relations prevailing through Egypt’s state-capitalism were to be replaced by labour-capital power
relations; with the state assuming a regulatory role governing the nature of the power relations between labour and capital.

Nevertheless, accomplishing this task was not a straightforward one. As explained in the previous section, the structural factors ‘R&Ls’ and ‘labour markets’ were shaped, reshaped, and institutionalized throughout the different stages of Egypt’s state-capitalism era in a way that offered labour several concessions both at the national as well as organizational levels in return for the maintenance of political stability at the national level, and the economic viability of their respective companies at the organizational level. Evidently, labour’s ‘privileged’ position within Egyptian companies was less than attractive for private investors. Accordingly, moving forward with Egypt’s transition from state to market capitalism confronted the Egyptian state with the ‘tricky’ situation of changing its state capitalist R&Ls in a way that would make the Egyptian markets appealing for private investors without provoking the workers affected by these R&Ls into igniting political unrest at the national and organizational levels. This situation reflected an apparent conflict between the interests of labour and capital; a conflict that the state had the responsibility of resolving in a way that would both facilitate capital’s integration into the Egyptian economy while, at the same time ensuring the maintenance of political stability within its borders (i.e., maintaining labour’s quiescence). Eventually, as explained in subsection 4.4.2, the exercise of power at the Egyptian national level between labour, capital and the state culminated in issuing law 203/1991 and labour law 12/2003. These two laws resolved the conflict between labour and capital in favour of capital over labour. On the one hand, capital was offered a considerably higher level of control over hiring and firing, pay, and promotions within their companies. In turn, this diminished the Egyptian workers’ employment security, job security, and income security. On the other hand, labour was offered some concessions such as earmarking 10% of the publicly owned equity of SOEs to their workers, and granting the Egyptian workers a limited right to initiate strikes within their respective companies. In other words, after a decade-long battle between labour and capital (over the terms of Egypt’s ‘new’ labour law), capital came out of this battle with spoils that were much more valuable than those of labour. Furthermore, capital’s triumph over labour was furthered when Nazif’s pro-investors’ cabinets started to explicitly safeguard capital’s interests at the expense of labour.
When these conditions are coupled with the very limited welfare-role assumed by the Egyptian state throughout the later years of Mubarak’s rule - evident in the staggering poverty level of 40% of the Egyptian population reported in the beginning of 2011 - it is quite unreasonable to expect the Egyptian state to had been able to exercise a sustainable form of invisible power over its population (let alone its labour force). In fact, throughout the years 2004-2010, the Egyptian state had already been struggling with maintaining its hidden power (which was exercised through the structural factor R&Ls) over both the Egyptian labour as well as the rest of the Egyptian population; thus developing this hidden power into an invisible one was extremely difficult. That was clearly evident from the fact that a total of more than 1.7 million workers are estimated to have expressed their discontent with their respective work conditions by participating in 1913 collective actions through 2004-2008 only (Beinin, 2010, p. 18); especially when the fact that most of these collective actions were prohibited by the R&Ls in place at the time is taken into consideration. Furthermore, evidence also comes from the millions of Egyptian people that stormed the streets all over Egypt in the 18-days revolution that toppled Mubarak on the 11th of February 2011 and ended Egypt’s six decades of military authoritarian rule.

7.3.3. Power relations, MCSs, and accounting at the organizational level

7.3.3.1. From the national to the organizational level: the characteristics of the ideal regimes of control in SOEs

Even though Law 203 of 1991 secured three alternative mechanisms through which labour was to be included in the decision making processes of its respective, privately-owned companies (see 4.4.3), none of the these mechanisms provided labour with a level of power similar to the one it had during the public ownership of its respective companies. When this arrangement is coupled with the level of discretion allowed to capitalists by the 2003 labour law in designing the MCSs that were to be implemented in their respective companies, it is quite safe to argue that the MCSs to be implemented in privately-owned companies were not centrally planned towards the realization of a particular set of ideal MCSs. More specifically, the design of the MCSs to be implemented in private sector companies (including privatized ones), was mostly left to the agents of capital in these companies to decide within their own respective companies since the power relations between labour and capital in the BODs of private sector companies were highly skewed in favour of the agents of capital. On the other hand, the implementation of these designed
MCSs at the operational levels of private sector companies depended on the extent to which the agents of capital were able to extend their superior power position at the BODs level to the operational level of their respective companies and, accordingly, manage to get the workers to adhere to these MCSs. Nevertheless, that does not mean that the main characteristics of the ideal MCSs to be implemented in private sector companies are impossible to conclude. As explained in section 1.3, the proponents of privatization expect that privatizing SOEs entails the design and implementation of market-based, consensual controls that are predicated on the idea of motivating workers’ cooperation by fostering goal congruence between labour and capital, mainly by transparently linking – through the company’s AISs – performance to pay.

7.3.3.2. The actual regimes of control in ABC and XYZ

Privatization entailed different effects on the power relations, MCSs and AISs existing in ABC and XYZ. As explained in section 6.4, XYZ’s privatization reduced its workers’ representation in the BODs from two representatives to only one. Nevertheless, despite the decrease in the number of workers’ representatives, the fact that the ‘new’ workers’ representative (Engineer Y) was the company’s chairman of the BODs and its MD did help maintain the balanced power relations between XYZ’s workers and owners of capital as the MD did his best to safeguard the workers’ interests both before and after the workers sold their equity in the company (i.e., even after his legal role as a representative of the Shareholding-Workers’ Association in the BODs came to an end). That can be seen in the overall sense of appreciation and respect (on the workers’ part) for the role played by their MD in protecting their interests which was evident throughout the data collection process. Nevertheless, acting as the company’s Chairman and MD meant that Engineer Y was not only the agent of labour in XYZ’s BODs. Indeed, as their company’s chairman, the owners of capital did expect Engineer Y to protect and further their interests within the company. Accordingly, he ended up assuming a mediating role between the company’s workers and owners of capital; two groups of agents who are more likely to have conflicting interests than congruent ones. This situation meant that whenever Engineer Y was unable to reach an acceptable resolution between the company’s workers and the owners of capital, the workers’ access to the space of power at the BODs level of XYZ ceased to be an effective means of confining labour’s and capital’s exercise of visible power (which is reflected in the negotiation process exercised through Engineer Y) to the boundaries of this space of power (i.e., the company’s BODs). Accordingly, given the nature of the different
responsibilities expected from Engineer Y by the workers on the one hand, and the owners of capital on the other hand, there existed a possibility that the workers, acting through their TU leaders, might need to take matters into their own hands and pursue alternative courses of actions in their exercise of power against the owners of capital whenever Engineer Y’s mediation was proven ineffective.

Consequently, even though the workers’ power in the company’s BODs was slightly constrained following the privatization of XYZ, the space of exercising power at the company’s BODs level remained open to them and provided them with a viable course of action through which they could negotiate the resolution of their work-related grievances. Meanwhile, at the operational level, management continued to monopolize the decision making process as was the case before XYZ’s privatization; leaving the labour-management power relations in the post-privatization XYZ similar to what they were before its privatization. Consequently, XYZ’s post-privatization labour-management power relations were those of a balanced relationship between the workers and the agents of capital. In other words, as far as XYZ is concerned, privatization entailed a high level of continuity rather than change for the labour-management power relations.

Nevertheless, having a balanced power position between the workers and their management following the privatization of XYZ does not necessitate the sustainability of these balanced relations in the long run; especially when the pro-capitalist regulatory changes taking place at the national level are taken into consideration. As explained in section 6.5, XYZ’s workers had to confront the owners of capital in order to both maintain their comparable power position against them, and to protect the concessions they enjoyed throughout XYZ’s public ownership. As explained earlier, one of the main justifications offered to the workers of XYZ to secure both their cooperation within the company and their acceptance of, and adherence to, the MCSs designed for the company was to treat them in the same way as their counterparts in other publicly owned textile companies were treated. More specifically, in return for holding XYZ’s workers responsible for maintaining performance levels comparable to, if not superior to, those of their counterparts, they were offered comparable remunerations systems as well; including the special raises announced by the Egyptian government to the Egyptian public sector workers in general and/or to the textile SOEs in particular. As it will be explained shortly, XYZ’s new owners chose to keep XYZ’s pre-privatization MCSs intact and to honour the concessions offered to the workers throughout these MCSs.
Nevertheless, after the 2003 labour law was issued, and while the company was dealing with some challenging market conditions in 2008, XYZ’s owners decided that they could no longer match the financial benefits offered by the Egyptian government to the public sector textile workers. Accordingly, after Engineer Y failed to reach a resolution that was satisfactory for both the workers and the owners, the company workers had to take matters into their own hand and initiate a sit-in that soon escalated into a strike until the owners conceded to their demands. Those demands entailed the company’s owners to continue honouring the concessions that used to be offered to the workers throughout the public ownership period of the company (see 6.4 for a full account of the two incidents referred to here). Accordingly, by successfully managing to resist the owners’ attempts to abolish some of the concessions that were being used as justifications for the maintenance of the company’s MCSs, XYZ’s workers have succeeded in protecting their power position in their company and, hence, helped sustain the balanced power relationship between them and the company’s owners.

On the other hand, the post privatization labour-management power relations in ABC were almost the opposite of those existing before its privatization. While ABC’s pre-privatization labour-management power relations were those of powerful labour, the post-privatization power relations were those of powerful management. As explained in subsection 5.5.1, ABC’s new management team gradually, yet steadily, abolished the power resources developed and maintained by the workers throughout ABC’s public ownership towards establishing labour’s sense of powerlessness in relation to its management. Even though ABC’s workers did not just ‘stand-by’ and ‘let’ the new management team strip them off their long maintained power resources, however, with every explicit course of action that the workers chose to pursue in order to resist their management’s attempts to abolish their power resources, the new management team was prepared to overthrow it. Eventually, the workers seemed to have accepted their inferior power position and stopped initiating any further explicit acts of resistance.

Nonetheless, the disappearance of the explicit signs of workers resistance does not mean that ABC’s workers forgot about the grievances caused to them by what they considered ‘unfavourable’ managerial practices; at least not all of them. Furthermore, it does not mean that those who continued to feel these grievances stopped acting on these grievances; at least not in alternative, hidden ways. Evidently, there existed a group of workers who chose to express their discontent through less explicit courses of action. For example,
while a considerable proportion of the company’s remaining workforce started seeking the approval of their managers by actively following the orders given to them by their managers, there still remained a number of workers who limited their efforts in the company to what they were asked to do and not what they were able to do. This tendency was most obvious in the delivery trucks’ drivers’ tendency to limit their number of deliveries to the level that would enable them to receive the monthly incentive stipulated by the company’s MCSs. Accordingly, even though establishing a stronger power position over the company’s workers might have enabled management to secure the workers’ obedience and quiescence, this superior power position was not enough to secure the workers’ genuine cooperation - at least not for all workers.

Finally, it important to note that the market conditions within which ABC operated were conducive to the management’s pursuit of establishing its superior power position over the workers. As explained in 5.2, the oligopolistic market conditions within which ABC operated throughout the early years following its privatization allowed the company to significantly increase the prices of its products compared to the prices it used to have during its public ownership period. These increases in prices made it possible for the company’s management to avoid the situation wherein it had to reduce its costs in order to be able to maintain its survival - which would have required a higher level of workers’ cooperation and not just their obedience. Evidence to support this argument can be found from the fact that, as explained in 5.5.3, the company’s management neither tried securing the workers’ cooperation (by offering them concessions), nor started implementing serious cost management initiatives until the ‘favourable’ market conditions within which ABC operated turned into more challenging ones. Accordingly, while privatization turned ABC’s pre-privatization labour-management power relations upside down, it entailed a sense of continuity and maintenance to these power relations in XYZ. The following two points explain the impact these power relations had on the MCSs designed and implemented in XYZ and ABC as well as the role assigned to accounting in the MCSs existing in each company.

a. Power relations and the MCSs designed and implemented in ABC and XYZ

54 It is important to keep in mind that the workers who survived the downsizing process accomplished by the new management team were either considered ‘needed’ by the managers, or could not afford the cost of leaving the company and pursuing other employment venues (see 5.4.2.3 and 5.4.2.4 for more details).
Following the privatization of XYZ in 1998, the ‘new’ owners decided to maintain the company’s existing MCSs and to honour the contractual obligation stipulated in XYZ’s sales contract pertaining to the maintenance of the company’s workforce as well as the remuneration systems existing at the time of privatization. As explained by one of the company’s consultants, that decision was driven by the company’s satisfactory financial performance and the effectiveness with which the company’s MCSs were implemented and maintained. Accordingly, XYZ’s post-privatization MCSs resembled to a great extent its pre-privatization MCSs. These MCSs provided the vehicle through which the company’s new owners exercised their hidden power over the company’s managers (i.e., agents of capital) as well as the company’s workers through explicitly stipulating everyone’s (i.e., workers and managers) rights, responsibilities, and the potential rewards/penalties associated with their ability/inability to fulfil these responsibilities. Furthermore, XYZ’s MCSs sought to foster goal congruence between the company’s workers and managers on the one hand, and the company’s owners on the other hand, by linking the managers’ and workers’ ability to meet the company’s annual budgetary goals to the remunerations they received. Accordingly, it can be seen that privatization did not entail any significant changes in the company’s designed MCSs. Furthermore, as explained in section 6.4, the MCSs implemented in XYZ following its privatization continued to resemble to a great extent the MCSs designed at the BODs as well as the MCSs implemented throughout the company’s public ownership period. To a great extent, this situation was facilitated by the fact that, unlike ABC, privatization did not entail significant changes in the power relations existing throughout XYZ’s various organizational levels.

On the other hand, the early years following the full privatization of ABC constituted a period of significant change. It was a period through which the company’s ‘old’ power relations were challenged, undermined, and, eventually, replaced by ‘new’ power relations. Within these ‘new’ power relations, capital and its agents managed to close the spaces of power through which the agents of labour had access to the decision making process at the company’s BODs and operational levels (see subsection 5.5.1.1). Accordingly, following ABC’s privatization, capital and its agents monopolized the decision making process within ABC’s BODs. This closed space of exercising power (i.e., the company’s BODs) was used by capital and its agents to design two different, yet related, sets of MCSs that sought to govern two different sets of work relationships: the relationship between capital and its agents on the one hand, and the relationship between
the agents of capital and the workers on the other hand. As far as the first relationship is concerned, transparent controls were devised by capital to foster goal congruence between capital and its management team. To a great extent, these transparent controls relied on the BODs devising market-based annual budgetary targets that were to be achieved by the company’s management team. Subsequently, the manager’s ability to achieve these budgetary targets constituted the main basis for the managers’ performance evaluation conducted at the end and throughout the company’s financial year. Furthermore, even though the managers’ rewards were not explicitly stated at the beginning of each financial year, their ability to achieve their budgetary targets was reflected in the end-of-year bonuses and incentives granted by the owners to their managerial staff.

On the other hand, the transparent MCSs designed to govern the capital-management work relations were not extended to govern the labour-management work relations at the lower organizational levels of ABC. Evidently, the closed space of exercising power at the company’s BODs level was used by capital and its agents to redesign ABC’s pre-privatization MCSs so that they would always be conducive to the establishment of the management’s superior power position over the workers as a way of securing workers’ obedience and quiescence. Furthermore, once this superior power position was established in a way that secured the workers’ quiescence and obedience, other non-consensual controls were developed in order to facilitate the maintenance of management’s superior power position (see 5.5.1).

Given the nature of the post-privatization MCSs designed and implemented to control the labour-management work relations in ABC, these MCSs can hardly be considered consensual. More specifically, ABC’s MCSs paid little attention to securing workers’ cooperation through fostering goal congruence between the workers, their managers, and, ultimately, capital. Instead, they aimed at securing workers’ obedience and quiescence through emphasizing the penalties associated with workers’ disobedience which, in extreme cases meant that the concerned worker would be transferred to the Technical Support Department where he/she was paid one third of the total salary.

Within this coercive regime of control, the owners of capital exercised their hidden power over the workers indirectly through the two layers of MCSs implemented in the company. Firstly, they exercised their hidden power over their agents by designing transparent budgetary controls that linked the managers’ performance to the rewards they received by the owners of capital. In turn, the agents of capital exercised their hidden power over the
company’s workers by making workers develop a sense of powerlessness that prevented them from explicitly challenging the different decisions made by the managers throughout the company’s day-to-day operations. This sense of powerlessness was developed by the continuous losses suffered by the workers in almost all of the explicit power struggles they engaged in throughout the early years following the company’s privatization. Furthermore, this sense of powerlessness was maintained through the design, implementation, and maintenance of the coercive MCSs that granted management full control over the company’s non-transparent performance evaluation and remuneration systems. This sense of powerlessness was evident in the workers’ ‘non-action’ towards the coercive MCSs they perceived to be ‘unfair’. For example, the workers’ responses to the company’s non-transparent performance evaluation and remunerations systems were limited to politely inquiring about the reasons for their exclusion from a given year’s bonuses and/or raises.

These coercive MCSs continued to dominate ABC’s labour-management work relations until the company’s market conditions started becoming more challenging. Faced with the need to manage the company’s costs in order to be able to compete with the lower prices offered by the company’s foreign competitors, and in order to maintain the company’s survival, it become clear to management that workers’ obedience had to be supplemented with cooperation if the company’s cost management initiatives were to be fruitful. That was evident from the fact that the changes made to the company’s designed and implemented MCSs tried to re-establish the link between workers’ performance and pay and offered some concessions to the workers in order to secure their cooperation (see 5.5.3.3).

Accordingly, it can be seen that when faced with challenging market conditions, ABC’s agents of capital changed the company’s MCSs so that they would offer the workers more concessions in an attempt to secure their cooperation in the management’s attempts to control the company’s costs and improve its performance. Following these changes, any ‘limited’ examination of the company’s MCSs (i.e., any examination conducted throughout the later years of ABC’s private ownership period without taking into consideration the history of the changes in the company’s power relations and MCSs) could mistakenly conclude that ABC’s post-privatization regime of control is more consensual than coercive. This is exactly what was meant by arguing that the later years of ABC’s private ownership witnessed the erosion of the symptoms of the coercive regime
of control established throughout the company’s early years following its privatization. Nevertheless, the erosion of the symptoms of the company’s coercive regime of control does not necessarily mean changing the nature of the regime of control itself into a consensual regime of control. In other words, there is a huge difference between the consensual regimes of control found in XYZ throughout its public as well as private ownership periods and the regime of control designed for ABC in the later years of its private ownership.

More specifically, XYZ’s consensual regimes of control were rooted in comparable power positions between the company’s workers and management. These comparable power relations facilitated the negotiation between the workers and their management (i.e., the pre-privatization agents of the state and the post-privatization agents of capital) towards the establishment and maintenance of consensual regimes of control that relied on the existence of acceptable, transparent, adhered-to MCSs. On the other hand, ABC’s ‘more recent’ regime of control is rooted in unbalanced power relations that facilitated management’s domination over workers. Within these unbalanced power relations, ABC’s workers had no say in neither the design and implementation of ABC’s coercive MCSs that were evident throughout the early years of ABC’s private ownership nor in changing the nature of the performance evaluation and remunerations systems integrated into these ‘new’ MCSs during the more recent years. For example, the workers had no say in re-establishing the link between performance and pay through re-activating the variable component of their monthly salaries and linking it to the achievement of the company’s various budgetary targets even though, from the workers’ point of view, this change created a risk of receiving less than what they were usually paid whenever the company’s budgetary targets were not met.

Accordingly, these changes are better seen as an attempt made by the owners of capital and their agents to ‘seduce’ the workers into putting more efforts towards the achievement of the company’s overall organizational goals through offering some justifications for these ‘new’ changes, rather than as an indicator of changing the nature of ABC’s coercive regime into a consensual one. In other words, while the ‘new’ changes in ABC’s MCSs might mask the characteristics of the company’s original coercive regime of control, the fact still remains that the labour-management power relations in ABC are still those of management dominating labour. Nevertheless, if these justifications are accepted by the workers, the end result of these changes in the company’s MCSs might be developing the
form of power exercised by capital and its agents over the company’s workers from the hidden to the invisible form since the workers will be doing their management’s bidding without the management having to force them into doing so. Unfortunately, by the time these new changes started being implemented in the company, the time period allowed for the empirical data collection was approaching its end and it was impossible to investigate the consequences of these ‘new’ changes in ABC’s MCSs any further.

b. The role of accounting in the maintenance of MCSs in ABC and XYZ

The continuity of XYZ’s pre-privatization power relations and MCSs after it was privatized in 1998 entailed similar continuity in the role played by the company’s AISs in maintaining the company’s consensual regime of control. More specifically, XYZ’s post-privatization AISs continued to serve the purpose of facilitating the development of the company’s annual plans (i.e., budgets), communicating the monthly targets entailed by these plans to the concerned managers and workers, evaluating the actual performance of these managers and workers as to their ability to achieve their budgetary targets, and linking the results of this performance evaluation to the company’s remuneration systems.

On the other hand, ABC’s post-privatization AISs was significantly different from its pre-privatization ones. More specifically, once the company’s owners and their agents managed to secure workers’ obedience through the coercive controls implemented throughout the early years of ABC’s private ownership, they had little, if any, need to rely on the company’s AISs - particularly, the management accounting and cost accounting systems - in fostering goal congruence between the workers and the owners of capital. Furthermore, as explained in section 5.5, once ABC’s new owners managed to close the spaces of power at the company’s BODs and operational levels, most of the company’s accounting data became the private property of the owners of capital and their agents (i.e., top management) and were used to facilitate the owners’ ability to govern the managers’ performance within the company. For example, the company’s cost accounting data were prepared by the company’s cost accountant and reported to the company’s General Manager (GM). On his part, the GM used these data to help the company’s BODs devise ABC’s annual budgets which were then communicated in physical quantities to the concerned departments’ managers in order to inform them of their annual and monthly performance targets. Furthermore, the company’s financial accounting system was redesigned and computerized to facilitate the owners’ access to the company’s financial records through the headquarters of their parent companies. At the same time as was
explained earlier, this resulted in the deskillling of the workers in the accounting department.

In addition, the owners-of-capital’s privileged control over the company’s AISs enabled them to manipulate the company’s accounting data towards the maximization of their interests at the expense of the interests of many of the company’s stakeholders, including the company’s workers and the Egyptian Government. This was most evident when the owners of capital charged ABC with the cost of a ‘management contract’ payable to one of ABC’s parent companies. The ‘management contract’ cost ABC 10% of its income before taxes were expensed against ABC’s revenues without even being used to pay for the salaries and bonuses paid to the company’s management team. In essence, the ‘management contract’ increased the owners’ share in the company’s surplus value at the expense of the company’s other stakeholders such as the workers, the state, and the other minority shareholders through reducing the amount of ABC’s taxable and distributable profits. Similarly, the owners’ tendency to further their interests at the expense of the company’s stakeholders was also evident in the way the management team manipulated the company’s internal transfer prices between its newly established line of production (legally owned by a ‘newly-established’ subsidiary of ABC) and ABC, in a way that reduced the company’s taxable profits considerably since the profits generated by the ‘newly-established’ subsidiary were exempted from taxes (see subsection 5.5.4.2).

Evidently, the limited role assigned to the company’s AISs in motivating workers’ performance throughout the early years of ABC’s private ownership started to change when the company started following the changes in the market conditions within which it operated. Nonetheless, these changes began to be implemented a few days before I had to leave the company. Accordingly, establishing a fuller account of the impact of the changes in ABC’s market conditions on its AISs was not feasible.

7.4. Conclusion

In chapter two (see 2.5.3.3) three different scenarios for the relationship between power relations and MCSs were introduced: coercive MCSs rooted in powerful management scenario, consensual MCSs rooted in balanced power scenario, and ineffective MCSs rooted in powerful labour scenario. Throughout this chapter, it was explained how ABC and XYZ provide examples of these three scenarios. More specifically, the case of XYZ - both before and after its privatization - was analysed to provide an example of the
manifestation of the second scenario in real life. XYZ’s power relations and their resulting MCSs were the product of the organizational agents’ ability to mobilize their power resources - available through both the national level (namely, R&Ls, MOPs, and labour markets) and the organization-specific (namely market conditions and technology) structural factors - towards the creation and maintenance of balanced power relations between labour and management during its public ownership period. In turn, these balanced power relations facilitated the design, implementation and maintenance of consensual, transparent MCSs that stipulated everyone’s rights, responsibilities, and the potential rewards/penalties associated with favourable/unfavourable behaviour performed by these agents.

These power relations and MCSs resembled, to a great extent, the ‘ideal’ power relations and MCSs sought by the state through the structural factor R&Ls. Accordingly, it offered the Egyptian state the opportunity to develop its power over XYZ’s workers from the hidden to the invisible form. Nevertheless, even though these ‘ideal’ power relations and MCSs were abandoned following Egypt’s transition from state to market capitalism, and after XYZ was privatized, the company’s pre-privatization power relations and MCSs were maintained as the workers successfully resisted capital’s attempts to challenge them - despite the pro-capitalist nature of the national-level structural factors of R&Ls and labour markets prevailing in market-capitalist Egypt.

On the other hand, the case of ABC was analysed to provide examples of the first and third scenarios: ineffective pre-privatization MCSs rooted in powerful labour scenario, and coercive post-privatization MCSs rooted in powerful-management scenario. During its public ownership period, ABC’s ineffective MCSs and powerful-labour power relations were the product of labour’s ability to mobilize its power resources - available through the national-level (namely, R&Ls, and labour markets) and the organization-specific (namely market conditions and technology) structural factors - towards establishing and maintaining their superior power position within the company. This superior power position was then used to both reshape the company’s official MCSs designed at the BODs level and to decouple the company’s actual MCSs from its designed ones at the operational level so as to facilitate labour’s realization of its interests.

These power relations and MCSs were contested – and eventually transformed - by the agents of capital after XYZ was privatized. They – i.e., management – restructured (despite the workers’ resistance) the company’s pre-privatization power relations and
MCSs in a way that stripped the workers of their power resources and, at the same time, increased theirs. The end result of this struggle was the realization of the first scenario. In this scenario the workers were pushed into developing a sense of powerlessness that prevented most of them from challenging whatever managerial practices they considered ‘unfavourable’. Nevertheless, for some workers, what this coercive regime of control managed to secure was their obedience but not their genuine cooperation. Accordingly, when ABC’s market conditions became more competitive and, hence, made the workers’ genuine cooperation necessary for the management’s attempts to improve the company’s performance; the management responded to these increased pressures by offering the workers some concessions in order to motivate their cooperation. These concessions ‘camouflaged’ the nature of ABC’s coercive regime of control and made it appear more consensual. The following chapter summarizes and concludes the thesis.
8. Conclusion

8.1. Introduction

The current research aimed at examining the impact of privatization on the MCSs designed and implemented in companies operating in LDCs. Given the conflicting views on this issue among the proponents and opponents of privatization, and the deeper conflict between the theoretical perspectives informing each side, the current research aimed at introducing a power-informed model as a way of offering a resolution to this conflict. Once developed, the model was used to comparatively analyse the impact of privatization on the MCSs designed and implemented in two Egyptian manufacturing companies (ABC and XYZ) in a multi-levelled, theoretically-consistent, power-informed way.

The current chapter concludes the thesis. Section two summarizes the main arguments presented throughout the thesis while answering the research questions presented in section (1.6). Section three explains the research contributions through linking the findings of the current research to the literature concerned with the impact of privatization on MCSs in LDCs in general and to the LPT-based research in management accounting (MA) in particular. Section four spells out the research limitations. Finally, section five suggests the areas of future research that can be informed by the power-informed model suggested in chapter (2).

8.2. The research questions answered

The current research addressed one general question and three detailed sub-questions. In order to be able to justify the answer to the general research question, the current section starts by addressing the research sub-questions and, then moves on to addressing the general research question. The first sub-question was:

*How does the exercise of power at the supra-national and national levels by the agents implicated in privatizing LDCs’ SOEs affect, and is affected by, LDCs’ structural factors?*

The exercise of power at the supranational level is usually dominated by the LDCs’ states on the one hand, and the IFIs and the other international donors and lenders on the other hand. While the exercise of power at that level does not directly involve labour and/or capital, the examination of the power relations operating at the supranational level is essential for understanding the reasons why LDCs choose to centrally plan their economic
development policies, or to delegate the role of leading these development policies to private capital (see 2.5.3.1, 4.3.1, 4.4.1, 7.2.1 and 7.3.1).

The limited economic role assigned to capital in centrally planned economies (such as in state-capitalist LDCs) entails a significant decrease in the power position of capitalists within their respective countries. Accordingly, the main agents implicated in the power relations operating at the national levels of state-capitalist LDCs are labour and the state (see 7.2.2). In their exercise of power at the national level of their respective country, their decisions are neither dictated by the structural factors prevailing at that level (as determinists would argue), nor made in isolation of these structural factors (as voluntarists would claim). Instead, these structural factors constitute power resources available for both agents to utilize and, if needed, modify in their pursuit of their respective interests. The most explicit example for this characteristic of LDCs’ structural factors is the ways in which the structural factor ‘R&Ls’ was shaped and reshaped throughout Egypt’s state capitalism period (see 7.2.2.1 and 7.3.2).

Accordingly, when introduced to LDCs, privatization is more likely to be faced with long-established, institutionalized power relations and structural factors that were built with little, if any, influence by capitalists. Given the nationalist and socialist ideas promoted by many of the post-colonial states in LDCs, these power relations and structural factors revolved around the ideas of state-labour partnership in improving the economic conditions of the concerned country and opening spaces of power for labour to participate in the decision making processes at the national and organizational levels (see 7.2.2). Privatization threatens the stability of these power relations and structural factors and, hence, the political stability based on them. On the one hand, the power relations at the national and organizational levels need to be reconfigured to include capital as one of the major agents implicated in these power relations. On the other hand, both attracting capital into assuming the leading role in improving the economic conditions of LDCs and maintaining such involvement on the long run, necessitates reshaping the contextual factors in a way that allows for acknowledging capitalists’ interests. These interests can, and usually do, conflict with the labour’s interests.

Accordingly, the transition to market capitalism in LDCs entails contesting at least two of their structural factors - namely ‘R&Ls’ and ‘labour markets’ - by the agents implicated in the privatization of LDCs’ SOEs. One the one hand, capital is interested in reshaping these structural factors in a way that would abolish many, if not all, of the privileges
enjoyed by labour. Examples of labour’s privileges targeted by capital include labour’s employment security and the spaces of power granting them influential representation in the BODs of the concerned companies. Furthermore, capital is also interested in securing a high level of discretion when running their businesses. On the other hand, labour is interested in safeguarding their long maintained workplace privileges. Meanwhile, the state is interested in reaching a resolution that would keep capital interested in investing within its borders both in the to-be-privatized SOEs and in new venues of investment, while, at the same time, maintaining labour’s quiescence in order to avoid disrupting the political stability within its borders. Given the essential role assigned to capital in leading the economic development of LDCs embarking market capitalism, the end result of the power struggle between labour and capital - which is usually mediated by the state - is more likely to favour capital’s interests at the expense of those of labour. Yet, some concessions may be offered to labour in order to ensure its quiescence at the national and organizational levels.

The second sub-question of this thesis was:

*How do the power relations and structural factors at the supra-national and national levels affect the characteristics of the organizational-level power relations and MCSs sought by LDCs throughout their state and market capitalism eras?*

Throughout state-capitalism in LDCs, and while the power struggle between labour and the state unfolds, the state’s power over labour is usually developed from the visible to the hidden form through the structural factor ‘R&Ls’. This is usually achieved by the state (acting, usually, through the legislature by shaping the R&Ls of the concerned LDC in a way that limits labour’s alternative courses of action to those favourable by the state at the national and organizational levels (see 7.2.2). At the same time, it offers labour the necessary concessions and justifications for maintaining their quiescence within and outside their organizations. While doing so, LDCs’ state-capitalist R&Ls tend to, along with shaping the nature of their labour markets, stipulate the nature of MCSs and AISs intended for SOEs in a considerably detailed way (see 7.2.3.1). Meanwhile, an LDC’s R&Ls also, at least implicitly, perpetuate a specific type of the power relations expected to manifest between the organizational agents in SOEs. Nevertheless, these power relations, MCSs and AISs are more ‘ideal’ than real. This is because their manifestation within the concerned SOEs is contingent rather than taken for granted.
Given the political and economic importance of SOEs in state capitalist LDCs, and what this entails in the importance of maintaining a cooperative labour force that can help the state realize its economic development policies, the ‘ideal’ MCSs and AISs intended for SOEs are more likely to be rooted in ‘ideal’ balanced labour-management power relations and, accordingly, to be consensual rather than coercive. The main premise behind these MCSs and AISs is to transparently stipulate the organizational agents’ rights, responsibilities, the ways in which their performance is evaluated in relation to these responsibilities, the rewards associated with fulfilling these responsibilities and the penalties triggered by failing to do so.

These ‘ideal’ MCSs and AISs are expected to be used as the ‘reference-point’ for the BODs of SOEs when designing their companies’ official MCSs and AISs. In turn, the successful design, implementation, and maintenance of SOEs’ MCSs and AISs in a way that is congruent with the ‘ideal’ ones are expected to affect the labour-state power relations at organizational and national levels. At the organizational level, they are expected to limit the exercise of visible power by labour to the spaces ‘acceptable’ by the state. Furthermore, they are expected to increase the BODs’ ability to exercise a hidden form of power over their workers. Note that this form of power can be further developed into the invisible form if these MCSs and AISs are both maintained for a sufficient period of time, and are supplemented with sufficient justifications conducive for labour’s acceptance of them. Whenever such a situation materializes, the successful implementation and maintenance of these MCSs and AISs as well as the power relations perpetuated by them will feedback to strengthen the state’s power over labour. This is so because labour will be doing the state’s bidding without the state having to spend any time and/or effort to get labour to do so.

On the other hand, as LDCs embark on market capitalism, the introduction of capital into the power relations operating at the national level of the concerned LDC results in reshaping the concerned LDC’s R&Ls in a way that grants capitalists a stronger power position compared to their workers within their respective companies. This is usually done firstly by reshaping the concerned country’s labour markets to allow capital more control over the hiring and firing in their companies. Secondly, this is achieved by abandoning the state-capitalist ‘ideal’ MCSs embedded in its R&Ls in favour of allowing capitalists a higher level of discretion in choosing the MCSs they see fit for their companies.
The increased power of capitalists in market-capitalist LDCs bears the risk of capital paying little, if any, attention to labour’s interests and, hence, risks facilitating the creation of coercive regimes of control in privatized companies. Yet, this risk is expected - from an agency theory perspective (see 1.2) - to be lessened by the capitalists’ interest in devising consensual, transparent, market-based, MCSs that foster goal congruence between themselves, their agents (i.e., the BODs and top management), and the workers of their respective companies. Nevertheless, as this research shows - and in line with a considerable part of the privatization-related literature stressing the importance of the existence of competitive markets for the success of privatization in LDCs\(^{55}\) - , the materialization of these consensual, or at least ‘consensual-like’ MCSs depends on the existence of competitive markets that can produce the market pressures needed for capital to pursue labour’s cooperation and not only its quiescence (see 7.2.3.2 and 7.3.3.2).

**The third sub-question** of this thesis was:

> How can MCSs’ transformations in LDCs’ privatized SOEs be explained in terms of: the MCSs sought at the national level, SOEs’ structural factors, and the exercise of power by the agents interacting within their boundaries?

The extent to which the pre- and post- privatization ‘ideal’ power relations, MCSs, and AISs are actually manifested in the day to day operations of the companies operating in LDCs is contingent on the organization-specific structural factors ‘market conditions’ and ‘technology’. It also depends on the organizational agents’ content with both the power resources available for them by the structural factors affecting their organization, and the specific power position they maintain as a result of these power resources. In addition, it depends on the organizational agents’ ability to mobilize their existing power resources to protect their initial power positions, and/or to develop, maintain, and effectively mobilize ‘new’ power resources that would help them reshape the actual power relations in their company in a way that would better serve their interests. Based on these conditions, the ‘actual’ power relations operating in companies in LDCs can reflect one of the three scenarios explained in subsection (2.5.3.3): powerful management, balanced labour-management power relations, or powerful labour.

\(^{55}\) See, for example, Vickers and Yarrow (1985, 1988, 1991), Anderson et al. (2000), and Tsamenyi et al. (2010).
Each scenario has its own implications for the MCSs and AISs designed and implemented in these companies. A balanced labour-management power relations scenario (like the one found in XYZ’s before and after its privatization) is more likely to entail the design, implementation, and maintenance of consensual, transparent, market-based MCSs. In such a scenario, these MCSs rely on AISs that facilitate fostering the goal congruence between the organizational agents involved. This can be achieved by translating the ‘agreed-on’ organizational goals into achievable budgetary targets, monitoring and evaluating the performance of these organizational agents and establishing the incentive structure that would link the results of performance evaluation to the remunerations and promotions offered to the involved agents.

On the other hand, a powerful management scenario (like the one found in ABC’s post-privatization period) is more likely to entail the design, implementation, and maintenance of coercive MCSs that favour the interests of capital at the expense of those of labour - as long as capital is satisfied with securing labour’s obedience and not their genuine cooperation. These MCSs are more likely to be associated with the design and implementation of non-transparent AISs that foster the management’s ability to monitor the performance of labour without paying too much attention to fostering goal congruence across the organization. Furthermore, these AISs can be used by capital in furthering their own interests at the expense of those of the company’s other stakeholders. Another example of the manifestation of this scenario in real life can be found in the post-privatization period of the company examined by Uddin and Hopper (2001). Nevertheless, as the later years of ABC’s private ownership period show, these coercive MCSs (and non-transparent AISs) are more likely to pay more attention to fostering goal congruence across the organization (and thus appear to be ‘more consensual’) as the level of competition in the markets within which the concerned company operate intensifies.

Finally, a powerful-labour scenario (like the one found in ABC before its privatization) can entail the design of MCSs that favour the interests of labour at the expense of the interests and goals of the organization within which it works. Furthermore, whenever the company’s official, designed MCSs clash with the workers’ ability to pursue their interests, this scenario can result in decoupling the company’s ‘actual’, implemented MCSs from its official, designed ones, rendering the official MCSs irrelevant for the day to day operations of the concerned company. This scenario is more likely to entail the failure of the organization’s designed AISs to effectively monitor and evaluate the
performance of the organizational agents involved and/or to establish a ‘real’ link between the evaluation of such performance and the remunerations and promotions offered to the concerned organizational agents. Another example of the manifestation of this scenario in real life can be found in the mill examined by Wickramasinghe and Hopper (2005) before and after its privatization.

Finally, the general research question of this thesis was:

*How can MCSs’ transformations be explained in terms of the interaction between the exercise of power by the agents implicated in privatizing LDCs’ SOEs and their structural factors?*

The starting point for answering the general research question using the power informed model suggested in chapter (2) should be to identify the main agents implicated in the privatization of SOEs in LDCs. For the purposes of this research, these agents are: labour, capital, and the state. These agents interact at the different levels of power of the concerned LDCs towards the realization of their respective interests. Throughout their interaction, they can both affect and be affected by the structural factors specific to their particular LDC. The structural factors incorporated into the power informed model are: international finance, R&Ls, labour markets, the political system, culture, ethnicity and race, modes of production (MOPs), market conditions, and technology. The current research focused mainly on the ways in which the exercise of power by labour, capital, and the state at the national level during LDCs’ state and market capitalism was directed at shaping the structural factor ‘R&Ls’ towards affecting the characteristics of the ‘ideal’ MCSs and power relations sought for SOEs before and after their privatization. Furthermore, when the ‘actual’ power relations and MCSs at the organizational level(s) were closely examined, both the market conditions within which the concerned companies operated and the types of technology they used across their company were considered to be of the significant structural factors shaping the ‘actual’ power relations and MCSs.

Despite the varying nature of both the agents exercising their power at the different levels of any given LDC and the power relations at play between these agents throughout state and market capitalism eras, the structural factor ‘R&Ls’ is usually one of the major subject-matters of the power struggles between the agents exercising their power at the national level of the concerned LDC. Throughout these struggles, the state is mostly interested in regulating labour’s exercise of power at the national and organizational levels
away from the visible, confrontational, politically-disruptive acts of discontent into the ‘legal’ spaces of power opened by the state to allow labour a certain level of participation in the decision making processes taking place at those levels. By doing so and depending on its ability to control the rules governing the exercise of power by the agents interacting within these spaces of power, the state has the chance to develop its exercise of power over these agents from the visible to the hidden form.

Depending on any given LDC’s decision to embark on state or market capitalism as its official MOP, the rules governing the interaction between the organizational agents can take two forms. In the case of state capitalism, they can take the form of specific, detailed guidelines and requirements stipulating the nature of the ‘legally-accepted’ power relations - which are usually addressed implicitly in the official documents when regulating the various work relations within organizations -, MCSs, and AISs intended for SOEs. Or, in the case of market capitalism, they can take the form of general, less detailed guidelines giving broad characteristics of the ‘legally-accepted’ power relations, MCSs, and AISs intended for private sector companies. As explained throughout the thesis, the power relations and MCSs perpetuated by the R&Ls are better understood as ‘ideal’ power relations and MCSs rather than as ‘unquestionably realizable’ ones. In other words, the ‘actual’ power relations and MCSs as manifested in companies operating in LDCs do not always follow the ideal ones sought by the state.

Also, as explained throughout the thesis, the organizational agents can compete with each other towards strengthening their relative power compared to their rival agents. This power struggle can either result in the reproduction of the ‘ideal’ power relations sought by the state, or the creation of new, unforeseen power relations between the agents interacting at the BODs’ and/or the operational levels of the concerned organization(s). The realization of the ‘ideal’ MCSs at the operational level of the concerned organizations requires the manifestation of the ‘ideal’ power relations at both the BODs and the operational levels of these organizations.

Whenever the ‘actual’ power relations at any of these two levels are different from the ‘ideal’ ones, the ‘actual’ MCSs and AISs designed and implemented in the concerned organization(s) are more likely to be different from the ‘ideal’ ones. More specifically, whenever there are some significant differences between the ‘actual’ and ‘ideal’ power relations at the BODs level of the concerned organization(s), these differences are more likely to result in the design of MCSs and AISs that are different from the ‘ideal’ ones.
Furthermore, the existence of significant differences between the ‘actual’ power relations at the operational level, and the power relations perpetuated by the MCSs designed at the BODs level, is more likely to result in the ‘actual’ MCSs and AISs implemented throughout the day to day operations of the concerned organization(s) being decoupled from the designed ones. These ‘actual’, decoupled MCSs are unlikely to resemble the ‘ideal’ MCSs sought through the structural factor ‘R&Ls’.

When privatization is introduced to LDCs, capitalists are faced with all of the three types of MCSs mentioned so far: the ‘ideal’ MCSs stipulated by the R&Ls shaped, reshaped, and institutionalized throughout the concerned country’s state-capitalism era; the official, public-ownership MCSs designed at the BODs’ levels of their respective companies; and the actual MCSs implemented at the operational levels of these companies. Furthermore, they are also faced with both the power relations perpetuated by these MCSs, as well as the national power relations that shaped the structural factor ‘R&Ls’ informing the ‘ideal’ MCSs in the first place.

As far as the designed and the implemented MCSs and AISs concerned, privatization does not necessarily challenge these MCSs. As the case of XYZ showed, the ‘new’ owners of privatized SOEs can - either willingly and/or due to labour’s exercise of power to protect their long established power relations and MCSs - accept and maintain the power relations and MCSs designed and implemented in these companies. This is especially the case when the economic performance of these companies is considered satisfactory by the owners. On the other hand, as the case of ABC showed, capitalists’ dissatisfaction with the economic performance, the ‘actual’ power relations, and/or the ‘actual’ MCSs implemented in their ‘newly’ acquired companies, is usually associated with their attempts to reshape these power relations and MCSs in an attempt to improve the economic performance of the concerned company.

However, given the high level of details existing in the MCSs-related rules stipulated by the state-capitalism’s R&Ls, any attempts made by the capitalists to change the MCSs designed and implemented in privatized SOEs are bound to be constrained by these rules. Accordingly, the post-privatization struggles of power in these companies between capital and its agents on the one hand, and labour and their agents on the other hand, are usually accompanied with a higher level power struggle between capital and labour at the national level. This exercise of power at the national level revolves around deciding the nature of the market-capitalist structural factor ‘R&Ls’. As explained earlier, the end result of this
national level power struggle is more likely to end up with the state favouring capital at the expense of labour. This decision on the state’s part is usually officialised through reshaping ‘R&Ls’, and, consequently, the labour markets, in a way that empowers capitalists within their respective, privately-owned, organizations. It also allows them more discretion in designing and enforcing the implementation of the MCSs of their companies.

Nevertheless, having the legal right to change the MCSs designed and implemented in a given company does not ensure the capitalists’ ability to effect these changes. Indeed, labour can, and usually tries to, resist the ‘unfavourable’ changes in their work conditions initiated by the capitalists and/or their agents. Accordingly, unless capitalists are willing or forced to acknowledge labour’s power and to reconcile the differences between their views and those of labour - and thus begin a balanced power-relationship with labour - privatization is more likely to cause a power struggle between labour and capital. The market conditions within which the concerned company operates and the type of technology used in its manufacturing and/or administrative departments can be decisive for the outcomes of this struggle. Eventually, as the struggle unfolds, if capital fails to overpower labour - i.e., fails to actualize the powerful management scenario - it is more likely that, as Burawoy (1979) suggests, they will relocate their investment into other feasible venues. Nevertheless, even if capital manage to overpower labour, that does not mean that the resulting regime of control would necessarily fail to implement MCSs and AISs conducive for securing labour’s genuine cooperation. As the later years of ABC private ownership period show, operating in a highly competitive market environment can be conducive for redesigning a powerful-capital’s MCSs and AISs towards offering labour some concessions in order to motivate its cooperation.

8.3. Research Implications and Contributions

The current research contributes to the literature concerned with the impact of privatization on the MCSs designed and implemented in companies operating in LDCs through the power-informed model introduced in chapter (2). The power-informed model offers some significant enhancements to the Hopper et al. (2009) model. Firstly, it redefines the contextual factors of the Hopper et al. (2009) model into structural factors and adds to them the main agents affecting, and affected by, these structural factors. This allows for the analytical separation between human agency and their surrounding social structures. In turn, it makes it feasible to conduct a better-informed analysis of the
interplay between the two of them. Second, the power-informed model adds two more structural factors to the Hopper et al. (2009) model: market conditions and technology. Both structural factors are essential components of the orthodox Marxist research on LPT (e.g., Braverman, 1974) and the subsequent neo-Marxist of scholars such as Michael Burawoy (1978, 1979, 1985). Nonetheless, they were not included in the Hopper et al. (2009) model. As the current research shows, these company-specific structural factors were crucial for understanding the power relations in ABC and XYZ. Third, the power-informed model offers a multi-levelled analysis of the relationships between the exercise of power by the agents implicated in the privatization of LDCs’ SOEs, their structural factors, and the MCSs designed and implemented in SOEs before and after their privatization. This allows for theoretically distinguishing between the ‘ideal’ MCSs intended for LDCs’ SOEs, the MCSs designed at the BODs levels of these SOEs, and the actual MCSs implemented at their operational levels.

Such a multi-levelled analysis brings to the fore the impact of the interaction between the exercise of power by labour, capital, and the state on the one hand; and their national level structural factors, on the other hand; on the ‘ideal’ MCSs intended for SOEs. It also highlights the idea that while the SOEs of any given LDC may operate within similar national-level social structures; their company-specific structural factors can affect their organizational level power relations and MCSs. More specifically, since SOEs’ power relations involve human agents capable of exercising their own reflexive human agency towards pursuing their perceived interests/goals; and since the company-specific structural factors can differ among SOEs, it becomes clearer why neither AT-based nor LPT-based research in MA were able to provide theoretical insights capable of explaining the contradicting empirical evidence reported by each side.

More specifically, privatization-related AT-based research in MA focuses mainly on the exercise of human agency by the agents implicated in the privatization of LDCs’ SOE with little, if any, regard to any of their surrounding social structures. This is usually associated with a focus on the agency relations between the owners of capital and their agents at the senior management level (see 1.2 and 2.2.1). This renders their models deficient on two main counts. The first count concerns AT’s assertions about SOEs’ pre-privatization MCSs being necessarily ineffective.

As the current research shows, this assumption is only valid in situations where the powerful labour scenario materializes during the public ownership of the concerned
company. This enables the workers of SOEs to renegotiate the MCSs designed and implemented in their respective companies. Nonetheless, this is not universal to all SOEs. As the case of XYZ shows, pre-privatization MCSs can, indeed, be consensual, transparent and market-based when they are predicated on balanced power relations between labour and management. This is why AT approaches would be able to explain ABC’s pre-privatization MCSs transformations (where the power relations were those of powerful labour) but fall short of explaining XYZ’s. Since these assertions were used by the IFIs to justify their ‘claims’ that LDCs’ salvation from their economic problems hinged on them privatizing their SOEs, identifying this particular deficiency in the AT-based view casts many doubts about the validity of the IFI’s ‘advice’ to LDCs.

The second count concerns the impact of privatization on the MCSs transformations in privatized SOEs. The AT-based research in MA asserts the positive impacts of privatization on the MCSs designed and implemented in SOEs. This is usually conditioned on the liberalization of the markets within which these companies operate. The current research (namely the case of ABC) highlights a significant issue that might appear when the change of ownership and increasing the level of competition in their markets are not simultaneous. Even though ABC eventually operated in competitive markets and, hence, its management started to seek their workers’ genuine cooperation rather than mere obedience, the time gap between ABC’s privatization and its markets becoming more competitive was indeed detrimental to its workers’ power position. This time gap allowed the company’s management team a high level of control over its products’ prices and, accordingly, enabled them to survive their struggle of power with their workers without having to offer them any significant concessions. As was explained in 5.5, this enabled the management team to weaken the workers’ power position, strengthen theirs, and hence, create the scenario of powerful management. It was these skewed power relations that formed the basis on which the management’s attempts to redesign the company’s MCSs were based.

Accordingly, even though ABC’s ‘new’ MCSs (i.e., the MCSs designed to cope with the company’s increased competition) seemed to be consensual, they were far from being so; they were one-sided attempts made by the management to secure workers’ cooperation. This is nowhere close the mutually-acceptable, transparent MCSs that could be secured when the labour-management power relations are balanced (e.g., XYZ’s pre-privatization MCSs). Accordingly, the power-informed model shows how a company’s post-
privatization MCSs might resemble those expected by the proponents of privatization while, at the same time, being conducive for labours’ domination by capital. This situation is more likely to materialize when a powerful management is forced by its competitive markets’ pressures to mask its subjugation of labour through incorporating some justifications for labour’s domination by capital into their MCSs. In addition, the fact that ABC’s MCSs did not start to ‘look like’ the MCSs expected by the proponents of privatization until after its competition intensified; and the fact that XYZ, while operating in competitive markets, maintained its market-based, consensual, transparent MCSs before and after its privatization, suggest that the answer to SOEs’ troubled performance could very well be in increasing the level of competition in their markets and not necessarily their privatization.

On the other hand, privatization-related LPT-based research in MA (including the Hopper et. al, 2009 model) places more attention on the social structures within which privatization is introduced more than they focus on the exercise of reflexive human agency by the individuals shaping, and affected by, these social structures. Accordingly, LPT-based research tend to be quite deterministic when it comes to the impact of privatization on MCSs in LDCs. They expect privatization to entail the design and implementation of coercive, non-transparent MCSs in LDCs’ privatised SOEs. As the current research shows, this assumption is more likely to be valid in situations where the power management scenario materializes in privatized companies operating in non-competitive market conditions (Such as the case with ABC’s early years of privatization).

Accordingly, by adopting this position, privatization-related LPT-based research in MA (including the Hopper et. al, 2009 model) fall short of offering a theoretically informed account of the situations where a company’s post-privatization MCSs resembles those expected by the proponents of privatization (such as XYZ). Similarly, they fall short of explaining situations where a SOE’s privatization might entail the design and implementation of coercive, non-transparent MCSs (as is expected by the Hopper et al, 2009 model) just to be transformed in a way that would ‘look’ more market-based and transparent (as the privatization of ABC shows). The power-informed model is more helpful in this regard. It shows that the existence of structural factors at the national and organizational levels conducive for the creation and maintenance of a balanced power relationship between labour and management can be the basis upon which consensual, transparent MCSs can be designed and implemented before and after privatization (the
case of XYZ). Furthermore, the power-informed model shows how a change in one of the company-specific structural factors (namely market conditions) could place the necessary pressures on powerful management teams of privatized SOEs towards the design and implementation of more transparent, market-based MCSs.

Finally, the current research shows that the impact of privatization on the AISs designed and implemented in SOEs is far from being certain. Instead, these AISs are more likely to reflect the labour-management power relations underlying them. Powerful management scenarios are more likely to be associated with non-transparent AISs. This lack of transparency may extend beyond the boundaries of the concerned SOE to include its stakeholders (such as the case with ABC’s post-privatization AISs). On the other hand, powerful labour scenarios are more likely to be associated with ineffective, ceremonial AISs aimed at satisfying the reporting need stipulated by the R&Ls governing the operations of the concerned SOE (such as the case with ABC’s pre-privatization AISs). Finally, balanced power relations between labour and management are more likely to be associated with transparent, effective AISs that are assigned a significant role in the maintenance of these power relations as well as the MCSs based on them (such as the case with XYZ’s pre- and post-privatization MCSs). This is different from the deterministic views advanced by AT-based and LPT-based research in MA.

**8.4. Research limitations**

Given the scope, time, and size limitations of writing a PhD thesis, the current research has some theoretical and empirical limitations. At the theoretical level, the version of the power-informed model presented in the current thesis is but a step towards explicitly incorporating the concepts of power into the LPT-based research in MA. While such a step can bring some life to an increasingly fading theoretical perspective in the MA literature – i.e., LPT-based research in MA –, it is just a start and not a comprehensive, fully developed model. For example, the power-informed model acknowledges the importance of accounting for the roles played by, and the relationships between, agency and structure when examining MCSs transformations in LDCs’ SOEs. Nevertheless, it is limited when it comes to developing an explicit theoretical account on the nature of human agency and its relationship with its surrounding structures. In addition, the current research focused on the structural factor ‘R&Ls’ as the main factor affecting and affected by the exercise of power by the agents implicated in the design and implementation of
MCSs in SOEs in Egypt. By doing so, other structural factors such as ‘culture’, and ‘ethnicity and race’ were side-lined. In retrospect, the current research could have benefited from a more explicit examination of the relationships between the agents included in the analysis and these structural factors (especially, culture).

Furthermore, the current version of the model limits the supranational structural factors affecting the impact of privatization on MCSs to the IFIs. This bears the risk of overlooking other factors that might be significant. For example, little attention has been paid to the diffusion of the neo-liberal agenda to LDCs through Western academic institutions and multinational organizations. Such a venue could have indeed offered insightful contribution to the current research. In addition, the current research limits the exercise of power by the IFIs to the supranational level. By doing so, it fails to account for the situations wherein these institutions can affect the power relations manifesting at the national and organizational levels both through the loans offered by their LDCs-based offices to the companies operating in these countries, and through their interaction with the non-government organizations operating in LDCs. Finally, the model fails to account for the role played by capital markets - as a structural factor - in shaping the power relations operating at the national and organizational levels of the concerned LDCs.

At the empirical level, the current research could have benefited from a more thorough, empirically-based analysis of the power relations and structural factors as manifested at the Egyptian national level - instead of the literature based analysis presented in Chapter 4. Such analysis was not feasible given the time period that was available for collecting the empirical evidence and the highly unreachable Egyptian government officials. Furthermore, the current research could have benefited greatly had it been possible to conduct a fourth round of data collection after the 2011 Egyptian revolution. Nevertheless, further data collection was not feasible due to both the terms of my scholarship and Egypt’s turbulent political situation since the 2011 revolution. Finally, the findings of the current research were limited by my lack of access to detailed information about the working conditions within the two companies examined. My access was also limited when it came to securing the full set of financial statements for both companies that could have facilitated a comparative analysis of their turnover and profitability.
8.5. The power-informed model and the possibilities of future research

Even though the power-informed model was developed as a tool that can help to better understand MCSs transformations in privatized companies operating in LDCs, its future applications can potentially extend beyond its original context. More specifically, the power-informed model can inform future studies interested in testing its validity through applying it to different companies operating within the Egyptian context (i.e., replication). Furthermore it can inform future research interested in developing the model through testing its applicability in different contexts. These new contexts can be public, private from inception, and privatized companies operating in different LDCs and DCs.

Within these ‘new’ applications of the model, different structural factors (i.e., other than the structural factor ‘R&L’ examined in this research) can be brought to the fore as the main structural factors affecting and being affected by the exercise of power by the agents included in the analysis. In turn, the relationships between these structural factors and the power relations manifesting at the different levels of the concerned country can be examined to better understand the nature of the power relations and MCSs manifesting at the organizational levels of these countries.
References


## Appendix A: List of interviewees

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<th>Time (minutes)</th>
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