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PRIVATIZATION OF STATE OWNED ENTERPRISES: ARGUMENTS AND PERCEPTIONS

THE CASE OF TAP AND ITS PRIVATIZATION

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JOANA ISABEL DO DESERTO DIAS RODRIGUES

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PROF. DR. JOAQUIM RUBENS FONTES FILHO

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ASSINATURA DOS MEMBROS DA BANCA EXAMINADORA

Joaquim Rubens Fontes Filho
Orientador (a)

Alvaro Bruno Cyrino

Catarina Luis Monteiro dos Reis

Dedicated to my parents and sister

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LIST OF ABBREVIATIONS AND ACRONYMS

BNDES	Banco Nacional Desenvolvimento Económico Social
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGD	Caixa Geral de Depósitos
CONT'D	Continuation
CVRD	Companhia Vale do Rio Doce
EC	European Commission
EU	European Union
ECB	European Central Bank
EDP	Energias de Portugal
EEC	European Economic Community
EMBRAER	Empresa Brasileira Aeronáutica
ESCELSA	Espírito Santo Centrais Eléctricas S.A
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HR	Human Resources
IMF	International Monetary Fund
IPSAS	International public Sector Accounting Standards
ISI	Import Substitution Industrialization
KPI	Key Performance Indicators
MoU	Memorandum of Understanding
NDR	National Developmentalism in Reverse
NPM	New Public Management

OECD	Organization for Economic Cooperation and Development
PGA	Portugália Airlines
PND	Plano Nacional de Desenvolvimento
PSBR	Public Sector of Borrowing Requirement
PT	Partido dos Trabalhadores
REN	Rede Energéticas Nacionais
RFFSA	Rede Ferroviária Federal, S.A.
S.A.	Sociedade Anónima
SEA	Single European Act
SGPS	Sociedade Gestora de Participações Sociais
TAP	Transportes Aéreos Portugueses
TUC	Trades Union Congress
US	United States
VEM	Varig Engenharia e Manutenção
VARIG	Viação Aérea Rio-Grandense
WFP	World Food Program

ABSTRACT

PRIVATIZATION OF STATE OWNED ENTERPRISES: ARGUMENTS AND PERCEPTIONS

THE CASE OF TAP AND ITS PRIVATIZATION

By

Joana Isabel do Deserto Dias Rodrigues

Despite being one of the major economic phenomena in recent history, privatization causes received relatively little attention in analysis until quite recently.

This qualitative paper summarizes the causes that led to the privatization of state-owned enterprises, with the specific case of TAP Portugal being analyzed. For a better comprehension of the theme, the characteristics and the context of state enterprises creation, as well as the privatization movement and its impacts, were analyzed as well.

The general objective of the study is to understand if there are differences between the motivations to privatize and the expectations that TAP Portugal executives and workers have on the matter, therefore using TAP Portugal as the case study to support the analysis.

Some interviews were performed to TAP Portugal executive members and workers, and results show that, privatization causes and TAP's members' expectations are aligned in some motivations.

The intervention of external organisms in managing state enterprises, the necessity of reduction of public sector borrowing requirement, the limited access to capital, the ineffective state administration, bureaucracy concerns, management conditions, lack of investment capacity and the role of the state, are the main conclusions that led TAP to be privatized.

Keywords: Privatization, State Owned Enterprises, State, Motivations, Causes

ABSTRACTO

"REASONS THAT LEAD STATE OWNED ENTERPRISES (SOE) TO BECOME PRIVATE: THE CASE OF TAP AND ITS PRIVATIZATION"

By

Joana Isabel do Deserto Dias Rodrigues

Apesar de ser um dos principais fenómenos económicos da história recente, as causas da privatização receberam relativamente uma análise pouco atenta até recentemente.

Este documento qualitativo resume as causas que levaram à privatização das empresas estatais, sendo analisado o caso específico da TAP Portugal. Para uma melhor compreensão do tema, foram analisados as características e o contexto da criação das empresas estatais, bem como o movimento de privatização e seus impactos.

O objetivo geral do estudo é compreender se existem diferenças entre as motivações para a privatização e as expectativas que os executivos e trabalhadores da TAP Portugal têm sobre a matéria, utilizando a TAP Portugal como estudo de caso para apoiar a análise.

Algumas entrevistas foram realizadas a membros executivos e trabalhadores da TAP Portugal, e os resultados mostram que as causas da privatização e as expectativas dos membros da TAP estão alinhadas em algumas motivações.

As principais conclusões que levaram a TAP a ser privatizada são a intervenção de organismos externos na gestão das empresas estatais, a necessidade da redução de financiamento do sector público, o acesso limitado ao capital, a ineficácia da administração Pública, as preocupações burocráticas, as condições de gestão, a falta de capacidade de investimento e o papel do Estado.

Palavras-chave: Privatização, Empresas Públicas, Estado, Motivações, Causas

1. Introduction

"The goal isn't to live forever; the goal is to create something that will"

– Chuck Palahniuk

1.1. Presenting the Research Theme

This research addresses the causes that lead State Owned Enterprises (SOE) to become private. It assesses different reasons for privatizations to occur globally in the last decades. The research raises issues from the case of the privatization of TAP Portugal that can be applied to a large number of privatized companies.

The theme of privatization is not a new concept: in 1968, Peter Drucker suggested that government should spend more time governing and less time providing services. However, it can also be argued that in recent years, the intensity of pressures on government to solve complex problems without money injections has stimulated the public policy debate, bringing the privatization issue to the surface as an attractive policy option (Layne, 2001).

The process of institutional reform takes a more complex and cyclical pattern when compared to other processes, as for instance technological innovations, which generally follow a pattern of continuous progress. These reforms tend to occur in periods of crisis, but often when social or economic conditions change, these reforms are reverted (Sturzenegger, Federico, & Tommasi, 1998). Moreover, one of the most important institutional reforms in the post-communist era has been the privatization of commercial enterprises all around the world (Chong & Lopez-de-Silanes, 2005).

As a matter of fact, the importance of this matter gained strength due to the wave of privatizations that took place and which was soon extended to the rest of the Europe (Stepney, 2013). During the last two decades of the previous century, privatization worldwide reduced state-owned enterprises' share of global GDP from over ten percent to less than six percent (Betts & Loveless, 2005).

Furthermore, this debate is even more relevant in Europe since a new wave of privatizations is in course as a result of the recent developments in the economic context, with the recent Euro crisis and the consequent need to solve the problems which have risen from large budgets deficits and high debt

levels. For instance, in a country such as Portugal, under the intervention programs of the International Monetary Fund (IMF), privatization is at the top of the political agenda. The proceeds generated over the past four years are equivalent to 5.6% of GDP (Deutsche Bank research, 2015).

According to Megginson & Netter (2001), an important aspect of this trend has been the privatization of SOEs with the goal of improving their, in general, unsatisfactory performance. Usually, after the announcement of a privatization, there might be a strong opposition from politicians, unions, members of the civil society and the general public, who may feel uncomfortable for the sale of a nation's assets (Calabrese, 2008). This work contributes to the recent debate on privatization by stating reasons that motivate SOEs to be privatized and then compare these results with the arguments and perceptions achieved through interviews to members of TAP Portugal.

The focus will be to depict the main drivers for SOEs to become private, which is a more complex theme than simply not having access to capital. Portugal has been a target of many privatizations, especially the one which occurred on February 2016 of TAP Portugal, the largest Portuguese airline, which was part of a bailout plan agreed in 2011 by Portugal with the European Central Bank, International Monetary Fund and European Commission. Due to its importance and relevance to the country's economy as well as its recentness, TAP Portugal is considered relevant, making the present dissertation a research case study.

It is argued that, in the past several years, more and more state and local governments have adopted privatization as a way to balance their budgets, while private sector managers may have no compunction about adopting profit-making strategies or corporate practices that will make services unaffordable to large segments of the population (Goodman & Loveman, 1991). But is this really the case? Is governments' only concern to balance their budget when privatizing? What is the role of privatization in financing public debts and deficits?

In order to answer these and other questions, some current Executives and Ex-managers of TAP, as well as the Coordinator of TAP's union group (SITAVA) were interviewed in order to get a deeper understanding about the reasons which lead to such a complex transition from public to private sector.

The structure of the paper comprehends different parts. Apart from the introduction, which includes the problem statement, research objectives plus relevance and justification of the theme selection, the

main dissertation is divided into five main sections. The first is the literature review, divided into four sub-chapters: the definition of State-Owned Enterprises as well as the context of its creation, the global movement of privatizations, the impact of privatizations in terms of costs and benefits, and some examples of the main privatizations that occurred in Portugal and Brazil will be given, which is in line with TAP, since it operates at a large scale in both markets.

Following the literature review, the methodology chapter is presented. Primarily with a brief explanation on why the qualitative method was adopted, followed by an explanation on the research design and method chosen of the case study, then the organizational profile of TAP, which includes company overview, the economic and political context of Portugal and process of privatization, succeeded by the data collection technique which was done through the interviews. Afterwards, the questionnaire model will be depicted, followed by the overview of the respondents and lastly an overview on the quality of the research, trough validity and reliability, and the methodology limitations.

Afterwards, the results will be presented and discussed as well as the limitations and further research. Lastly, there will be two closing chapters, the conclusion plus the limitations and recommendations.

1.2. Research Objectives

1.2.1. General Question

As mentioned before, it will be addressed what makes a SOE to become private. For this purpose, the case study of TAP was considered.

The general question the present work intends to address stands as *"Is there a difference between the motivations of privatizations and the expectations of executives and workers?"*.

The privatization, as other movements that have both an economic and a political side, is embedded in an ideological dispute, in a market of "ideas". Hence, the parties involved construct the argument to justify privatization.

1.2.2. General Objective

Taking into account the research question stated above, the general objective of the study is to identify whether the reasons to privatize are different from the expectations of the parties involved.

Therefore, the general objective is to tackle "*which causes lead to the privatization of companies*". It is going to be achieved through the analysis of several cases of privatizations in the past. Moreover, some interviews will be performed in order to gather more data and have different insights about the matter.

1.2.3. Specific Objectives

Apart from the general objective, there are specific ones that will be grasped. There are some objectives that will be targeted:

- Understand which causes lead to the privatization of SOEs, specifically analyzing the case of TAP
- Infer possible policy measures alternative to privatizations
- Ascertain the costs and benefits of a privatization, relating them with TAP
- Comprehend what changes to companies upon privatization, bearing in mind the example of TAP

The methods to achieve these objectives are through research, specially analyzing TAP example, as well as performing some interviews to experts on the matter.

1.3. Relevance and Justification of the Theme Selection

In the realm of public policy, one of the most unprecedented global features in the last quarter of the twentieth century has been privatization (Haque, 2000). In fact, this current trend represents almost a reversal of the post-war traditional policies based on assumptions such as welfare state, planned development and public sector economic growth, embedded in both developed and developing economies during the period between 1950s and 1970s (Esman, 1991).

The period between 1980s and 1990s comprehended market-oriented policies such as deregulation, privatization, liberalization, and rationalization, adopted or imposed largely under programs known as stabilization and structural adjustment. Nevertheless, privatization of public assets, programs, and services, has been, compared to other policies, one of the most influential in the recent history of policy reform with serious economic, political, and social implications for nations (Haque, 2000).

More recently, there is evidence to affirm that a new major global privatization wave is forming. The recent upturn in EU privatizations indicates that several governments have launched numerous divestment programs, with higher values than any comparable period since Margaret Thatcher launched the modern era of privatization in 1979. (Fondazione Eni Enrico Mattei (FEEM); Fondazione IRI; KPMG Advisory S.p.A, 2014). For instance, during the period between January of 2012 and August of 2015, governments around the globe raised more than 812 billion dollars through privatizations, dwarfing the total for any comparable previous period, with a global value of 213.4 billion only in the first eight months of 2015, implying that the full-year of 2015 total would be by far the highest on record (Fondazione Eni Enrico Mattei (FEEM); Fondazione IRI; KPMG Advisory S.p.A, 2015).

The fact that privatization is considered such a relevant theme can be perceived by the amount of information that exists concerning it. However, the main literature on privatization focuses on three related areas: productive efficiency, the government budget and privatization techniques (Yeaple & Moskowitz, 1995). As mentioned by Haque (2000), the prevailing literature is plentiful of arguments endorsing privatization and glorifying its outcomes, nonetheless, there is a need for more critical studies on this policy issue.

In the last twenty years several empirical studies have tried to identify the factors that explain privatization. Many variables were tested, being grouped into one of four families such as fiscal restrictions, economic efficiency, political processes, or ideological attitudes. However, the empirical results obtained vary widely (Bel & Fageda, 2008).

The intent of this study is to understand what leads a SOE to go into the private management, focusing on the case study of TAP privatization. Why do governments choose to privatize state-owned enterprises? Should governments privatize them? Is privatization really necessary? Does it matter the type of ownership of an organization? Are other viable alternatives to privatization? These are some of the questions the present study intends to address.

The vast literature focuses on different scopes of privatization. For instance, some authors deepened their studies into the arguments in favor and against privatization, which are summarized by Boorsma (1994). In addition, several studies related with the effects of privatization on other indicators were worth to study (Estrin & Wright, 1999; Blasi, Kroumova, & Kruse, 1997; Estrin, Hanousek, Kocenda, & Svejnar, 2007; Starr, 1987). Moreover, a review on the different works related with the theme, display that some compare the performance of firms pre and post privatization (Isaac, Gallais-Hamonno, Liu, & Lutter, 1994; Megginson, Nash, & VanRandenborgh, 1994; La Frydman, Gray, Hassel, & Rapaczynski, 1999; López-Calva & Sheshinski, 1999; Porta & López-de-Silanes, 1999; Dewenter & Malatesta, 2001) others compare private and public firms, also in terms of their performance (Boardman & Vining, 1989; Claessens, Djankov, & Pohl, 1997). In general, studies claim that privately owned firms are more efficient and perform better than comparable state-owned firms (Tvaronavičiene & Kalašinskaite, 2010).

However, in what concerns to the factors that lead to privation, as Shivendu (2008) mentions, the empirical research is limited, since most of the empirical literature has focused on comparing efficiency before and after privatization. In fact, Jones & Mygind (1999) affirmed that *"much less literature examines the causes of variation in ownership structures"* with empirical work being quite scarce. Li & Lui (2004) also stated that "*Unfortunately, there is a very limited literature on why governments choose to dump SOEs".*

In addition, as Haque (2000) specifies about the pronounced justifications of privatization:

> *"there are vested interests, political motives, ideological agenda, and hegemonic objectives. Therefore, it is not only necessary to explain the "formal" (official) justifications of privatization, it is also essential to examine the "critical" (hidden) reasons behind the policy".*

Moreover, it is also important to understand whether there are alternatives to privatization or if it is an urge to implement it. In a report published by the World Bank it was mentioned that *"unfortunately, there is less research on the alternatives to privatization than on privatization"* (Gómez-Ibáñez, 2007).

For the above reasons and due to the relevance of the theme in the actual economic and financial context, it is necessary to study the reasons for privatization to occur.

2. Literature Review

"If you want to live a happy life, tie it to a goal, not to people or things"

— Albert Einstein

According to Creswell (1994), the review of the literature provides a framework about the importance of the study, by comparing the results with other findings.

The present study intends to review the most important literature about privatization, in order to understand what leads SOEs to become private. The chapter will give an overview on the SOE definition, then it will be analyzed the context and motives, as well as SOEs performance, in order to understand the justification and purpose of their creation, so that one can infer why privatization was undertaken instead of SOEs remain public.

In addition, new public management will give an overview about the movement of privatization, which will help to understand why some nations undertook this measure. Furthermore, some arguments for and against privatization will be determinant to comprehend this matter.

Lastly, to understand the impacts of privatization, the benefits and costs will be evaluated, which can help to perceive the causes that lead the state to dump SOEs. The case of privatizations in Portugal and Brazil will be interesting to analyze, since the present study will examine TAP, a Portuguese company privatized, in part to the Brazilian enterprise Azul. Moreover, TAP operates at a large scale in both markets.

2.1. State-Owned Enterprises

2.1.1. Definition and Characteristics

There is no universal and common accepted definition of the term SOE, which can also vary from country to country. (Indreswari, 2006; Allen & Vani, 2013; European Commission, 2016; Willemyns, 2016).

In fact, the terminology of SOEs might cause confusion since the term can be referred as *"government-owned corporations, state-owned entities, state enterprises, parastatals, publicly owned corporations, government business enterprises and commercial government organizations"* (Allen & Vani, 2013). Therefore, it is important to state the differences in defining an SOE as well as its characteristics, to infer why governments decide to privatize.

An SOE is described by the Organization for Economic Cooperation and Development (OECD, 2005) as an enterprise where the state has significant control through full majority, or significant minority ownership. It can be divided in three classes: majority-owned listed[1] companies, majority owned non-listed companies and statutory corporations. Mazzolini (1979) refers to it as an enterprise in which the final authority is a responsibility from the State, while Aharoni (1986) describes it as a corporation that has capital entirely or partially provided by the Government. Nhema (2015), for instance, includes in the definition of SOE, all industrial and commercial firms, mines, utilities and transport companies controlled by the government, which are responsible for selling goods and services.

According to Toninelli (2000) SOEs were established by the state in order to intervene in the economy, either at a central or a local level. These entities are wholly or mostly owned by the public authority (Basu, 2009) and the assets are held in corporate form (OECD, 2005). For the International Monetary Fund (IMF, 2014), public corporations are *"institutional units that are potential sources of financial gains or losses to the government units that own or control them*".

The International Public Sector Accounting Standards (IPSAS, 2014) refers to SOE as a profit-oriented enterprise, controlled by a public sector entity, which sells goods and services as a profit or full cost recovery, whereas the World Bank Group (2014) defines SOEs as government-owned or controlled entities that generate the bulk of its revenues from selling goods and services on a commercial basis

SOEs can generally be grouped into three categories according to the European Commission (2016): companies fully owned by public authorities, companies where public authorities have a majority

[1] Listed (or not) on a stock exchange.

share and companies where public authorities retain a minority share but have special statutory powers.

Even though there is no consensus on the term, the European Commission (2016) summarizes it as companies where the state exercises control due to various reasons. On one hand, the government can own a minority share and the company enjoys relative managerial autonomy; while on the other hand, companies may be fully owned by the state and follow its instructions. The present paper will refer to SOEs in accordance to the European Commission definition, since the majority of the literature alludes to some level of state control in SOEs.

According to Aharoni (1986), SOEs are characterized by being owned by the government since they belong to the public sector; they are responsible for the production and sale of goods and services since they are enterprises; and finally, the revenues should bear some relation to the costs.

Ramanadham (1984) mentions some characteristics of SOEs, such as the fact that they should be financially viable, there should be a relation between costs and price, the government should lead the decision making process and the enterprise should be accountable for society.

On one hand, some authors such as Indreswari (2006) enumerate several characteristics of profit oriented SOEs[2] that may be similar to private ones. For instance, the competitive environment where both operate, the fact that they are expected to produce profits, pay taxes and dividends, and lastly, having some independence from governance control.

On the other hand, other writers as Willemyns (2016) state differences in characteristics between SOEs and private enterprises. For instance, the fact that private companies are mainly focused on profit maximization while state ownership is associated with the correction of market failures. In addition, the author mentions that SOEs are characterized by their inherent competitive advantages such as financial participation by the state, government control on the functioning of the enterprise, or because they are a government-designated monopoly.

[2] Other companies can be: semi-profit oriented, which means they have to generate profits while at the same time, have to provide social services; or they can be not-for-profit oriented Indreswari (2006).

2.1.2. Context of SOEs Creation

The intervention of the State in the economy has always been a reality, though it had a strong increase in the 20th century, mainly due to events such as the Great Depression, the Second World War, financial crises and the dissolution of colonial empires. In fact, several governments in Europe and worldwide began to play a direct role in the economy through nationalizing or founding companies that are strategic, mainly in the energy, transport or banking sectors OECD (2005).

According to some studies performed worldwide, the contribution of SOEs to Gross Domestic Product (GDP) in industrial economies was on average 10 percent in the beginning of 1980s (World Bank, 1983). Globally, SOEs were also significant, as for instance in Africa they represented 17 percent, in Latin America it was 12 percent, while in Asia[3] it was responsible for only 2 percent of GDP (Kikeri, Nellis, & Shirley, 1994; Obadan, 2008).

To understand the context and rationales of SOEs it is imperative to consider the British colonial rule. After the Independence, parties with a socialist ideology supported the ownership and management of commercial enterprises by the State. In fact, the involvement of the State in organizations was increasing due to populist agendas (Path Finder Foundation, 2015).

After 1980s and the following decades, some of the more advanced industrialized countries went through nationalization programs. Britain's nationalization of the steel and coal industries and France's acquisition of practically all national private banks as well as some major manufacturing firms are some of the examples (Vernon, 1984).

In the vast literature related with SOEs, economic theory identifies public ownership as a reaction to private markets' failure in order to obtain efficiency and to accomplish the economic and social objectives (Obadan, 2008). According to Hemming & Mansoor (1988), public enterprises were perceived as contributors to the economic growth and social political stability.

[3] Excluding China, India and Myanmar.

In addition, in some governments, public corporations are seen as instruments of social or industrial policy, while in some cases they can be perceived as a mechanism to bailout failed companies in the private sector (Obadan, 2008; Vernon-Wortzel & Wortzel, 1989).

There are several reasons that help to explain why SOEs were created. According to Vernon (1984) some reasons are related with the need to overcome imperfect markets, to speed industrialization, commanding heights of the economy, preventing foreign companies to explore opportunities that could be appropriated by national ones or slowing the process of the exodus of declining industries.

As mentioned in Vernon's paper *"Linking Managers with Ministers: Dilemmas of the State-Owned Enterprise" (1984)*, some authors justify the creation of SOEs as a mechanism to overcome poor market efficient performance, high risks, imperfect information, external economies or even monopolies. One of the major advantages of public enterprises is the fact that they can provide goods and services or serve social goals that the private sector appears unwilling or incapable of addressing, for instance, due to high costs. In addition, they can receive capital from the state that the private market probably cannot provide (Vernon, 1984; Vernon-Wortzel & Wortzel, 1989).

Nellis & Kikeri (1989) justify that public sector took place in developing countries for the same market failure arguments applied in industrialized countries, such as monopolies, externalities and merit goods[4]. Additionally, the authors mention that developing countries, at the moment of the independence, inherited a public enterprise sector often more economically intrusive and interventionist due to reasons both ideological and pragmatic.

As Vernon (1984) mentioned and as Nellis & Kikeri (1989) state, it was thought that in order to develop, governments should hold and lead from the commanding heights of the economy. This was due to the socialist reasoning of public enterprises generating surpluses, which government planners could then invest in high priority areas. It was believed that the economy would be faster and better developed than would occur if the investment and resource allocation decisions were made by private owners.

[4] Goods or services (such as education and vaccination) provided free for the benefit of the entire society by a government, because they would be under-provided if left to the market forces or private enterprise (Business Dictionary).

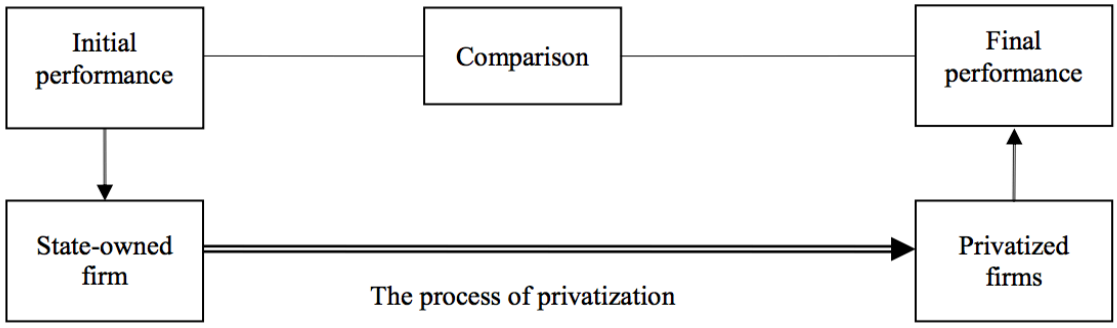
All in all, in industrial economies the state was able, through SOEs, to preserve employment, launch emerging industries, control the decline of senile industries (steel and coal mining for instance) and to help the private sector taking high risks (for instance, natural calamities in the agricultural sector). In what concerns less developed regions of the country, the state used SOEs to boost their economies, to investment in new infrastructure and create employment in order to pursue equality and social stability goals (OECD, 2005).

To sum up the rationales for state ownership, some authors stand out the importance in controlling monopoly powers, establishing equity objectives (job creation, income redistribution, regional development and access to essential goods and services at affordable prices), abolishing deficiencies in the private sector and strengthening of economic sovereignty (Hemming & Mansoor, 1988; Todaro, 1989; Obadan M. I., 2000; Vernon-Wortzel & Wortzel, 1989).

2.1.3. Performance of SOEs

One of the reasons claimed for privatization is to increase the performance or internal efficiency of public firms (Ernst, 1995). This line of thought is based on the idea that private enterprises perform better than SOEs, leading to privatization to be the only measure to improve performance (Bozec, Breton, & Côté, 2002). Figure 1 helps to explain how poorly performing SOEs can be viewed as the input to the process of privatization.

Figure 1 – Basis of the conceptual research model



Source: (Aboujdiryha, 2011)

According to some research in the literature, there is evidence to claim that privatization is critical to reform SOEs and that privatization programs implemented in some economies had a positive impact on the enterprises' performance (Shleifer & Vishny, 1997; Megginson & Netter, 2001; Djankov & Murrell, 2002).

Much of the research comparing the performance of the SOEs with privately owned enterprises is based on three main theories: the property rights, public choice and the agency theory. All of these theories generally favor private control, viewing state ownership as inefficient, especially in a competitive business market (Tatahi, 2006).

Broadly summarizing, property rights emphasizes the role of ownership, which is believed to improve corporate performance through incentives, and market phenomena are seen as disciplinary mechanisms for allocating resources efficiently. The public choice theory highlights the idea that public sector is governed in an opposite manner than the private one, against the public interest and efficiency. Additionally, it is defended in this theory that the private sector is controlled by market discipline, while the public management serves the interest of managers or politicians (Tatahi, 2006). Lastly, the principal-agent theory accentuates the relationship between the principal (shareholder, representing the government) and the agents (privatized enterprises). Researchers suggest that new ownership results in agency problems, which can be resolved through increasing incentives alignments between principals and agents. Moreover, an effective principal monitoring of agents specifically highlights that effective governance mechanisms, (such as ownership structures, board of directors and executive compensation) and external mechanisms (such as takeover threats) can resolve many agency problems due to the improved monitoring and/or less agency conflict, which will affect the performance of privatized companies (Achtenhagen & Brundin, 2016).

Other arguments on the better performance of private enterprises are, for instance, the diffusion of ownership, which mentions that when ownership is diffuse, public or private, then efficiency will be reduced, since shareholders have little personal incentive to work for improved management (Jensen & Meckling, 1976); the threat of takeover offsets much of the tendency towards inefficiency, because if management performs poorly then shareholders can demonstrate their dissatisfaction by selling their shares of ownership, which will reduce the price of firm's stock possibly to levels that can be perceived low when compared to other firm's prices. Therefore, for private firms the market provides

an incentive to change corporate governance in order to improve the efficiency of the firm (Yeaple & Moskowitz, 1995); lastly, the argument that private firms face a threat of bankruptcy also incentives the manager to be more aligned with the shareholder's interest, leading to cost cutting and therefore to efficiency (Yeaple & Moskowitz, 1995).

However, there are also arguments which do not support the notion that private firms are more efficient that SOEs, rather affirming that competition is more important to efficiency than ownership *per se*.

Nevertheless, Yeaple & Moskowitz (1995) identified, based on one hundred studies that were performed, that conclusions support the main theories, in what concerns to compare the efficiency of SOEs with private companies. In fact, they add that public enterprises rarely outperform private ones in a competitive environment, usually performing worse, and in regulated industries, public sector's performance is relatively better, occasionally outperforming the private sector.

A study performed by the World Bank (Galal, Jones, Tandon, & Vogelsang, 1994) examined the performance of twelve firms, before and after privatization, and concluded that each firm's performance as well as investment, increased after privatization. In addition, Bishop & Thompson (1993) identified efficiency gains in formerly SOEs that were privatized. However, Yeaple & Moskowitz (1995) state that while they associate the improvements with privatization itself, many of the improvements were due to reforms prior to the sale.

Consequently, due to the different opinions and studies in the literature, it is important to understand if performance is perceived as a reason for SOEs to become private or not.

2.2. The Global Movement of Privatizations: New Public Management

2.2.1. What is Privatization?

In the literature, privatization has been referred as the transfer of ownership and control from the public to private sector. However, some authors refer to the term differently, due to the complexity and dissimilarities among privatizations.

According to Layne (2001), the term privatization, in its narrowest sense, involves the whole or partial sale of state-owned enterprises to private investors. This author remarks that the definition remains unchanged after a decade, even when exposed with various types of privatizations.

Some authors propose that the word privatization can be diverse, for instance, Martin (1993) refers to it as a change in the role, responsibilities, priorities and authority of the state rather than a simple change of ownership. According to Donahue (1989), the term privatization can be defined as something "*as broad as shrinking the welfare state while promoting self-help and volunteerism, or something as narrow as substituting a team of private workers for an all-but-identical team of civil servants to carry out a particular task".* As he adds, it is an advisable cost-saving strategy used by governments to improve their performance and innovation.

According to Smith (1991), privatization has gained support since it is viewed as a cheaper and more effective strategy to address public policy problems instead of government bureaucracies. In fact, the author considers the term complex and controversial, since it is used to describe a wide range of strategies that are responsible for the delegation of public responsibility to the private sector, such as selling SOEs to the private sector, contracting with the private sector and charging fees for the provision of public services, cutting the government budget, deregulation, and encouraging voluntarism.

Kent (1987) asserts that privatization is *"the transfer off functions previously performed exclusively by government, usually at zero or below full-cost prices to the private sector at prices that clear the market and reflect the full cost of production".* Donahue (1989) also states that it is the practice of delegating public duties to private organizations.

The wide-ranging definitions and terms provided, highlights the urge to develop the public sector due to the challenges faced nowadays.

2.2.2. The History and Movement of New Public Management

The term New Public Management (NPM) was coined in the late 1980s to denote the importance of management in public service delivery, often linked to doctrines of economic rationalism (Hood, 1989; Pollitt, 1993). Since then, most countries in the world experienced NPM reforms, often considered as post-bureaucratic policy paradigms (Haque, 1996; Hood & Peters, 2004; Verger & Curran, 2014). In fact, as Kapucu (2006) adds, NPM is the practical idea that *"private is better than public",* which is the basic notion that the instruments used in the private sector must be successful in the public one.

During the last two decades, many definitions have been suggested. In the early 1980s, Garson & Overman (1983) described NPM as "*an interdisciplinary study of the generic aspects of administration - a blend of the planning, organizing, and controlling functions of management with the management of human, financial, physical, information and political resources*." In the mid-1990s, Borins (1995) refers to it as

> *"a normative conceptualization of public administration consisting of several inter-related components: providing high quality services that citizens value; increasing the autonomy of public managers; rewarding organization and individuals on the basis of whether they meet demanding performance targets; making available the human and technological resources that managers need to perform well".*

Hood (1991) identified seven doctrinal components of NPM, such as the "hands on'' professional management in the public sector, the explicit standards and measures of performance (KPIs), the greater emphasis on output control, the shift to the disaggregation of unit, the shift to greater competition, the stress on private sector styles of management practice; and the stress on greater discipline and parsimony in resource use. Vigoda (2003) commented on the previous definition by implying that NPM relies heavily on the theory of the marketplace and on a business-like culture in public organizations.

More recently, Verger & Curran (2014) state it is a philosophical corpus of managerial ideas that aims at driving public sector reform in a range of policy areas. Vigoda (2003) defines it as

> *"an approach in public administration that employs knowledge and experiences acquired in business management and other disciplines to improve efficiency, effectiveness, and general performance of public services in modern bureaucracies".*

Kalimullah, Alam, & Nour (2012) define it as an administrative philosophy concerning organizational design in government, which intends to explain government authoritative decisions in a given place and time, based on two fields of paradigm: public choice and managerialism.

Ehsan & Naz (2003) state the term is associated with the image of minimal government, de-bureaucratization, decentralization, market orientation of public service, contracting out, privatization, performance management, among others. In fact, the New Public Management constitutes a more efficient mechanism to deliver goods and services, and to raise governmental performance levels (Kelly, 1998). Its features constitute a contrast to the traditional models of administration, as for instance, dominant role of the government in services' provision, hierarchical structure of organization and centralization.

The fact is, there are some defined ideas that usually are invoked whenever NPM is discussed within the public sector, such as competition between public and private service providers, decentralization and delayering of government bureaucracies, broader options for citizens to choose, benchmarking and output measurements, performance contracts and other financial incentives for public servants, creation of internal markets and assimilation (Stark, 2002).

However, even though there is some consensus in what concerns the terms associated with NPM, some authors differ in their contributions to the literature about public management. For instance, some writers argue that NPM is associated with the idea of *"letting managers to manage"* (Kettl, 1997), others claim NPM is related with *"a focus on results (...) shifting resources from management to front-line workers, and more consultation with clients and citizens"* (Lindquist & Paquet, 1997). Academics linked NPM to concepts such as managerialism, principal-agent theory, public-choice theory, deconstructionism, postmodernism, total quality management, reengineering, democratic theory, and cyber theory (Kamensky, 1996; Terry, 1999; Stark, 2002).

The rise of NPM, as Kalimullah, Alam, & Nour (2012) stated, was mainly due to the role of Government until 1960s in socio-economic transformation, market oriented reforms, production, provision and regulatory activities, due to the existence of fiscal crisis, bureaucracy, poor performance, lack of accountability in public organizations, wide spread corruption, changes in public expectation and emergence of better alternative forms of service delivery. In order to manage public sector organizations, NPM had two key features, such as the separation of policy formulation and the influence of management inspired by the private sector. Besides the ideas previously mentioned in association to NPM, this new approach was concerned with the ability of public administration to secure economic, efficient and effective provision of public services.

The NPM movement began in the early 1980s, with the primary practitioner being United Kingdom's Prime Minister Margaret Thatcher. The United States, under the term of president Ronald Reagan, followed the adoption of NPM due to heavy economic recession and tax revolts. Therefore, the initial steps of New Public Management are linked to the conservative and neo-liberal economic movement (Pollitt, 1993).

Oliver & Drewry (1996) commented that the years since 1975, when Margaret Thatcher became Prime Minister, were particularly associated with radical programs to reform public services, in terms of nature and range of services provided by the state as well as institutionally, in terms of which service provision is organized and funded. It is argued in the literature that, even though the state was dominating public services, it was not delivering quality, efficiency or effective services to its citizens before the rise of NPM in early 1980s. It began to propagate globally due to inherent ideas and the support of the Organization for Economic Cooperation and Development, the United Nations, the United Nations Development Program, and other international and regional forums (Lynn Jr, 2005)

The NPM governance model was spread to several capitalist nations such as Australia, Austria, Canada, Denmark, France, Germany, Italy, Japan, Netherlands Norway, Portugal, Spain, Sweden as well as some developing countries in Asia, Africa, and Latin America, and some transitional societies in Eastern Europe. Haque (2004) affirms that the main components of NPM, such as the principles of market competition, business management, customer orientation and value for money, can still be observed nowadays in these countries and regions.

The most common explanations about the rationales behind the emergence and adoption of NPM model and its globalization are the weaknesses or failures of traditional state bureaucracy, with focus on the *"monopolistic nature, unmanageable size, managerial inefficiency, public inaccessibility, economic inertia, excessive corruption, and self-serving agenda"* (Haque, 2004).

Even though the allegations against state bureaucracy were not a novelty, the intensity to eliminate bureaucracy increased between 1980s and 1990s in advanced capitalist nations, which wanted to reduce the scope and role of public bureaucracy, transfer resources and services from the public to the private sector, and restructure the public service to the image of business management, which was believed to be more competitive, productive, efficient, innovative, responsive, and customer-friendly (Haque, 2004). The author adds other rationales for the NPM approach, as for instance the political agenda of some parties, which use the model as an effective tool to boost the political support of an anti-bureaucratic public or the government's lack of public confidence which led political parties and leaders to use public bureaucracy as a *"scapegoat"*.

The author, as some in the literature, mentions the way international agencies pressured developing economies to adopt the NPM style of public sector reforms, by imposing not only the adoption of market-led policies such as privatization, deregulation, and liberalization, but also to restructure the public sector based on business sector principles associated to the NPM model. The critics made are related to the fact that, even though the causes of NPM in capitalist nations have been in its majority internal, they are predominately external. For instance, both developed and developing countries had rationales to adopt the NPM model, such as state failure, public sector inefficiency, and bureaucratic mismanagement; however, there are other factors that also have major influence as for instance, political interests, legitimation crisis, and external pressure to adopt the model. However, it is interesting to note that New Public Management is associated with words like reinvention, innovation, facilitation, partnership, empowerment, customer satisfaction, capacity building, among others (Hague, 2004).

As Smith (1991) mentions, Reagan and Thatcher administrations pressed privatization to reverse the growth of government and encourage greater private responsibility for the economy and public policy issues in general. Therefore, some countries are using privatization as a tool to "*dismantle inefficient industries, improve worker productivity, and halt the growth of subsidies and social benefits"*.

2.2.3. What influences Privatization?

Haque (2000) mentioned in his work, along with Clarke (1994b) and Martin (1993), the emergence of state-centered economic approach in advanced capitalist nations is a consequence of market failures and an increased demand for citizenship rights, as for instance, quality of living, education, health care and minimal social equality.

Therefore, a question arises: why privatization occurs? By analyzing historical experiences, there is evidence in the literature that suggest that economies face nationalization-privatization cycles (Hirschman, 1982; Minor, 1994; Chua, 1995; Siegmund, 1996). Consequently, it would be noteworthy to understand why nations choose privatization and what its determinants are.

According to Aboujdiryha (2011), the privatization process can be influenced by a number of factors, classified as economic, political and "additional factors".

Economic Factors

In the literature, state ownership has been justified as a way to ensure that business enterprises balance social and economic objectives, rather than focusing on profit maximization. In fact, SOEs have also been a response to market failures such as the lack of economic efficiency by, for instance, natural monopolies (Megginson, 2005).

The economic influences that affect the privatization process are sub-divided into macroeconomic and microeconomic factors.

Macroeconomic Factors

The macroeconomic factors group can be divided into financial and international pressures for privatization to occur (Aboujdiryha, 2011). The financial deficit and foreign debt of countries are some of the financial pressures mentioned in the literature. The oil crisis in 1980s led some countries

to face large budget deficits, which turned privatization into an option to improve short-term cash flow. Ramamurti (1992) discovered that many privatization programs in developing countries are associated to large debt burdens, which is shown in his study by the correlation between debt levels and privatizations.

The fiscal condition of a country also has an influence for the privatization to occur (Boehmer, Nash, & Netter, 2005). According to a study of Vernon (1988), there is a strong link between privatization and fiscal performance in developing countries, which are more likely to run large deficits, while Pinheiro & Schneider (1994) state that privatization is a quick solution in order to address fiscal crises.

The international pressures that countries suffer are, for instance, the international lending agencies, which in the current days are responsible to finance external debts of some countries. Therefore, debtor countries adopt some privatization programs in order to display their commitment to the stabilization programs (Hemming & Mansoor, 1988; Nellis & Kikeri, 1989). Other studies show that some institutions, as for instance the World Bank or, more recently in Europe, the International Monetary Fund, pressured developing countries do adopt privatization programs (Martin, 1993)

Microeconomic Factors

The microeconomic factors can be divided into performance of SOEs, organizational chart and management restructuring (Aboujdiryha, 2011).

In the literature, privatization is perceived by international financing institutions as one of the most important policies to improve SOEs performance (Aivaziana, Geb, & Jiaping Qiuc, 2003; Omran, 2003; Nahadi & Suzuki, 2012). In terms of the organizational chart of SOEs, the centralization and bureaucratic rules can lead to privatization in order to ensure faster and more efficient decisions (OECD, 2003). Privatization can also occur due to management issues, as for instance, management restructuring. In fact, as Andrews & Dowling (1998) stated, there is a strong relation between the improvement of performance and management restructuring after privatization.

Political Factors

The decision to sell government-owned firms is likely to depend not only on financial factors, but also on political costs and benefits (Dinç & Gupta, 2011). In terms of political factors, they can be divided into political patronage, political strength, political competition and influence of labor (Dinç & Gupta, 2006).

Political patronage can influence the privatization decision due to the fact that politicians obtain private benefits from controlling government-owned firms (Shleifer, Andrei, & Vishny, 1994; Dinç, 2005). Therefore, if politicians can obtain benefits from controlling SOEs (Boycko, Maxim, Shleifer, & Vishny, 1996), the decision to privatize can be influenced by them, specially if losses are associated to go private.

In addition, politicians can influence (negatively) the decision to privatize due to political supporters (Dinç & Gupta, 2006). Consequently, rent-seeking politicians may allocate public funds in order to reward supporters with patronage (Cox, Gary, & McCubbins, 1986).

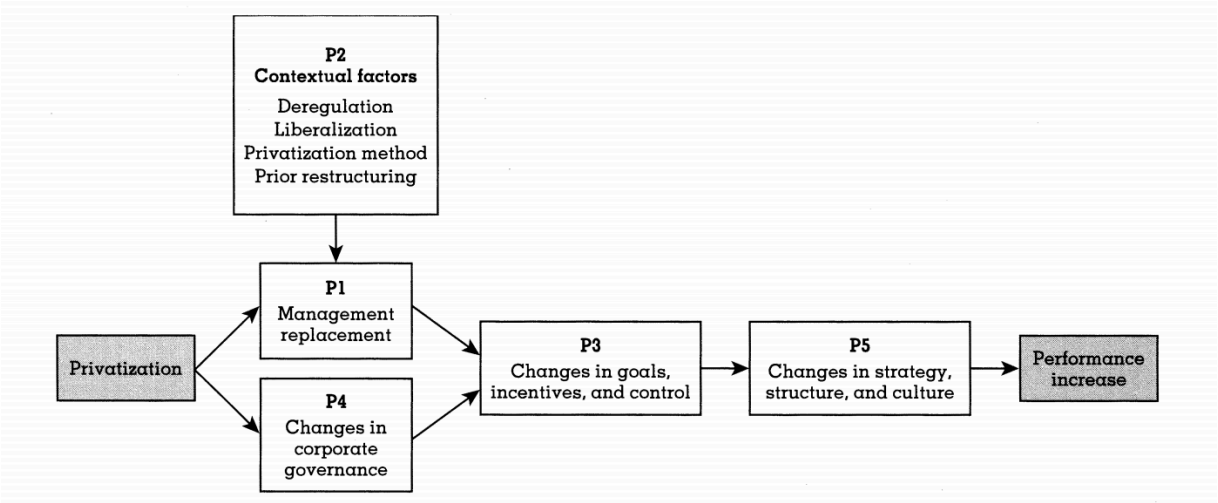
According to (Dinç & Gupta, 2007), privatization can have potential costs, such as layoffs, which has a greater impact in the region where the firm is operating. Therefore, voter support for the governing party may decrease in the region as a consequence of privatization, especially from interest groups such as SOEs workers or general public that perceive privatization as negative policy. Consequently, the leading party may prefer, on one hand, privatize firms located in regions that have more voter support and where it can withstand the effects of a potential political backlash (Dinç & Gupta, 2007); or, on the other hand, in order to ensure political victory and support, decides not to privatize firms located in those regions, as a rewarding attitude towards its supporters (Sapienza, 2004). All in all, the political strength is perceived as a factor that influences the decision of governments to privatize firms.

In addition, political competition between two parties may influence the privatization process (Dinç & Gupta, 2006). For instance, a setback on electoral outcomes is more likely to occur if the governing party has levels of popularity similar to the opposition party. Therefore, if political competition has influence to the privatization decision, as for instance lose elections for the opposition, then it is possible that the government may delay the decision in order to maintain the levels of popularity.

Moreover, it is important to comprehend the influence of labor and unions. As mentioned by Din & Gupta (2006), unions tend to oppose privatizations due to the potential layoffs associated. In fact, unions tend to resist more when firms have more workforce, since it is more likely to have more surplus workers.

Figure 2 shows how political factors and managerial restructuring affect the privatization process, leading to a performance increase of SOEs.

Figure 2 – A Model of Privatization, Organizational Changes and Performance



Source: (Cuervo & Villalonga, 2000)

Additional Factors

The transparency during the privatization process, might have an influence on the process of privatization. As mentioned by Aboujdiryha (2011), the lack of transparency can lead to a perception of unfair dealings and protests. In Portugal, the decision to privatize TAP had a setback due to the lack of transparency in the process (Correia, 2012).

Gratton-Lavoie (2000) gathered the motivations for several governments to privatize SOEs, such as to raise revenues, to improve SOEs' performance, promote popular capitalism, foster competition and develop stronger capital market institutions.

The need for government to raise revenues is related with the desire to improve SOEs efficiency, which is obtained via privatization (Robinson, 1997). In fact, Vickers & Yarrow (1988) state that assets are more productive under private than public operation, therefore privatization will raise more revenue.

However, other authors such as Ito & Krueger (2004) mentions that the State dumps SOEs in order to enhance their revenue rather than efficiency, since privatization may bring in sales revenues for the government.

According to O'Neill & Williamson (2012), “popular capitalism” also described as “property owning democracy” was perceived as a mean of fostering civic equality rather than the dominance from a wealthy minority and of ensuring a more equal distribution of freedom and economic security. However, according to some authors, privatization broadens the gap between the rich and the poor, consequently sharpens class contradictions and antagonism in the privatized state (Odukoya, 2007) .

In the literature there are other justifications on what makes the privatization process to occur, as for instance market liberalization, since SOEs have to comply with certain market and State rules (Robinson, 1997). The main objectives behind privatization vary among jurisdiction, being the most common cited objectives the ones related with economic efficiency and the introduction and promotion of competition (The Unilateral Conduct Working Group, 2007). In general, liberalization refers to a relaxation of government restrictions, usually in areas of social or economic policy, i.e. by opening the economies to global market.

Another reason has been the need to reduce Public Sector Borrowing Requirement (PSBR). Due to economic crisis and inflation some countries faced increased government expenditure, therefore most governmental businesses were on deficit financing (Vickers & Yarrow, 1988). As a consequence, privatization can be used as a mechanism to reduce PSBR.

2.3. Privatization Impacts

Privatization has been one of the major and most controversial economic issues throughout the last decade (Schmidt, 1996). In fact, the future impacts of privatizations can lead or prevent privatizations to occur. Therefore, it is important to analyze what is entailed in the literature as costs and benefits of the process.

2.3.1. The Costs

The literature suggests some costs associated with the privatization process. The current section alludes to the costs which affect different groups, as for instance, the government and customers as well as the company:

1. At the consumer level, there is a possibility of higher prices and possible consumer dissatisfaction when compared to former public management;
2. At the company level, there is the possible loss of employment due to layoffs, the adverse effects to specific regions and interest groups, and the backlash from the rising in salaries for successful managers;
3. At state level, the loss of State dividends.
4. There are other costs, such as the transaction costs, which are related to the burdens associated with privatization.

Higher prices resulting in consumer dissatisfaction

Critics often argue that privatization leads to higher prices, which in turn finance higher profits (Ferranti, Perry, Ferreira, & Walton, 2004). The process can affect prices differently across income groups since they can decrease or increase. If competition rises as part of or as a complement to the change of ownership, then private owner may be forced to lower prices. However, prices can increase if they had previously been held by the government below cost-covering levels or if bodies regulating privatized infrastructure firms are weak or ineffective. In fact, the distributional impact of price shifts

will depend on the extent to which consumption of the goods and services varies by income group and if different levels of consumption, or categories of customers, face different prices. The impact of distributional price shifts will depend on the variation of income, the levels of consumption or the categories of consumers, which can face different prices (Birdsall & Nellis, 2003).

In addition, the changes in price can vary depending on *"initial conditions and patterns of change"*, with a special focus on the balance between gains in efficiency, the need to compensate for historically subsidized prices and the regulatory and institutional framework that determines profits (Ferranti, Perry, Ferreira, & Walton, 2004).

In some privatizations, consumers can be affected by the government's willingness to privatize. Therefore, consumer welfare can be sacrificed by higher prices in order to obtain more resources from the sale (Pietrogiovanna, 2003; The World Bank, 2006). In fact, the distributional effects of privatization are not restricted to the shift in ownership or setting issue price or compensation. The public firms, contrary to the private case, are instructed to reduce the prices of goods; this distributional pricing policy will have their effects reduced by privatization (Yarrow & Jasiński, 1996).

There is an ongoing dispute about the privatization of general interest services, such as hospitals and water operators, due to profit orientation goal, which argue that prices increase and the quality of services deteriorate (Layne, 2001).

According to Birdsall & Nellis (2003), steep price increases after privatization have been quite common in divested network or infrastructure industries, e.g. electricity, water and sewerage, and common but not universal in telecommunications. As mentioned by (Amin, 2009), consumer dissatisfaction with privatization efforts over the last two decades has increased.

Enterprise closures and loss of employment

Privatization can change the return on assets such as the labor. For instance, low-income employees are more likely to be laid-off, have more difficulties in finding an alternative job, and if they do, it

might be less remunerative than the former one, or even not finding a new one because it was obtained by higher-skilled, higher-income workers who were also dismissed (Birdsall & Nellis, 2003).

In fact, union leaders frequently allege that cost-cutting measures by new private owners fall disproportionately and unfairly on workers, claiming that the poor management and governing policies are the real causes of the financially troubled situation of firms, and labour pays the price of the reform program (Birdsall & Nellis, 2003).

Adverse effects to specific regions and interest groups

The literature on privatization often alludes to the fact that some regions and interest groups may be affected negatively in detriment of others, especially due to votes.

As Dinç & Gupta (2011) claim, the costs of privatizations, as for instance the workers' layoffs, are likely to be geographically concentrated in the region where the firm operates. This can have a negative impact in the region and for the workers' group of the company.

Additionally, if politicians are worried with electoral goals, then they may allocate public funds to specific regions (Lindbeck & Weibull, 1987; Dixit & Londregan, 1996), which can be unfair for some regions and even prejudice them. Regions that are less developed are less likely to receive investments, since job creation happens in politically competitive regions (Bertrand, Kramarz, Schoar, & Thesmar, 2006) and income distribution is more concentrated in regions with more swing voters (Dahlberg & Johansson, 2002).

Backlash from rise in salaries for successful managers

In the literature it is often discussed the conditions that affect the remuneration of top chief executive managers. According to Köthenbürger, Sinn, & Whalley (2006), the compensation of top managers tends to rise after privatization as pay scale constraints are released, executives are more explicitly linked to observable measures of firm performance and have more bargaining power. Additionally,

if due to privatization, the firm increases its associated firm scale, then managers may have a direct oversight of more activities and expect a higher remuneration.

The rise in salaries for successful managers can possibly result in layoffs in the company, therefore the increase of managers' salaries has led to media and unions criticism of privatization's *"fat cats"* (TUC, 1985b).

The government may lose dividends after privatization

According to Yarrow & Jasiński (1996), the government may lose future dividends with privatization, which instead go to wealthy shareholders.

According to Vila & Peters (2016), the imposition of quickly-held privatizations by Troika or the European Commission (EC) leads to a lower price sale of the assets to vulture funds[5], which several times results in governments losing money in the long run. In fact, selling public assets during or after an economic crisis reduces their selling prices.

Besides the fact that companies are sold under their real price, governments sometimes end up losing dividends in the future. Usually governments are forced to sell the most profitable or valuable companies, which besides being easier and quicker, also meets the target of debtor demands. Therefore, the future profitability of the company will not be possessed by the State (Vila & Peters, 2016).

For instance, in 2011 and 2012, the Portuguese state began its privatization program by selling a percentage stake of Energias de Portugal (EDP) and Rede Energéticas Nacionais (REN), both energy companies, to Chinese State Owned Entities. However, according to a report from the Portuguese Court of Audit in 2015, the Portuguese bank *Banco Espírito Santo Investimento*, which was responsible to access if both privatizations were possible, failed to safeguard the national interest. This report concluded that the Portuguese State, by selling off its remaining state in the energy

[5] A fund which invests in companies or properties which are performing poorly and may therefore be undervalued (Oxford Dictionaries)

companies, would be deprived of substantial future dividends. In fact, the government would lose roughly 1.6 billion euros with the sale of EDP and around 400 million euros with the sale of REN (Vila & Peters, 2016).

Transaction costs

The transaction costs associated with the privatization process are, for instance, the administrative costs, financial restructuring, physical maintenance and settlement of employment claims. The administrative costs include advisory services, underwriting and brokerage commissions in public offerings and brokerage commissions in private sales; the financial restructuring costs include the settlement or assumption of loan and other liabilities, or the conversion of government-held loans into equity and the recapitalization of SOEs prior to sale; interim physical maintenance is a cost to the government while physical rehabilitation is a cost mainly to the purchaser; lastly, the settlement of employment claims may involve compensation payments such as pension funds (Vuylsteke, 1989).

2.3.2. The benefits

Besides the costs that affect privatization, some theoretical arguments supporting this view are also vast in the literature. The current section discriminates the benefits into efficiency arguments, quality improvement, technological development and innovative capacity, budgetary advantage, public administration advantages and improved management.

Efficiency arguments

Many empirical studies in the literature, which compare private and public enterprises state that private firms are more efficient than public ones. Additionally, some consider that changing the ownership will increase efficiency only in competitive markets (Sheshinski & Lopez-Calva, 2003; Vickers & Yarrow, 1988).

According to Yarrow & Jasiński (1996), the main reason for the increase in efficiency is the change in management behavior, which can be explained by the reduction in government intervention, the close analysis to the market value of shares arising from the stock market and the decrease of influence in government policy, since political connection between management and government is not as before.

Other authors argue that managers from private firms, even if they are not shareholders, are motivated to improve efficiency in order to increase profits because they also benefit from this increase in revenues. In fact, what distinguishes public from private enterprises is the fact that SOEs have to serve the market, while private firms pursue the optimum size. Therefore, they will run under economies of scale, which at the end will raise efficiency. Additionally, private firms face higher competition, which will force them to improve their quality as well as efficiency (Boorsma, 1998).

Quality Improvement

It is argued that privatization improves the quality of services due to the competition faced by the organizations (Boorsma, 1998).

Several studies were made to support this evidence, leading to the conclusion that provision by private suppliers should be preferred as it may lead to increased quality as well as lower costs (Hart, Shleifer, & Vishny, 1997; Inter-American Development Bank, 2001; Bergman, Johansson, Lundberg, & Spagnolo, 2016).

Additionally, the consumption will increase due to the possible increase in the quality of goods and services, which will be be positively perceived by consumers. This increase leads to a higher production, which will possibly create more jobs. Therefore, the consequences of quality improvement will help the growth of economies of both developed and developing countries (Dinavo, 1995).

Technological Development and Innovative Capacity

Other benefit associated with privatization, which is related to efficiency, is the stimulation of technological development as well as innovative capacity. The assumption behind this argument is that profits motivate the private manager to innovate (Boorsma, 1998; Wright, Hoskisson, Busenitz, & Dial, 2000).

Empirical studies on the effects of privatization report changes in employment and capital investment, which may suggest a change in technology (Okten & Arin, 2006). According to Megginson & Netter (2001), almost all of the studies they reviewed have evidence that capital investment spending increases significantly as firms are privatized.

Additionally, Okten & Arin (2003) tested the effect of privatization on technology choice and concluded that SOEs are likely to be less capitalized when compared to private companies. Moreover, the capacity utilization, investment and capital-intensity production technology increase after privatization.

Budgetary Advantage

The direct effect that privatization has on government's budget is the revenue from selling assets (Yarrow & Jasiński, 1996). If share ownership is transferred, then future private owners must pay some price to the State.

Another benefit for the State is the fact that, since enterprises are no longer public, there is no obligation to finance them (Yarrow & Jasiński, 1996).

According to Rabushka (1997), privatization has several justifications, being one of them the elimination of endless flow of taxpayer subsidies, which are required to keep SOEs in the business and thereby, relieving pressure on state budgets.

Public Administration Advantages

Boorsma (1998) mentions in his work that privatization improves the functioning of the public administration because some activities, which are not related with their core-business, are left to the market and to the private sector.

In fact, this idea is supported by political and philosophical arguments, as for instance, conservatives and libertarians, who have the desire to contract the size of government since they complain that the growth of government accretes power at a cost for citizens. The general idea is the same, that government is performing tasks that should not be doing, therefore, should cease them (Kosar, 2006).

Improved Management

In the literature, one enhancement associated with privatization is the idea of management improvement. Private administrations can take decisions based on what is best for the company, without the need of complying with political objectives and regulations. Additionally, bureaucracy can be avoided, which is in line with the efficiency effect, and services can be directed more towards market requirements and the consumers (Boorsma, 1998).

According to Gollust (2006), government agencies are often the target of public dissatisfaction. For instance, the general lack of faith in government due to the disappointment with bureaucratic practices, might lead to privatization (Brodkin, 2006). As the author mentions, the process of privatization as a management reform improves bureaucratic practices by relocating discretion to agencies thought to be more trustworthy with respect to public purposes.

2.4. Main Privatization Cases: Portugal and Brazil

Portuguese Case

The Portuguese privatization program was initiated in 1989, following the wave of privatizations in developing economies introduced by the British government of Margaret Thatcher in the early 1980s.

The revolution of 25th of April in 1974 led to a late launch of the privatization program in Portugal, which was preceded by a massive process of nationalizations. In fact, only in 1989 it was initiated the transfer of state holdings to the private sector, which only allowed minority sales of 49% at most. However, in 1990 the Privatization Law (*Lei-Quadro de Reprivatizações)* altered the permission to sell more than this percentage.

The movement to modernize the Portuguese economy, by opening public enterprises to the private sector, was motivated with the entrance of Portugal to the European Economic Community (EEC) and the establishment of the Single European Act (SEA), which pressured the Portuguese economy to follow what was already being practiced by the European countries.

Therefore, the objectives presented, as part of the privatization program, were reducing state ownership in the economy, raising cash to reduce public debt and budget deficits; improving economic efficiency and increasing competition, contributing to corporate and sector restructuring, submitting companies to transparent corporate governance rules, developing domestic capital markets, disseminating share ownership and promote capital ownership to Portuguese citizens, mainly to the enterprises' employees (Vieira & Serra, 2006; Rodrigues, 2012).

According to Rodrigues (2012) there were five stages in the privatizations program of Portugal: from 1989 to 1995, it was considered the *"initial stage and regulation"* with privatizations of Unicer, Aliança Seguradora,Tranquilidade insurances, Centralcer, the beginning of partial privatizations of Banco Português do Atlântico, Banco Totta e Açores, the full sell-off of Pego power station and initial public offerings for Portugal Telecom and Portucel*;* from 1995 to 2000 it was the *"golden age"* of privatizations with a peak in revenues, specially in the telecommunications and energy sectors, as

for instance 30% of EDP in 1997, followed by 19.5% in 1998 and 20% in 2000 and the public offer sale of PT Multimédia; from 2000 to 2005 it was the *"decline of privatizations"* with simply the sale of Brisa, Auto Estradas de Portugal and 30% of Portucel; from 2006 to 2010 it was mentioned as the *"new privatization breath"* with significant privatizations such as 23% of Galp Energia and the remaining part of Portucel and REN; lastly, from 2011 to 2013 it is referred as *"obligations of the Memorandum of Understanding (MoU)"* in which it was predictable, according to the MoU, that Portugal should privatize until 2013 several enterprises, such as EDP, Galp, the remaining of REN, CP Cargo, ANA Aeroportos, TAP and CTT. Additionally, some partial privatizations such as RTP, insurance of Caixa Geral de Depósitos (CGD) and Águas de Portugal were also in the plans.

In fact, the privatization program was responsible for eight privatizations and six concessions to the private sector, raising 9.6 billion euros, almost 5 billion euros more than what was established in the *Memorandum of Understanding (MoU).*

In Portugal, privatizations have always been a reality. In fact, 2016 was the first year out of fifteen years that did not include in the State budget any plan for future privatizations (Correia, 2016). The numerous of privatizations is explained by the Bail-Out Program of 2011 negotiated by the Portuguese Government with the International Monetary Fund (IMF), European Commission (EC) and the European Central Bank (ECB), of 78 billion euros, which included measures to bring the Portuguese deficit below the 3% limit in 2013. Therefore, this program undertakes aggressive structural reforms, which involved the privatization of seventeen companies (Vitorino, 2012).

The privatization program is not only aimed at generating higher revenues for the state but it is also perceived as a financing measure from the private sector to support public enterprises that have run into financial difficulties, mainly due to the financial crisis in the past years. In fact, the State had little scope to support these companies due to the strain on the public purse and the fact that under European Union law the subsidies were under very restrictive conditions. In addition to the financial goals, some policy objectives, such as the openness to external markets and the increase of flexibility in the economy through the reduction of State's role, were contemplated by the privatization program. During the four year adjustment program, privatization proceeds in Portugal were equivalent to 5.6% of 2014's GDP (Bräuninger, 2015).

As a result of such policy, the portfolio of *Participações Públicas (SGPS) S.A.,* the holding company for SOEs, has become relatively small. Furthermore, it is believed that Eurozone countries have again relatively straightforward access to the capital market, where Portugal is included, since it is perceived that the country is recovering from the recession (Bräuninger, 2015).

Brazilian Case

The Brazilian privatization program began in the early 1980s, and even though the literature about it emphasizes efficiency and competitiveness as arguments to support the change of ownership, much of the privatization experience of Brazil in 1990 is better understood as a response to the fiscal pressures on the public sector, which worsened significantly in the 1980s (Hudson, 1998).

Privatizations in Brazil were preceded by a process called *"nationalization of external debt"*, in which the shares of external debt contracted by SOEs grew strongly in second half of 1970s (Gomes, 2014). The main reason for this was due to the Second Development Nacional Plan (*"Segundo Plano Nacional de Desenvolvimento" - II PND*), which was a plan designed by the military dictatorship to complete the process of Import Substitution Industrialization (ISI), but that was based on the same growth model through external indebtedness of the so-called *"Brazilian economic miracle"* of the early 1970s (Castro, 1985).

The sale of SOEs to the private sector was perceived as an attractive measure to reduce fiscal pressures: on the one hand, it provided immediate revenue gains for the government and on the other hand, to the extent that companies sold were operating at a loss, it represented a reduction on the fiscal burden of the public sector. Additionally, by converting an SOE into a profitable private company, it would represent an increase in the future tax revenues of the government (Hudson, 1998).

Moreover, it is pointed that government's decision in what to privatize was not very clear. On the one hand, it was suggested that immediate revenue for the State should be obtained via the most profitable companies such as Companhia Vale do Rio Doce (CVRD), the iron mining exploring complex. On the other hand, the long-term revenue benefits would be more likely from the sale of enterprises that

had a long history of low negative returns, such as the Rede Ferroviária Federal Sociedade Anónima (RFFSA) (Hudson, 1998).

Between 1980 and 1990, thirty-eight enterprises were privatized with total receipts for government of only 723 million dollars, mainly because they were firms in financial difficulties. However, in 1990, Brazil's policy changed with the government of Fernando Collor de Melo, who made privatization a core strategy to the economy with the creation of the National Privatization Program ("*Programa nacional de Desestatização" – PND*) created by the National Economic Development Bank (*"Banco Nacional Desenvolvimento Económico Social" – BNDES*). Therefore, between 1990 and 1992, fifteen strategic SOEs were privatized, yielding around 3.5 billion dollars in proceeds. Among one of the most important sales was the Minas Gerais Iron and Steel Mills, Inc. ("*Usinas Siderúrgicas de Minas Gerais S.A". – Usiminas*), which alone accounted for 2.3 billion dollars, nearly twice the revenue of all privatizations (Hudson, 1998).

During the presidency of Itamar Franco, between 1992 and 1994, the program of privatizations persisted with a main emphasis on sales for cash. As a result, eighteen companies were sold which was translated into 5 billion dollars' proceeds. Among the enterprises sold during this period was the Brazilian Aeronautics Company ("*Empresa Brasileira Aeronáutica" – Embraer*). The steel sector was almost wholly privatized by the end of 1994, which was a year with twenty-five SOEs' privatized, mostly in exchange for debt certificates and little hard cash (Hudson, 1998).

In 1995, when the president Fernando Henrique Cardoso was elected, it was expected a rapid growth in privatizations and the focus shifted to SOEs responsible for the major part of Brazil's economic infrastructure, such as enterprises responsible for energy, transportation and communication sectors. Some important privatizations that occurred were the sale of Espírito Santo Power Plants, Inc. (*"Espírito Santo Centrais Elétricas S.A." – Escelsa*) and CVRD, one of Brazil's largest state enterprises. Petrobras remained outside the program due to constitutional restrictions and some assessments on RFFSA ("*Rede Ferroviária Federal, Sociedade Anônima"*) and other federal owned power companies began (Hudson, 1998).

The privatization program was very successful during the following three years: in 1996 was the privatization's record of annual profits, in 1997 the results of privatization were higher than the sum

of all previous years and in 1998 new records were accomplished. In fact, after 1995, the magnitude of privatization was largely increased due to two movements: the decision to end with public infrastructure monopolies and to develop own privatization programs. All in all, between 1995 and 1998, eighty privatizations occurred with revenues of 60.1 billion dollars, which allowed the transfer of 13.3 billion dollars in debts (Pinheiro, 1999).

Among all the factors that contributed to the expansion of privatization in those years, the most important was the role privatization had in sustaining the Real Plan (*"Plano Real"*). With the revenues from the sales, Brazil was able to attract and increase the amount of Foreign Direct Investment (FDI), which helped to finance the high deficits and avoid the increase of public debt. The privatization of Telebrás alone, contributed to decrease the public debt in an equivalent of 2.1% of Brazilian's GDP. Additionally, between 1996 and 1998 the FDI was equivalent to 14.7% of the public debt (Pinheiro, 1999).

Between 1999 and 2001 around 30 billion dollars were reached, with the electric sector representing 43% of the revenues, followed by the telecommunications. Revenues with financial institutions were also relevant such as Banespa (1 billion dollars), IRB (400 million dollars) and some state banks. Some other revenues from minority participations in shares of Petrobras (3 billion dollars), auctions from Vale (500 million dollars) and other enterprises from the electric sector (1.6 billion dollars) were managed (Pinheiro, 1999).

The fact is, the role of the State as an investor has been decreasing: the share in Brazil's fixed capital formation dropped from 25% in 1976 to 8.9 in 2002 (Musacchio & Lazzarini, 2014). As a result, from 1990 till 2002 the state privatized 165 enterprises, obtaining revenues of around 87 billion dollars (BNDES, 2002b).

Even after the decrease of state-owned enterprises, BNDES remained as a central actor in the economy. In fact, the institution was selected as "operational agent" during the PND period and remained during the presidency of Cardoso. Even today BNDES is very important for the economy: its operations more than doubled from 4.8% to 11.1% between 2000 and 2013 and the credit given to the private sector increased from 19% to 21%.

From 2002 till 2014, the PT worker's party ("*Partidos dos Trabalhadores" – PT*) initiated the era of "National Developmentalism in Reverse" (NDR) in which privatization is a characteristic (Gomes, 2014). According to the author, the PT has avoided, as a privatization strategy, to privatize entirely, which would be a break with the history of the former leftist party. Therefore, during this period, the strategy was to privatize via concessions, public procurement, public-private partnerships and outsourcing of labor in public administration. In fact, banks, roads, airports, power plants, transmission lines, among others, were privatized during the administration of Luiz Inácio Lula da Silva and Dilma Rousseff.

At the present, under the presidency of Michel Temer, Brazil launched a multibillion-dollar plan to auction off oil, power rights and infrastructure concessions, in an attempt to bolster private investment to help the current economic situation. Therefore, the government plans to sell operating licenses for airports in the cities of Porto Alegre, Salvador, Florianopolis and Fortaleza, as well as to sell rights to operate federal roads, concession of railway projects already built, and auction of rights in the oil fields and hydroelectric plants, during 2017. Temer is selling assets and pushing for a series of unpopular austerity reforms, because as he adds: *"We need to open up to the private sector because the state cannot do everything"*. Furthermore, the government will privatize six power distributors owned by state-run power holding company Eletrobras (Goy, 2016).

3. Methodology

The outcome of research will never be better than the original choice of research approach

— Kinnear and Taylor

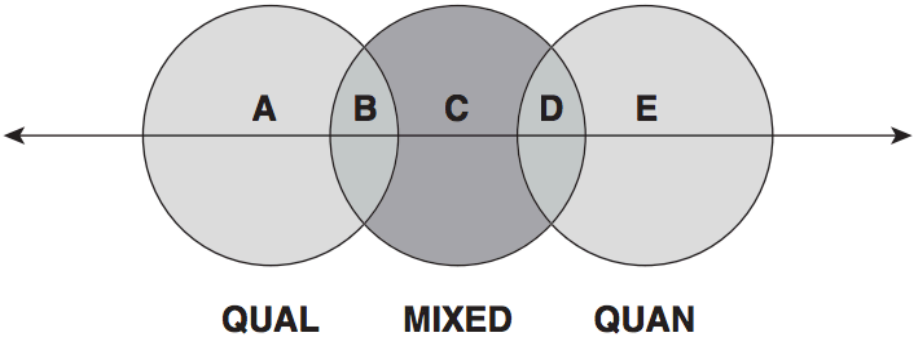
Research methodology is a way to systematically solve the research problem, which may be understood as a science of studying how research is done scientifically. Methodology is important to understand why particular methods or techniques are being used instead of others, why the research study has been undertaken, how the research problem has been defined, which data was collected, what method was adopted among other questions relevant to the study in question (Kothari, 2004).

The following chapter describes and explains the methodology deployed to understand what leads SOEs to become private using TAP as a case study.

3.1. Research Approach

The literature on methodology references three different research approaches: qualitative, quantitative and mixed methods. According to Newman & Benz (1998), they should not be perceived as discrete, distinct or dichotomies, but rather to be seen as different ends on a continuum, as it can be perceived in figure 3.

Figure 3 – Purposive-Mixed-Probability Sampling Continuum



Source: (Teddlie C. , 2005)

Creswell (2014) frames the distinction between qualitative and quantitative research in terms of words and numbers, respectively, or using closed-ended questions (quantitative hypothesis) rather than open-ended questions (qualitative interview questions). Additionally, the author mentions that during the latter half of the 20th century the interest in qualitative research has increased.

According to table 1 it is possible to infer the main differences between qualitative and quantitative approaches.

Table 1- Summary of the Qualitative and Quantitative Research

Categories	Qualitative Research	Quantitative Research
Type of Knowledge	Subjective	Objective
Questions Answered	How? Why? Open-ended Questions	What? How many? Closed Questions
Aim	Exploratory and Observational	Generalizable and Testing
Characteristics	Flexible Contextual Portrayal Dynamic, Continuous View of Change	Fixed and Controlled Independent and Dependent Variables Pre and Post Measurement of Change
Sampling	Purposeful	Random
Data Collection	Semi-structured or Unstructured	Structured
Nature of Data	Narratives, Quotations, Descriptions Value Uniqueness, Particularity	Numbers, Statistics Replication
Analysis	Thematic, Inductive Reasoning, Results Derive from the Perspective of Participants, Generalizations from Limited Number of Observations	Statistical, Deductive Methods, Descriptive Statistics, Inferential Statistics

Source: Author's Table Adapted from William Chemaly (2012); Morinière & World Food Program (WFP) (2009) & The Open University (2012)

Qualitative research can be described as an holistic approach that involves discovery (Williams, 2007), occurring in a natural setting, which enables the researcher to develop a level of detail from high involvement in the actual experience (Creswell, 1994). Additionally, qualitative research builds its premises on inductive reasoning, from observational elements that lay questions that the researcher attempts to explain (Williams, 2007).

The data of this empirical research involves emerging questions and procedures, which is collected via participant's experiences, and inductively built from particulars to general themes. Moreover, it focuses on the individual meaning and on the importance of interpret the complexity of the situation.

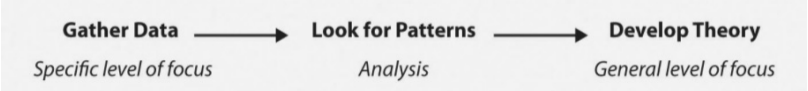
Therefore, the research approach chosen to study why SOEs become private was the qualitative one. In order to study a real and specific case, the recently privatized Portuguese airline company, TAP, was chosen.

Several core characteristics presented by Creswell (2013), Hatch (2002), and Marshall & Rossman (2011) help to justify the qualitative approach.

The first main goal of the study is to understand *why* TAP was privatized, which is the kind of question addressed by qualitative studies. In order to infer the reasons, data was collected via face-to-face interviews (*Natural Setting* characteristic), documents and observing behavior of the participants. In fact, the author worked as a researcher by gathering information, not relying on questionnaires or instruments developed by other researchers (*Researcher as Key Instrument* characteristic).

An *Inductive Analysis* was performed since data was gathered via interviews, followed by an analysis in order to confirm the patterns (same reasons presented by the interviewed that can then be categorized) and conclude what reasons can lead to privatization. The steps involved with the inductive approach to research can be observed in figure 4.

Figure 4 – Inductive Research Steps



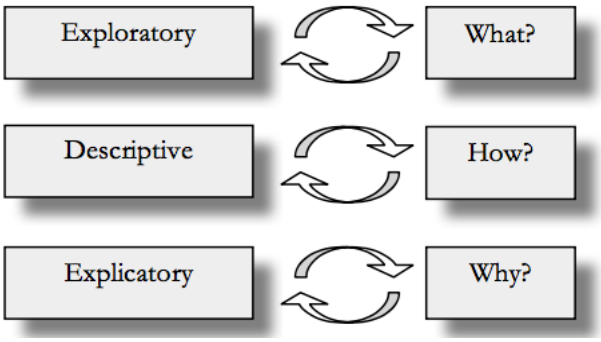
Source: (Blackstone, 2012)

Finally, one of the advantages of the qualitative method is the fact that data used open-ended questions, which gives participants the opportunity to respond in their own words, rather than forcing them to choose from fixed options. The interviews are valuable since some responses are not anticipated by the researcher, for instance, and also, allows the researcher the flexibility to ask directly

to participants *"why?"* or *"how?"*. These two advantages are particular important for a qualitative study such as the present one (Mack, Woodsong, MaQueen, Guest, & Namey, 2005).

In fact, an important purpose of the research approach is to understand which question the study is addressing. As it can be observed in figure 5, there are three parts: exploratory, descriptive and explicatory approaches. They are integrated with each other, since the research study begins with an exploratory approach in order to acquire general knowledge on the subject. The current work started with a review on the literature about privatization and related matters. As a consequence, it was possible to identify some questions that could be more investigated, such as why SOEs become private. After the exploratory research, it was important to describe the phenomenon, the privatization process, with a more descriptive approach. After being well familiar with the subject it is essential to comprehend why privatization occurred, using TAP as case study.

Figure 5 – Research Approach



Source: (Bäckman, Johansson, & Persson, 2007)

Therefore, the current case study is more focused on a qualitative explicatory research, based on a case study of TAP.

3.2. Research Design and Research Method

Yin (1984) defines the case study method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.

Other authors, such as Creswell (2003) outlines that case studies are explored by researchers as complex programs, events, activities, processes, or even on one or more individuals. Stake (1988) adds that case studies are defined by interest in individual cases and not by methods of inquiry. According to Bryman & Bell (2007) the case study design involves detailed and intensive analysis of single or multiple cases, where their nature is truly studied. In fact, the case study design has been used in several studies in the field of business and management research. However, some limitations include the external validity, since one or few cases probably do not represent all or a certain group of observations.

Johansson (2003) summarized the main ideas of case study, suggested by researchers such as Yin (1984), Miles & Huberman (1994), Merriam & Nilsson (1994), Stake (1995) and Gillham (2001), who mention that this kind of research should have a "case" which is the object of the study. Moreover, the case should be a complex functioning unit, be investigated in its natural context with a multitude of methods and be contemporary.

As mentioned before, the author uses case study as a research method in order to address questions such as *"how?"* and *"why?"*, when researchers have no control over behavioral events and when the research is focused on contemporary event of real life context, as observed in table 2.

Table 2 - Relevant Situations for Different Research Methods

Method	Form of Research Question	Requires Control of Behavioral Events?	Focuses on Contemporary Events?
Experiment	How, Why?	Yes	Yes
Survey	Who, What, Where, How Many, How Much?	No	Yes
Archival Analysis	Who, What, Where, How Many, How Much?	No	Yes / No
History	How, Why?	No	No
Case Study	How, Why?	No	Yes

Source: Author's Table Adapted from Yin, Bateman, & Moore (1983)

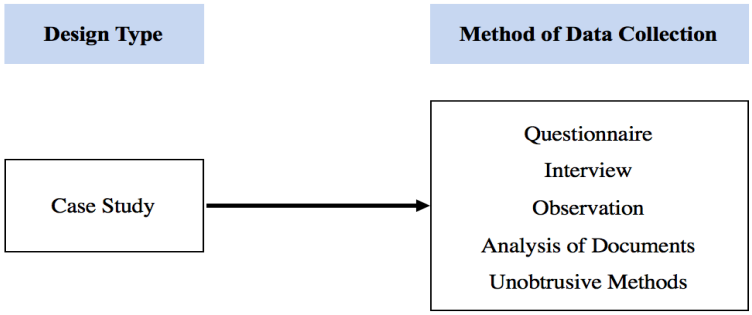
Since the focus of the study is to understand *why* TAP was privatized and *how* is the relation between privatization motivations and expectations of executives and workers from TAP, case study was

chosen, as already mentioned. In fact, the case study is preferred in examining contemporary events but when relevant behaviors cannot be manipulated (Yin, 1984).

The methods for data collection are direct observation of the events being studied and interviews of the persons involved in the events. Additionally, the case study's major strength is the ability to deal with a full variety of evidence-documents, artefacts, interviews, and observations-beyond what might be available in a conventional historical study (Yin, 1984).

Therefore, as observable in figure 6, the design type will be a case study of TAP, whereas the method of data collection will be done through semi-structured interviews, observation and analysis of documents (previously done in the literature review). The qualitative analysis is justified since the fact that perceptions, beliefs, ideas and opinions are difficult to measure in a quantitative way.

Figure 6 – Relationship Between Research Design and particular Data Collection Method



Source: Author's Scheme Adapted from Vaus (2001)

Some of the methods, such as analysis of field notes, journal articles, technical papers and other secondary data, are unobtrusive methods used. Furthermore, these methods emphasize on understanding, interpret and observe natural settings, as well as closeness to data with an insider view (Ghauri, Grønhaug, & Kristianslund, 1995).

3.3. Sample Selection

For researchers, understanding the theory and practice of the samples is a necessary skill, whichever research method or approach they are adopting (Ritchie, Lewis, Nicholls, & Ormston, 2014). In fact,

even if a study involves a small sample or a single case study, there are still decisions that need to be defined about the people, settings or actions to cover and select (Merriam S. , 2009).

A key characteristic of qualitative samples is that they are relatively small in size, therefore enabling an in-depth exploration of the phenomena under investigation (Ritchie, Lewis, Nicholls, & Ormston, 2014).

According to table 3 there are two sampling processes, the non-probability and probability types. The probability procedure has the characteristic that every individual of the population has equal chance of being selected and the selections are made independently, which means that the probability of a unit being selected is not affected by the selection of other units from the population (Teddlie & Yu, 2007). This method is mostly used in quantitative studies.

Table 3 - Comparisons Between Non-Probability and Probability Sampling Techniques

Dimension Of Contrast	Non-Probability Sampling	Probability Sampling
Overall Purpose Of Sampling	Generate a sample that addresses research questions	Generate a sample that addresses research questions
Issue Of Generalizing	Sometimes seeks a form of generalizability (transferability)	Seeks a form of generalizability (external validity)
Rationale For Selecting Cases/Units	Address specific purposes related to research questions The researcher selects cases he/she learn the most from	Representativeness The researcher selects cases that represent the population
Sample Size	Classically small (less than 30 cases)	Large enough to establish representatives (at least 50)
Depth/Breath Of Information Per Case/Unit	Focus on depth information generated by the cases	Focus on breadth of information generated by the sampling units
When The Sample Is Selected	Before the study begins, during the study or both	Before the study begins
How Selection Is Made	Uses expert judgement	Often based on application of mathematical formulas
FORM OF DATA GENERATED	Focus on narrative data (numeric data can be generated)	Focus on numeric data (narrative data can be generated)

Source: (Teddlie & Yu, 2007)

For the purpose of the current qualitative study, a non-probability sample, specifically a purposive sample was chosen. The main reason, as pointed by Maxwell (1997), is that particular people are deliberately selected for the important information they can provide that cannot be acquired from other choices. The main idea is to purposefully select participants as well as important documents and information that will best assist the researcher to understand why TAP became private.

Purposive sampling means what the name suggests – members of a sample that are chosen with a "purpose". The main purpose is to give insight of the company and the reasons that led to the privatization. For this reason, interviewed people are related to TAP, including the actual CEO, current and former members of the executive management council (which enables the study to have perspectives of people prior and/ or during the privatization process), the actual CFO and the coordinator of the TAP's union SITAVA. What they have in common is that they were all in the company before the privatization to occur, which is why they all represent valuable sources to understand this process.

According to Rwegoshora (2014), sample size may or may not be fixed prior to data collection, depending on the resources, time available and the objectives of the study. The sample size was fixed prior to data collection, however, during the gathering it was determined based on theoretical saturation[6] and availability of the respondents. In fact, the study assumes a certain degree of participants' homogeneity because in purposive samples, participants are, by definition, chosen according to some criteria – in this case, are working or worked in the company, mainly at top level management positions. The more similar are the participants' experiences in a sample, the sooner it is expected to reach saturation (Guest, Bunce, & Johnson, 2006).

According to Creswell (2013), the number of participants involved in a qualitative case study is characterized by being small. Even though there is no agreed answer on how many participants a case study should have, some authors present their opinion.

Guest, Bunce, & Johnson (2006) raised the following question: *"did six interviews, for example, render as much useful information as twelve, eighteen, twenty-four, or thirty interviews?"*. They

[6] Theoretical saturation is the point in data collection when new data no longer brings additional insights to the research questions (Rwegoshora 2014).

conducted a study, analyzing interviews from women's in Ghana and concluded that after six interviews, 73% of the thematic discovery occurred. Nielsen & Landauer (1993) created a mathematical model based on results of six different projects and demonstrated that six participants can uncover 80% of the major usability problems within a system. In fact, they calculated that the highest return on investment was obtained with five evaluators. According to Creswell (2013), qualitative case studies should have between four to five cases.

According to the literature, the size of purposive samples is mainly determined by saturation. Charmaz (2006) mentions that when gathering fresh data, no longer bring new insights or reveal new properties, then data saturation is occurring.

After all being mentioned, five interviews were performed, mainly due to theoretical saturation, availability of the respondents and to the fact that it was *acceptable* by several authors and studies. Additionally, one type of purposing sample is the snowball sampling method, in which participants with whom the researcher contacted, suggested other members that could participate or contribute to the study (Mack, Woodsong, MaQueen, Guest, & Namey, 2005). In the current study, one of the participants was reached as a suggestion of other, which is a characteristic of the snowball method.

3.4. Organizational profile: The Case Study of TAP

The privatization of TAP was a controversial issue and very questioned in Portugal. In fact, in 2011 the country agreed with a bailout plan with European Central Bank, International Monetary Fund and European Commission, which led to the occurrence of several privatizations.

Due to its importance and relevance to the country's economy, as well as the recentness of the case, TAP Portugal was the chosen company to evaluate the decision on why it became private.

3.4.1. Company Overview

TAP Portugal was founded in 14th of March of 1945 by Humberto Delgado[7] with the name of *Transportes Aéreos Portugueses* (translated to English is Air Portuguese Transports). It is the leading airline company in Portugal and a member of Star Alliance since 14th of May of 2005. It stands out today as the leading company in operation from Europe to Brazil and to Africa, having a network of 81 destinations to 34 countries (TAP Portugal, 2017).

In 1953, the company was privatized, however in 1975 the company was caught up in the wave of nationalizations that followed the Revolution of the 25th of April of 1974, which turned TAP again into a pubic enterprise. In 1979, a modernization program was responsible for renaming the company as TAP Air Portugal (TAP Portugal, 2017).

In 2005, the company altered to a new logo – the fifth since the company was founded – and a new name, which is the current one. The new image was designed to graphically communicate the idea of modernity, lightness and the Portuguese identity, by reinforcing the name TAP and Portugal, which had always been preferred by both the Portuguese citizens and the company's employees (TAP Portugal, 2017).

At the start of the new millennium, TAP already had carried more than 5 million passengers, a number that had risen to 11.7 million only in 2015 (Silva, 2017). The year of 2006 was considered as the consolidation of several commercial agreements and TAP took control of the ex-VEM (*Varig Engenharia & Manutenção* currently named as TAP M&E[8] Brazil), the largest maintenance center of South America, which revealed as a disaster for the company with huge costs. In the same year it has reached a flight record of 47 weekly direct flights to Brazil (TAP Portugal, 2017).

When in 2007 the company acquired Portugália Airlines – considered for five years in a row the best regional air company of Europe (PGA - Portugália Airlines, 2010) - it reinforced the expansion strategy of the company, with the multiplication of flight destinations to Africa and mainly to Brazil

[7] Director of the Civil Aviation Office at the time.
[8] *Manutenção e Engenharia*

(Rocha, 2015). In fact, in 2014 the company extended its flights to 12 destinations in Brazil, extending its operation to all regions of the country (TAP Portugal, 2017).

In fact, the Lisbon Hub is considered as a privileged access platform to Europe, Africa and Americas. Even though the long term strategy of TAP is to be the market leader in Europe in relation to the Brazilian market, the former state company had also an important patriotic role. Since long-ago, TAP Portugal was considered an important vehicle to connect the former colonies, emigrants and other Luso-descendants in Venezuela, Brazil and Africa, with Portugal. In 1964, TAP began the flight routes to Madeira and Azores (the Archipelagos of Portugal), which helped to connect people from the islands to the continent (Serafim, 2013).

Currently, the company operates, on average, more than 2.500 flights a week, with a fleet size of 81 aircrafts (TAP Portugal, 2017). The general information of TAP can be observed on table 4.

Table 4 - TAP Portugal: Company Overview

Founded	14 March 1945
Headquarters	Lisbon, Portugal
Hub	Lisbon - Humberto Delgado Airport
Secondary Hub	Porto – Francisco Sá Carneiro Airport
Alliance	Star Alliance
Subsidiaries	TAP Express
Fleet Size	80
Destinations	81
Countries	34
Company Slogan	*"De Braços Abertos"* *("With Arms Wide Open")*
Parent Company	Atlantic Gateway
Key People	Fernando Pinto (CEO) , Humberto Pedrosa (President), David Neeleman (President)
Revenue	EUR 4.9 million (2015) ▲
Profit	EUR - 99.0 million (2015) ▼
Employees	5.000 +

Source: Author's Table filled with information from TAP - Management Report and Accounts (2015) & TAP Portugal (2017)

Furthermore, TAP Portugal has been awarded several times, not only in Portugal but also internationally. It was named the "*World's Leading Airline to Africa"* in 2011, 2012 and 2015 and the "*World's Leading Airline to South America"* in 2009, 2010, 2011 and 2012 and 2015, by *World*

Travel Awards. In addition, in 2013 it was accredited by the prestigious British magazine, *Business Destinations*, with the "*Airline with the Best Executive Class – South America"* award. Moreover, it won the *"Best European Airline"* award in 2011, 2012 and 2013 by the respected US magazine *Global Traveller*. Also, the company was distinguished by *UNESCO* and *International Union of Geological Sciences* with the award of "*Planet Earth IYPE 2010"*, in the category of "*Most Innovative Sustainable Product*". Likewise, the magazine *Condé Naste Traveller* attributed the honour of *"Best Portuguese Company"* (TAP Portugal, 2017).

In 2015 it was rewarded with even more prizes, such as "Best Airline Company" by Publituris Portugal Travel Awards 2015 and the Portuguese magazine awards, Marketeer. In 2016, it won 24 prizes only in the 2016 edition of the World Travel Awards, during the event "Europe Gala Ceremony 2016" (Publituris, 2016).

The awards are a reflection of the continuous innovation, safety, reliability and the high quality of the products and services offered by TAP Portugal.

3.4.2. Economic and Political Context of Portugal

It is important to evaluate the international political and economic context as well as the country, in order to infer why privatization occurred and how the situation of Portugal, Europe and the world affected the decision.

Since the 25th of April of 1974 that Portugal has been a functioning democracy with a strong legal foundation. A reflection of this consolidation is the accession to what was then called European Economic Community (EEC) in 1986 and its subsequent role at the forefront of European integration (Bruneau, Jalali, & Colino, 2016).

However, some argued that Portugal was not economically prepared to assume its role as an equal member within the Community, mainly due to low scores in governance dimensions, which affected policy formulation, and also the poor performance in areas related to policy quality. Additionally, the

decision-making strategy of the country focused on narrow and short-term results, which is often motivated by political considerations (Bruneau, Jalali, & Colino, 2016).

Several countries had gone through difficulties in Europe, however, unlike Greece, Ireland or Spain, where economic growth had been sustainably high before the crisis, Portugal experienced low growth since 2001. In 2003, a year after the adoption of the euro currency, the country went into recession (-0.9%), which together with Germany, were the only two countries to register negative growth that year (The World Bank, 2016). The Portuguese economy was in serious trouble with an anemic productivity growth level, low economic development and large deficit budget (Blanchard, 2006).

In fact, the prospect of euro accession in the second half of the nineties had led to a sharp drop in interest rates, with real interest rates reaching zero at the end of the decade. All domestic agents felt the wealth effect, which led to internal demand growth and a decrease of private saving. Therefore, the economy was mainly sustained by the domestic demand, which decreased the unemployment rate to less than 5%, exerting an upward pressure on wages. The consequences were the overvaluation of the economy and a grow in the account deficits. Hence, in addition to the macroeconomic consequences of a difficult adjustment to the new monetary setting, the Portuguese had two face two asymmetric shocks: with the enlargement of the European Union to the central and eastern European countries, there was an increase of competition due to higher skill and educational levels of the workforce, lower labor costs and a central geographical position relative to Europe's main markets, (meaning that those countries upon the entrance to the EU would gain more advantages in terms of FDI attraction and competitiveness of trade); and also the new century, which brought the emergence of low cost economies such as China and India, which competed in labor intensive areas of traditional specialization of the Portuguese economy (Lourtie, 2011).

In 2009, the world economic activity continued to be strongly conditioned by the international financial crisis, with the collapse of the Lehman Brothers' investment bank, which led to a strong contraction of the economic activity and international trade. The sovereign-debt crisis forced the country to sign a 78 billion euros' bailout agreement with Troika to reduce its budget deficit (IMF, 2011), which carried with it a large number of requirements mentioned in the MoU, signed in May of 2011.

In conformity with the agreement, the Government launched a plan of reform and structural adjustment. The economy showed some signs of revival since the end of 2013, with the reduction of public deficit to 4% in 2014 and in May 2014 the country emerged from the financial aid program. The Portuguese grew the third year in a row in 2016 and it is expected to increase until 2019 (Banco de Portugal, 2016).

However, challenges still remain for the Portuguese economy, for instance, the public debt represented 130% of GDP in 2015 (Banco de Portugal, 2015), and Portugal must make annual payments to its creditors until 2020 to reimburse its debt. Even though public debt had increased 9.5 billion euros in 2016 (Suspiro, 2017), the business climate is friendly due to the weakness of the euro currency, low oil prices and the accommodating monetary policies of the ECB. In addition, after the elections in October 2015, the leftist parties formed a coalition government and nominated the Socialist António Costa as Prime Minister. It was the first since the birth of Portuguese democracy that this happened. The labor market registered an improvement, with unemployment rate decreasing and GDP having 0.8% growth in the third quarter of 2016, assuring the 1.2% goal set for 2016 by the government. Additionally, according to the Prime Minister *"companies are investing"*; also, the deficit is decreasing (ECO News, 2017).

However, some argue that, even though the economy is increasing, it has not grown more than 2% since 2007. Moreover, it is said that structural measures are lacking in the economy since the numbers are not sustainable in the medium and long run. In what concerns to the employment values, the skeptical arguments are that the results are only due to activities of little increased value, which can be ascertained from the limited correlation between the increase in employment and GDP growth (ECO News, 2017).

3.4.3. Process of Privatization

TAP's passenger revenues registered a reduction of 8.7%, following the intensification of the international economic and financial crisis and the consequent reduction in demand that took place in 2009 (Relatório Anual TAP Group, 2009).

To understand the process of privatization, one must analyze the different moments of the company. As mentioned, TAP Portugal was founded in 1945 as a state company with the main goal of connecting Portugal with the former colonies of Angola and Mozambique. However, it was privatized in 1953 because the company needed capital during Salazar's *Estado Novo*. In 1975, after the 25th of April's Revolution of 1974, the company is nationalized as a consequence of the nationalization's wave.

Fernando Pinto, the current CEO of TAP Portugal was hired in the year of 2000 to make the privatization transition, which was supposed to occur in the end of that year or in the beginning of the following year, in 2001.

In 2008, the beginning of the economic crisis, led to very negative results (-209 million euros), which was mainly influenced by the increase in the jet fuel price (Relatório Anual TAP Group, 2009), which was not correctly anticipated.

In 2012, the company had a negative equity of 380.8 million euros and the recapitalization became inevitable, not only for the survival of the company but also to fight low cost competition. In the past, between 1994 and 1997, there was a public recapitalization of TAP, which at current values would be over 1.300 million euros to the Government's budget (Dinis, 2015).

However, the main discussion was not whether recapitalization should occur, but which option to choose: either by injection of capital by the government or by the privatization. According to the former Minister of Finance, Maria Luís Albuquerque*, "either TAP is privatized or it will disappear"*. In fact, the former government claimed that only the privatization option was possible, due to European Union legislation, while left-wing parties and unions argued that the State could intervene. For instance, TAP Portugal operates in a highly competitive market and the EU legislation severely limits State aid to the public sector companies because it can give these SOEs a competitive advantage over competitors. However, it is argued that, in the specific case of TAP, the government was not totally forbidden to support aid, but it would have an assured cost for the company. In fact, government's arguments were in favor of privatization, arguing that recapitalization would require budget cuts, dismissing a high amount of employees, cutting pension funds and salaries, among others (Dinis, 2015).

All in all, the privatization process began in 2012, but only had one offer from the businessman José Efromovich, involved in several industries, and CEO of Avianca Brazil and owner of Synergy. The government rejected the offer, citing lack of financial guarantees provided by the Latin American investor (Bloomberg, 2015).

In 2014, the privatization process was reopened and Efromovich decided to run again. This time he was not alone, other three candidates presented their proposals: Miguel Pais do Amaral, under his holding *Quifel*, David Neeleman, CEO of the Airline company *Azul Linhas Aéreas* and founder of *JetBlue Airways*, partnering with the Barraqueiro group owner, Humberto Pedrosa in the the *Atlantic Gateway Consortium*, and *Air Europa*, the Spanish airline company owned by Globalia (Dinis, 2015). However, this last company decided not to run due to the huge debt of TAP (Lusa, 2015). Additionally, upon a primary analysis of the proposals, the government decided to exclude the offer of Pais do Amaral because it did not comply with legal requisites (Lusa, 2015).

Therefore, only two proposals were presented to the negotiation phase and the winning offer was the *Atlantic Gateway Consortium* in 12th November of 2015. In fact, they had to reimburse 10 million euros for 61% stake in the Portuguese flag carrier, capital injection of 340 million euros and the maintenance of TAP's hub in Lisbon for at least 30 years. The Portuguese State would retain 34% of TAP, which should sell in two years. Also, 5% could be sold to the employees (Melcher, 2015).

The privatization of TAP Portugal was part of the bailout plan agreement signed in 2011 by Portugal with the European Central Bank, International Monetary Fund and European Commission, as already mentioned. It was an agreement done during Pedro Passos Coelho mandate, the former Prime Minister.

However, by the end of November, the Socialist António Costa is elected Prime Minister after a left-wing coalition. Therefore, the new Prime Minister reversed the process, by raising government's stake in the national airline to 50%, upon the payment of 1.9 million euros to the *Atlantic Gateway Group*. In a press conference in Lisbon in the beginning of 2016, Costa affirmed *"the government does not plan to intervene in the day-to-day management of TAP"*. Instead, as he mentions, *"the government plans to guarantee that TAP's strategic vision is respected and that TAP will always ensure the connection of Portugal and of the Portuguese to the world"* (Bloomberg, 2015).

Consequently, the current shareholder structure changed, and Atlantic Gateway is with 45% of TAP's stake instead of 61%, the government holds 50% through Parpública and 5% is available for employees (the remaining which will not be acquired by the employees will be added to the Gateway stake). In terms of management, the Portuguese State will appoint TAP's chairman, while the Gateway Consortium will name three executive board members, including the CEO. The private owners will be responsible for the day-to-day management of the company, but the State will have quality vote.

However, as Humberto Pedrosa mentioned: *"The company will be private"*. The consortium and the state will have the same number of board members, even though the consortium's stake will for now formally be just 45 percent. Five percent of the company are reserved for employees, but the consortium can buy those shares from them (Machado, 2016). After being questioned about the new agreement with the government, which Neeleman was opposed in the beginning, he added: *"I'm not saying here that I am happy (...) this company needs to be saved. It's critical, because it's burning too much money and decisions can't be political. They need to be what is best for the company."*

3.5. Data Collection

Collecting data can be either via primary or secondary sources (Ghauri, Grønhaug, & Kristianslund, 1995). According to Bryman & Bell (2007), primary data is information that the researcher gathers by its own, such as observations, questionnaires, interviews, experiments, focus groups or tests. The secondary data has already been gathered by other researchers, such as books, scientific articles, journals, company reports, internet sources, among others.

The current work is a qualitative study which used both types of data collection. The primary data was gathered through face-to-face, semi-structured interviews, and open-ended questions. Semi-structured interviews consist on several key questions that help to define the areas to be explored and also allows the interviewer or the interviewee to diverge in order to pursue an idea or response in more detail (Gill, Stewart, Treasure, & Chadwick, 2008). The respondents were selected based on their relation with the company or the privatization process: some are part of the executive council

(being part of the direction before the privatization, while others came after the process being initiated) and others are part of the unions.

The purpose of research interviews is to explore the views, experiences, beliefs and/or motivations of individuals on the reasons of TAP's privatization. Qualitative methods, such as interviews, are believed to provide a 'deeper' understanding of social phenomena rather than purely quantitative methods, such as questionnaires (Gill, Stewart, Treasure, & Chadwick, 2008).

On the other hand, secondary data was collected from numerous scientific journal articles, as well as books, newspapers and others.

3.6. Interviews Method

The interviews performed (a total of five) were a valuable source in order to be able to accomplish a deeper and personal understanding of TAP's privatization process. The interviews' main objective was to verify the findings in journals and articles, i.e., verify if the general reasons that lead SOEs to become private apply to TAP or not.

In fact, one advantage of the qualitative interview method is the fact that interviewers can adjust and answer to the respondents, according to their responses (Bryman & Bell, 2007). For instance, when asking the reasons that led TAP to be privatized, the researcher got a deeper understanding of the financial reasons of TAP's privatization through TAP's CFO interview. Additionally, some questions may arise due to some of the responses and the order of the questions may be revised (Bryman & Bell, 2007).

The interviews were performed in TAP's facilities, and face-to-face with the participants. All interviews were recorded with consent of the contributors and they have lasted between 40 minutes to 1 hour.

As already cited, the interview was semi-structured. The reason for this approach was essentially to encourage the participants to freely discuss the issues based on their opinions. Therefore, instead of

having possible options (as in the close-ended questions), the participants could present some reasons. This was particularly positive since not all the motives were previously considered by the researcher nor were discussed in previous studies. In fact, because the present work is a case-study, it is studying the specific and recent case of TAP, thus first-hand information collected by the researcher was valuable for the study.

It was also very constructive in terms of detail, since respondents had the possibility and flexibility to talk freely about several subjects, expanding their ideas and giving important contributions.

3.7. The Questionnaire

The main focus of the work is, once again, why SOEs are privatized, studying the case of TAP Portugal. In order to understand this, five open-ended questions were performed.

The questions were carefully thought with the aim of addressing the research question. Therefore, in table 5 it is showed how the interrogations were grouped into categories: the *dimensions*, the *objective aimed in relation to the research question* and the *questions.*

The *dimensions'* category is useful to explain how the questions were grouped and thought. In fact, even though the interviews were semi-structured and open-ended, it is important to have a strategy, especially in a research question such as *"why?"*, which requires that the researcher gathers the motives.

The *objective aimed in relation to the research question* category states the principal goal of the questions in relation to the research question, i.e., why are the questions important to understand why TAP was privatized.

Lastly, the *questions* are displayed, as well, so that the reader can comprehend and be clarified with questions asked to the respondents.

The questions to the interviewees were followed by a discussion, which as mentioned, lasted 40 minutes to 1 hour.

Table 5 - Categories of TAP's Qualitative Interview

Dimensions	Objective Aimed in Relation to the Research Question	Questions
Management Restrictions	Understand if working in a SOE had management/ working restrictions: • which ones and if constituted a cause for the privatization to occur	Did you feel any management/ working restrictions because you were working in a state company?
Privatization Options	Understand if privatization was inevitable or if there were alternatives: • which reasons made it inevitable	Did you consider TAP's privatization inevitable? Why? Other alternatives?
Privatization Impacts	Understand the possible future impacts of privatization • which positive/ negative ones? Are the positives superior to the negative ones? Will they justify privatization?	What will be the positive/ negative impacts of TAP's privatization for the company? And for the country? Do you think the identity of the company will be lost with the process?
Future Perspective	Understand if the reasons that led to the privatization will be resolved/ overcome/ improved in the future	What will change for TAP, now that is a private company?
Additional Inputs	Understand the additional reasons added by the respondents	What additional reasons led to the privatization of TAP?

Source: Author's table

3.8. Overview of the Respondents

The collection of data from the semi-structured interviewees were classified according with the groups of the questions. The main goal was to categorize the responses, so that the research question could be addressed.

The five candidates interviewed are summarized in table 6.

Table 6 - Respondents Overview

Respondent	Occupancy	Date of the Interview	Interview Method
Fernando Pinto	Executive President (CEO)	December 13, 2016	Face-to-face
Michael Connolly	Former Chief Financial Officer (CFO)	November, 21 2016	Face-to-face
Teresa Lopes	Finance Executive Vice President	December, 13 2016	Face-to-face
Abílio Martins	Executive Vice President and Head of Marketing, E-Commerce and Communications	December, 22 2016	Face-to-face
Paulo Duarte	Union's coordinator of SITAVA[9]	December, 22 2016	Face-to-face

Source: Author's table

The five interviews were recorded with the consent of all the respondents.

[9] Union of aviation workers and airports (Sindicato dos Trabalhadores da Aviação e Aeroportos)

3.9. Quality of Research

3.9.1. Validity and Reliability

Some positivist investigators judge qualitative research in standards of reliability and validity. In fact, some researchers use the current terminology as in quantitative research while others prefer to use an alternative one, such as dependability, instead of reliability, and credibility, instead of validity, which are used to establish the trustworthiness of qualitative research (Bloomberg & Volpe, 2008). However, in the current work, the terminology used will be validity and reliability.

According to Gibbs (2007), in qualitative validity the researcher investigates the accuracy of the findings, by employing different procedures, whereas in qualitative reliability, his/her approach is consistent across different researches and projects. Rowley (2002) adds that constructing validity refers to the establishment of correct operational measures for the concepts being studied, which is concerned with exposing and reducing subjectivity, by linking data collection questions and measures to accomplish the research question. In what concerns the reliability, the author enhances that the operations of a study, such as data collection, can be reproduced with the same results, which can be achieved by the appropriate recording keeping. Creswell & Miller (2000) complement the notion of validity as whether the findings are accurate from the standpoint of the researcher, the participant or the readers.

In order to discuss the accuracy of the research, some validity strategies were followed, as for instance: *triangulation of methods*, *peer debriefing*, and *thick and rich description* (Creswell & Miller, 2000).

The *triangulation of methods* uses evidence from different sources to corroborate the same fact or finding, which provides an important way of ensuring the validity of the case study research (Denzin, 1978). The two types of triangulation used during the research were *across data sources*, with the involvement of participants, and *methods* such as interviews, observations and other documents.

As Creswell & Miller (2000) state *"it is a systematic process of sorting through the data to find common themes or categories*". In addition, they mention that a popular practice for qualitative inquirers is to provide corroborating evidence collected through multiple methods such as observations, interviews and documents, which was the methods used in the current work.

The *peer briefing* is a method where someone who is familiar with the research or the phenomenon being explored performs a reviewed on the data (Creswell & Miller 2000). The peer review provides *"support, play's devil's advocate, challenges the researcher's assumptions, pushes the researcher to the next step methodologically, and asks hard questions about methods and interpretations"* (Lincoln & Guba, 1985). The present work is a dissertation, where the researcher has a peer reviewer (the advisor), which ensures the credibility of the study (Creswell & Miller, 2000).

Another procedure for establishing reliability in a study is to describe the setting, the participants and the theme of the qualitative study in a rich detail (Creswell & Miller, 2000). As the authors add, the researchers employ a constructivist perspective to contextualize the study, and it *"may involve describing a small slice of interaction, experience or action"*. In fact, with vivid detail, researchers help readers to understand that the study is reliable, and enables them to make decisions about the applicability of the findings to other settings or similar contexts (Creswell & Miller, 2000), which was achieved through the interviews and other descriptions.

As mentioned by Yin (1984), a high reliability in the study means that the research will have a consistent result even if conducted over again. In order to determine if the study is reliable, Yin (2009) suggested that qualitative researchers need to document their case studies and steps procedures as much as possible. In the current work, the specific and meticulous methodology helps to explain how the research was conducted, by using interviews to reach the research question.

In addition, the study was performed in accordance with a reliability procedure pointed by Gibbs (2007), which refers that transcripts should not contain mistakes during the transcription. Since the interviews were recorded, the analysis will be carefully prepared so that mistakes and misleading interpretations do not occur.

Also, data collection was done via primary and secondary sources. In the case of the interviews (primary), they were conducted to members involved in the company during the privatization process

and it was possible to observe some patterns in the responses, which is in line with the objective of the research question – understand the reasons that lead SOEs to become private. Moreover, information was also collected from scientific journals, books and other reliable sources (secondary data).

3.9.2. Limitations

The study was conducted with rigor, detail and in depth, in order to better access why privatization occurred in TAP. However, despite all the strengths that the qualitative method might have, there are also some limitations of the present work.

The analysis of qualitative data collection can be time-consuming and dependent on other respondents' availability. Additionally, the information obtained during interviews was dependent on the respondents and what they were willing to share, therefore, the information was limited to their perspectives and lived experiences.

Moreover, Creswell & Miller (2000) mention that the researcher's presence may influence and bias the responses, since participants may feel the need to please the investigator. Also, the interviews were semi-structured and open-ended, which can be argued that, by not being more objective, will depend on researcher's interpretation.

Furthermore, Griffin (2004) mentions that due to the relatively small number of participants involved in the study, which is a characteristic of the qualitative approach, this may be less likely to be taken seriously by other academic researchers. However, the participants chosen to be involved in the study enrich the analysis due to their role played in the privatization process, their internal experiences, involvement in the government, among other reasons.

4. Results and Discussion

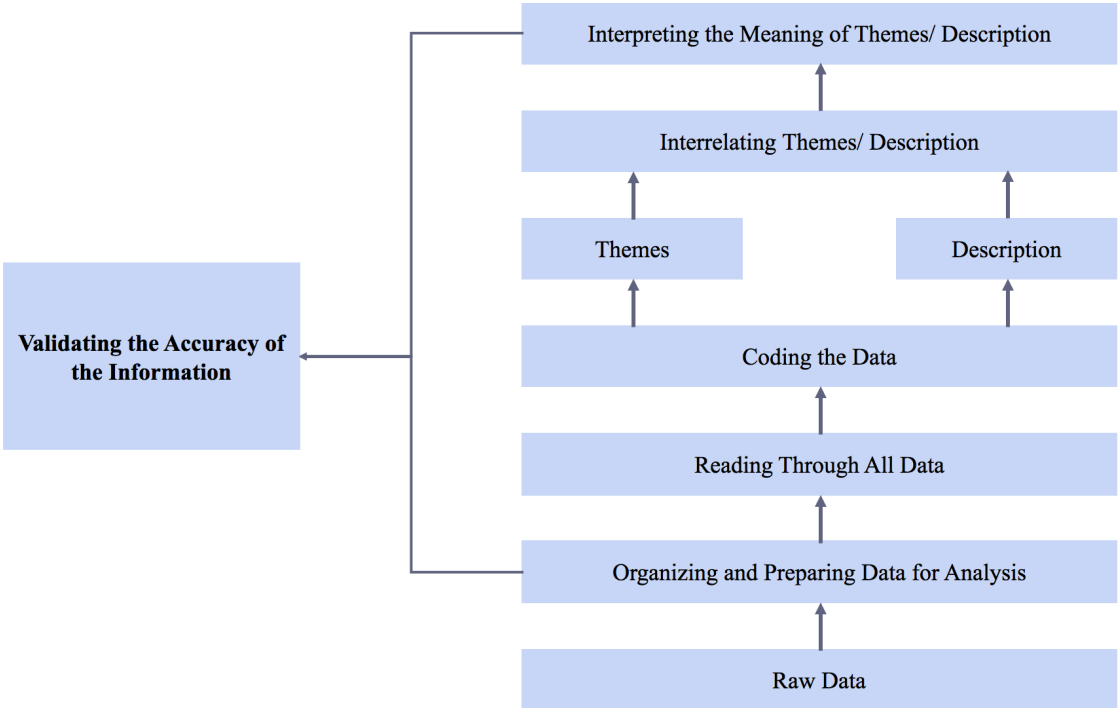
A goal is a dream with a deadline.

—Napoleon Hill

The present qualitative study was developed based on interviews and the opinions of the respondents. Therefore, even though the results are rich and dense, not all the information can be used by the researchers (Creswell, 2003). Therefore, the researcher had to examine the data, a process of focusing in on some data and disregarding other parts of it (Guest, MacQueen, & Namey, 2012).

The impact of qualitative studies is to aggregate data into a small number of categories, which usually are between five to seven themes (Creswell, 2013). In figure 7 it is possible to understand how the analysis of the results will be performed.

Figure 7 - Data Analysis in Qualitative Research



Source: Author's Scheme adapted from Creswell (2003)

The first step, *organizing and preparing the data for analysis*, involved transcribing the interviews, typing up the field notes, and sorting and arranging the data into different categories.

The second step, *reading through all the data* had the main goal of relating the interviews with the content covered on the literature review.

The third step, *coding the data*, involved organizing the text data during the collection, segmenting into categories and labelling those categories.

In the fourth step, the coding process used will generate a *description* of the setting as well as *themes* for the analysis. The *description* involves a detailed rendering of information about people and the events, while *themes* are the ones that appear as major findings in qualitative studies. In fact, Creswell (2003) adds that they should display multiple perspectives from individuals and be supported by diverse quotations and specific evidence.

The fifth step, *interrelating themes/ description*, advances how these types will represent the literature. The most popular approach is to use a narrative passage to convey the findings of the analysis (Creswell, 2003), which will also be the one chosen for the current work. Additionally, it will discuss the theme in question, with multiple perspectives from individuals and quotations. Many qualitative researchers also use visuals, figures, or tables as adjuncts to the discussions. Creswell (2003) adds that many researchers present descriptive information in a table, which will be employed in the following chapter.

Lastly, the sixth step in data analysis involves *interpreting the meaning of themes/ descriptions* of the findings, which will be examined afterwards in the chapter "Discussion of Results". In addition, these lessons will be derived from a comparison of the findings with information gleaned from the literature (Creswell, 2003). In this way, the author suggests that the findings will confirm past information or diverge from it. It can also suggest new questions that need to be asked — questions raised by the data and analysis that the inquirer had not foreseen earlier in the study.

4.1. Overview of the Main Results

The main results are presented in table 7 and in the next chapter they will be discussed.

Table 7 - Overview of the Main Results

CATEGORIES	PRIVATIZATION MOTIVATIONS	PERCEPTIONS AND OPINIONS
Management Restrictions	State Administration Ineffectiveness	*"State administration is not efficient in a competitive market. It is not necessarily the competence of people and managers working in a SOE (that might or not be competent), it is the focus of state-owned management"* **Michael Connolly**
		"We had several State controls: external audit, just as all companies have and two direct audits. Also, we still have audits from the state. Additionally, we have one from the EU directly and also one from each ministry, and since we are related with two – the ministry of finance and the one that owns the transports – this means that we end up having six audits – six internal controls. This ultimately makes the company highly difficult to manage. People are afraid to do anything" **Fernando Pinto**
		"The privatization of TAP was a driver to allow TAP to get financial help and be more efficient in a competitive environment, not as in a State regime (...) The private companies are the ones that have a functioning logic to search for efficiency and to manage the resources, which are different from SOEs' management, that even if they do not desire, will become contaminated by different forms of procedures in working and in decision-making" **Abílio Martins**
		"There are a number of measures that are already on the ground and are being implemented. A lot of it is summarized in an Excel sheet. That being said, if you stop working for 10 minutes and 300 people do the same, it will give 3,000 hours of work wasted. Things like this, which is all very practical, with numbers, are already being seen on the ground. And I think that this will get even worse" **Paulo Duarte**

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]	[PERCEPTIONS AND OPINIONS]
Management Restrictions (cont'd)	Absence of a Permanent Management Structure	*"The executives working in the company might have a focus to manage in accordance with the government in power, which can be replaced, leading to a possible substitution of managers. Therefore, there is no continuity, which for me is probably the most justifiable reason for privatizing"* **Michael Connolly**
		"The privatization of TAP, independent from other reasons, was to have and to give to the company, stable private shareholders" **Abílio Martins**
	Intervention of External Organisms (Unions and State)	*"Managing cannot have an external organism always acting as second guessing. For instance, the unions: whenever our managing team would settle a negotiation, they would take it to the government that eventually would give in, for political and government reasons, even if valid, are part of a logic that is not compatible with a competitive management that needs to fight competitors that do not face these kind of difficulties"*
		"Some years ago, the negotiations with TROIKA started. So, state unions forced the implementation in the company of everything that was going to be enforced in other state structures with a state-owned nature. But those structures have nothing to do with the nature of an operational company. Thus, in the last year absurd measures were imposed to TAP, not because the government wanted to interfere, but because the company was, in fact, an enterprise of the state sector" **Michael Connolly**
		"When TROIKA came, TAP was subject to it dynamics, budgets, measures to be approved by the government, the freezing of wages, etc. A company that is in the realm of the public sphere faces these kind of difficulties"
		"In a state company it is difficult to have variable remunerations, premiums, compensation for merit, among others, which are very relevant efficiency drivers and can be motivational and rewarding instruments for those who endeavor to achieve goals. And these new management approaches can make results happen. They are usually HR [Human resources] and management policies, which technically result in having aligned the management and shareholders' objectives with the management and the employees' objectives. In the sense that, everyone is focused in the same direction"
		"This industry is very unionized. When a syndicated company discusses with private management and its private shareholders, it makes a lot of difference whether the owner

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]	[PERCEPTIONS AND OPINIONS]
Management Restrictions (cont'd)	Intervention of External Organisms (Unions and State) (Cont'd)	*is the state or not. And it makes a lot of difference from the involvement and environment created. This model might be much more beneficial"* **Abílio Martins**
		"In most of the things announced, the unions request something, and managers say no. Then, they try to negotiate with the minister. The minister does not want to be in the newspapers and might accept the terms, probably leaving the government after his mandate ends. But the problems remain with TAP. The concessions given, that should not be given... There is only one entity that pays for this: that is TAP. It creates burdens for the future" **Anonym[10]**
	Loss of Management Freedom	*"The company is subject to certain actions, which are more often more linked to politics than anything else. For instance, Portugal experienced a strong crisis in recent years and had to restrict wage increases and personnel growth. This made sense to companies that were financially dependent from the state (...) In our case we could not resort to the state. Therefore, we lost our freedom to manage, for purely political issues (...) With a greater freedom of management we can compete in the market that changes at any moment"* **Fernando Pinto**
		"We went through several phases of public management The management of TAP was restricted. Since Portugal was under the influence of aid request made to Europe, IMF, TROIKA and the budget restriction policies that were implemented in the country for all public companies, in fact, had a limiting effect on the ability to manage the company in a free and competitive way" **Teresa Lopes**
	Restrictions to Hire New Employees	*"We want to to expand, open new air routes, buy new panes, how are not going to hire? Without pilots, planes will not fly. (...) It was very difficult to maintain the company operating"* **Michael Connolly**
		"We had in the last 4 years of crisis - very strong for Portuguese citizens - a great increase of supply. But, at the same time, the state would not allow us to admit personnel.

[10] Even though, interview records were consented, the comment was presented informally, thus the author decided not to mention which participant stated that.

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]	[PERCEPTIONS AND OPINIONS]
Management Restrictions (cont'd)	Restrictions to Hire New Employees (Cont'd)	*And then, we started to have problems, because how do we grow? (...) When a co-pilot becomes commander pilot, he receives a salary increase, however the payments were freeze so he could not have that. We could not make the internal movements"* **Fernando Pinto**
	Bureaucratic Concerns	*"We would end up losing a lot of time, sometimes months, trying to find a way of showing that we were respecting the norms, but at the same time, we were hiring and not quit from flying. And this took months because everything that the government has to approve is endless, because nobody wants to take the risk of approving without consulting 50 opinions"* **Michael Connolly**
Privatization Options	The End of the Company	*"It was inevitable to privatize TAP because of market necessities. TAP would not survive if continued the same way as it was in the past because the government did not have the cash to inject in TAP and also, it was not authorized to do it. (...) When the privatization process did not happen in the past, only because of Swiss Air (...) we had treasury for just 3 months. If privatization would not occur, the State could not help and there were no conditions to resist"* **Michael Connolly** *"It was fundamental [to privatize TAP] because the company would not resist"* **Fernando Pinto** *"[The privatization was] inevitable, necessary, the best thing that could have happened to TAP and, mainly, for the country"* **Abílio Martins**
Privatization Options (cont'd)	Loss of Competitiveness	*"I arrived to the company in 2000 and we managed to grow for 10 years, 10% a year, which is important. We doubled the company in 10 years. And it continued to grow in the other 25 years in which it was private, but began to lose conditions of competition. Because, the competition, and especially the low cost companies, became to have a much bigger impact than us. We needed to be more agile but we could not. So either we privatized or we would lose our competitiveness to other markets"* **Fernando Pinto**

[CATEGORIES]	*[PRIVATIZATION MOTIVATIONS]*		*[PERCEPTIONS AND OPINIONS]*
Privatization Impacts[11]	Impacts for the Company	Growth	*"We increased the number of destinations in Europe by, at least, 150%; in Brazil we had 15 weekly flights, now we have 70; in Africa we flew to 4 countries, now we are present in 8 or 9. The growth in the company's operation was extraordinary"* *"[The privatization] allows a new vision, a renovation. For instance, what happened with Brazil, where we increased from 15 weekly flights to 70 is happening with the United States. We already grew 100% the number of passengers from the United States flying from there in TAP's routes, in this period, so short. We doubled the traffic in the United States, and that is very positive"* ***Michael Connolly*** *"We already received capital since the privatization of 250 million euros, which is fundamental for us. Besides, another thing we would not had been able to do is a purchase order for 53 new airplanes. It is almost entirely the renewal of the fleet. Without this, we would be left behind. You can not compete with an older fleet"* ***Fernando Pinto*** *"The best example is the capital injection. On day one as a private company, were ordered 53 new planes, which are evaluated in 4 billion euros. Before, TAP had never the capacity to do this, because we did not have have funding (...) It is happening more than this. TAP is growing! It announced eight more destinations in Europe, tripled US capacity, Canada routes were announced and more routes to Africa"* ***Abílio Martins***
		Cost Reduction	*"[With privatization] is another mentality, other efficacy and efficiency. It is another environment to search for improvements, which already comes from the inside, from the employees, suggestions for projects, to continue to improve. Even respecting the legal minimum size to operate (due to security and service), we were able to decrease the size of the crews. This was something unthinkable, mainly due to the unions (...) the number of crew flights decreased and the efficiency of the whole company improved"* **Michael Connolly**

[11] In this category, the column "impacts" (in the motivations for privatization) is in a context of understanding if it justifies the decision to privatize. For instance, "growth" will be an impact but also a motivation to privatize.

[CATEGORIES]	*[PRIVATIZATION MOTIVATIONS]*		*[PERCEPTIONS AND OPINIONS]*
Privatization Impacts (cont'd)	Impacts for the Company *(cont'd)*	Distancing of State intervention in Managing	"*[The privatization] is increasing the distance between TAP's management and the interference of government in managing the company, and state measures that could affect TAP, which is now considered a private company, therefore they no loner apply, which is a relief. Before, the government had to make an adjustment and we had to participate without making any sense"* **Michael Connolly**
		Consolidated Business	*"I think privatization was very positive. It is a way of consolidating the company in the private sector, where it has to compete, to win against the competitors and cannot have a state concept. It is a new management, which brings positive aspects"* **Michael Connolly** *"There might be impacts in what concerns the sustainability of TAP. There may be a different way of working, more pressure, more scrutiny of results and greater accountability"* **Abílio Martins**
		Exploration of New Markets	*"[The privatization] brought additional know-how from the outside, because they are part of the investors – one part is Portuguese but the other is American and Brazilian – which allowed us to enter with more force in a market that was more difficult to reach - the American"* **Fernando Pinto** *"The capacity of investment, strategic definition and certain partnerships. All of this due to privatization. We had never been able to return to JFK Airport without the new shareholders, with their contacts and new signs of company strength, allowed TAP to be in the JET Blue terminal"* **Abílio Martins**
		Investment Capacity	*"We are changing the whole configuration of the interior of the aircraft in order to compete with the low-cost companies. That is, more seats inside the plane, it decreases the total cost of the trip, with more passengers and manages to have a lower tariff. All of this is getting done because we have resources from where to take"* **Fernando Pinto**
	Impacts for the Country	Economy	*"[The company's growth] increased the employment also in Portugal. Additionally, it increased the consumption of Portuguese products that TAP discloses (wine and food serviced during flights). TAP became the Portuguese largest*

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]		[PERCEPTIONS AND OPINIONS]
Privatization Impacts (cont'd)	Impacts for the Country *(cont'd)*	Economy *(Cont'd)*	*exporter of services. We sell out of Portugal around 75% from our revenues. Only 25% is sold to Portugal, the rest are exports, which is money that enters in the country. All of these factors are extremely important for the Portuguese economy, for people, for the employment – direct and indirect"* **Michael Connolly**
			"Portugal is very important to TAP. To get an idea, we are responsible for 2% of the country's GDP, which is the biggest effect in terms of business in Portugal and if we compare Europe, airlines do not have this effect on GDP, we have the greatest influence there. And the country has turned increasingly to tourism, that's where we have a pretty big effect and the growth we have had. Moreover, the connection the business has with countries in Europe, Africa, USA and Brazil. So, having a strong company for Portugal is key, which is what privatization came to do, was simply to bring more resources to allow it to develop" **Fernando Pinto**
			"TAP is growing and it is hiring. From the point of view of employment, we are today a larger, private employer than we were public" **Abílio Martins**
			"The employment will continue to rise" ***Paulo Duarte***
		Country's Promotion	*"I think it is undeniable that TAP has a very different image today, inside and outside of the country. Brazil did not know Portugal. Today, a lot of Brazilians are going to Portugal as a final destination or use the country as a platform to go to the rest of Europe. The benefits for Portugal in all aspects were great"* **Michael Connolly**
			"[With privatization] we have more than doubled the offer to US and the corresponding traffic to Portugal, increasing the number of Americans, who are tourists with a high level of spending. They are important tourists for the country" **Fernando Pinto**
			"From a privatization point of view, there are already visible differences. We went from 72 planes to 86. Airplanes imply more routes, which involves more revenues, which gives more

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]		[PERCEPTIONS AND OPINIONS]
Privatization Impacts (cont'd)	Impacts for the Country *(cont'd)*	Country's Promotion (Cont'd)	*jobs and more Portuguese products are served and consumed on board. We had the best month of November [2016] ever at TAP. The company is vibrant; it is bringing even more tourists than it brought. Programs like Stopover[12] are a perfect machine to extract value from our hub in Lisbon. Everything came with privatization (...) Around 90% of TAP's passengers in the new routes are not Portuguese"* **Abílio Martins**
	Impacts on Consumers	Routes	*"It is natural for a private company to specifically seek its sustainability and profit. There were two options: to concentrate (having more) the flights in Lisbon and having better results or to make people from Porto happy and to have worse results. There is no doubt what the decision to take (...) We cancelled important routes such as Johannesburg, very important in political terms, price relation with the market, but we reduced because it was not viable. And with Porto was the same"* **Fernando Pinto**
			"Porto is not inaccessible. It is not because we have finished with direct routes of Porto, that it is inaccessible (...) We could never have two hubs of the same size at Porto and Lisbon distance. There would have been either one or the other: for the importance that Lisbon had, and by being the capital, it was chosen with its airport" **Teresa Lopes**
			"TAP has obligations that are in its privatization agenda[13], namely of routes and flights to countries that are part of the diaspora. There are ten points that, not only are they being met, but also more is being done than what was supposed to. For instance, TAP has stopped flying to Guinea and now it is flying again. TAP should do what it is best for TAP. It cannot have routes that cause losses. TAP has to take strategic sustainability routes. It is important that TAP is still there for the future generation and that would be sustainable (...) TAP used to fly to JFK Airport but it ceased the routes. We never managed to return to operate. Now we are flying there again. The new TAP is this: new alliances and growth" **Abílio Martins**

[12] The Portugal Stopover consists of the possibility, for long-haul flights, to stay, up to three nights, in a top city at no extra cost.
[13] Caderno de encargos of the privatization process

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]		[PERCEPTIONS AND OPINIONS]
Privatization Impacts (cont'd)	Impacts on Consumers (cont'd)	Routes (cont'd)	*"Of course, when the company is 100% of the state, it can take decisions and measures that are public service. Flights departing from Porto to Europe were a loss for the company, but for the citizens to not have to go to Lisbon and then fly to Milan, for example, the State would assume the loss. Today, with an owner who only cares about what profit is, everything else will close"* **Paulo Duarte**
		Service	*"Soon it will begin the renewal of TAP's own fleet. A contracted was executed with Air Bus of 53 aircrafts, which will begin to be delivered from 2018. Until now, the current planes are being remodeled in their interior, which will assure passenger's comfort. There is an adaptation on the tail model of the airplane in order to compete with the low-costs. (...) In this way, the company positions itself in the market in a more competitive way, whatever the range of services it provides: either at lower prices, in which it can provide a service that competes with the low-costs or a higher one, for that sector and segments of customers that privilege the service instead of the price"* **Teresa Lopes**
			"The total renovation of the interiors of the planes, the transformation of Portugália to TAP Express, we moved from a regional fleet with an average age of 22 years to 2 years. Imagine the increase in comfort... At the end of 2017 we will have more comfort, with beds ahead that lie down to 100%. All this is a product that happens thanks to privatization" **Abílio Martins**
Future Perspective	Flexibility to Obtain Resources		*"Now that TAP is private, what will change in the future will be the greater flexibility in obtaining resources"* **Fernando Pinto**
	Change in Management Structure		*"As a request of the new shareholders, we will have a cost reduction program, in order to increase efficiency, which is normal and natural"* **Fernando Pinto**
	Human Resources New Policies		*"[The privatization] will try to pursue a management that allows rewarding individual efforts, variable salaries premiums and ultimately, a more modern human resources management. I would say that this will be important in the future of the company: let people work and be committed by the result"* **Fernando Pinto**

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]	[PERCEPTIONS AND OPINIONS]
Future Perspective (cont'd)	Investors Reaction	*"With privatization some future impacts might be the fact that some funders might feel more comfortable if the company is owned by a government or by a country, rather than private investment. It depends very much on the economic and political vision that lenders have of the companies and also on the credit assessment that they make of the states that are shareholders of these companies. If we are talking about a time when the state has a rating as low as the one it has now, that valuation or comparability or more advantageous situation will be less evident than if we have a situation where the Portuguese state has a rating higher than what it has now. Nonetheless, this may happen: some creditors will look with greater comfort if the company is owned by the Portuguese state than if the company is not"* **Teresa Lopes**
	Focus on the Consumer	*"TAP will have to be more efficient, of course, having more internal efficiency programs. TAP will be a company more focused on the client. It is introducing new metrics to measure service quality and there is a different client awareness"* **Abílio Martins**
Additional Impacts	European Legislation	*"The principal reason [for TAP to be privatized] is because it is linked to the European Community. The norms of EU do not allow the air company to be financially aided by the State. This means that, there cannot be a capital increase nor any kind of help from the State. For an airline company, which is a capital intensive company, it needs, many times, a lot of investment"* **Fernando Pinto**
		"The reason that led the Portuguese state to take the decision to privatize the company, was precisely because it recognized that there were no financial conditions and because it was not authorized by the European Union rules of competition, to make capital injections. Therefore, TAP was unable to renew its investments and fleet, to become a more modern company and have a more modern operation, and be competitive in relation to other companies" **Teresa Lopes**
		"There have been several attempts to privatize TAP. When Eng. Fernando Pinto was hired, 15 years ago with his management team, it was with this purpose. The privatization of TAP was a result of several circumstances, but mainly due to the fact that is in the State perimeter, which is under European legislation that does not allow states to help airlines. Except that, airlines compete with each other in their

[CATEGORIES]	[PRIVATIZATION MOTIVATIONS]	[PERCEPTIONS AND OPINIONS]
Additional Impacts (cont'd)	European Legislation (Cont'd)	*own countries and markets. So, what happens in the Middle East, where countries inject money into airlines, is more complex, with distorted competition"* **Abílio Martins**
	Problems of Access to Capital	*"If the company cannot be financed by its principal shareholder, then it is forced to resort to the market. But it is a problem, besides the amount, it has high interest rates. Also, the company cannot have warranties from the shareholder, which makes the financing process more expensive. Therefore, it is more difficult to grow and compete in the market"* **Fernando Pinto**
		"The rules of competition that prevail in Europe limit the injection of capital by shareholders, when they are the states of the countries, in the aviation industry, where companies compete against each other. This is basically because the rules of competition want to safeguard that a given company does not have access to unlimited funds only because it is public (...) Because we were detained by the state, by country, we could not access funds in the same way we could if we were privatized. This has in fact caused the company over the years to have some limitation on the investment and capitalization that made its accounts and its balance sheet not as good as they could be if that capitalization could have occurred" **Teresa Lopes**
		"TAP could not finance itself to make the turnaround of its own business. How? By modernizing the product. So, we have a fleet average age of 25 years, which is historic. It is above any benchmarking, where at the end of twelve or thirteen years is not used anymore. And TAP needed to refinance itself in order to continue to grow and be key growth driver for the country itself" **Abílio Martins**
		"What was sold to us is that privatization was an inevitability and by being private had more and better access to capital. The problem we found was that it was the exact opposite. What happened was that every time a privatization process was open (until it was closed), successfully concluded or not, the bank stopped lending money and we had a lot of difficulties in financing ourselves. This caused TAP to come

[CATEGORIES]	*[PRIVATIZATION MOTIVATIONS]*	*[PERCEPTIONS AND OPINIONS]*
Additional Impacts (cont'd)	Problems of Access to Capital (cont'd)	*to this situation also, because it had three privatization processes in a short period of time. What was thought was that these shareholders would bring capital and money to finance TAP, and in fact, what happened was that it was injected more debt. Because the state continued as the sponsor of the debt. One of the conditions that the consortium imposed to the state, in order to give back the capital that was lacking to reach the 50%, was that the state renegotiated the debt that TAP had. So, the state has to negotiate with banks, both the maturity of loans and interest rates. This means that the new shareholders do not have the capacity to handle the negotiation. This is only a legal way to get money through the state"* **Paulo Duarte**
	Structure of the Company	*"When the new shareholder arrives, he will start to introduce his new philosophy, which is going to be different. And it is good that is! To introduce new challenges and get people out of their comfort zone. That generates a huge anxiety. The structure changes and the way of working changes. People were used to work with someone and afterwards it is another that is going to that position. Thus, for the organization of the company is bad at the beginning, but it is good at the end, because it brings new and more challenges as well as opportunities"* **Michael Connolly**
	Unnecessary Development by the Public Function	*"In the case of Portugal and most of the European countries, a decision was adopted on the no need for air transport to be developed by a state company. This is because, on the one hand, it may not be considered that a function is essential for the survival of the population, as other functions more critical to human survival. On the other hand, it is because there are other alternatives of transport that substitute the air transport, in trips of small distance"* **Teresa Lopes**
	Political Issue	*"In our view [unions], this is a purely political issue, which has nothing to do with TAP itself. There was a political decision that was to privatize important companies in Portugal and that was what happened with TAP"* **Paulo Duarte**

Source: Author's Table

4.2. Discussion of Results

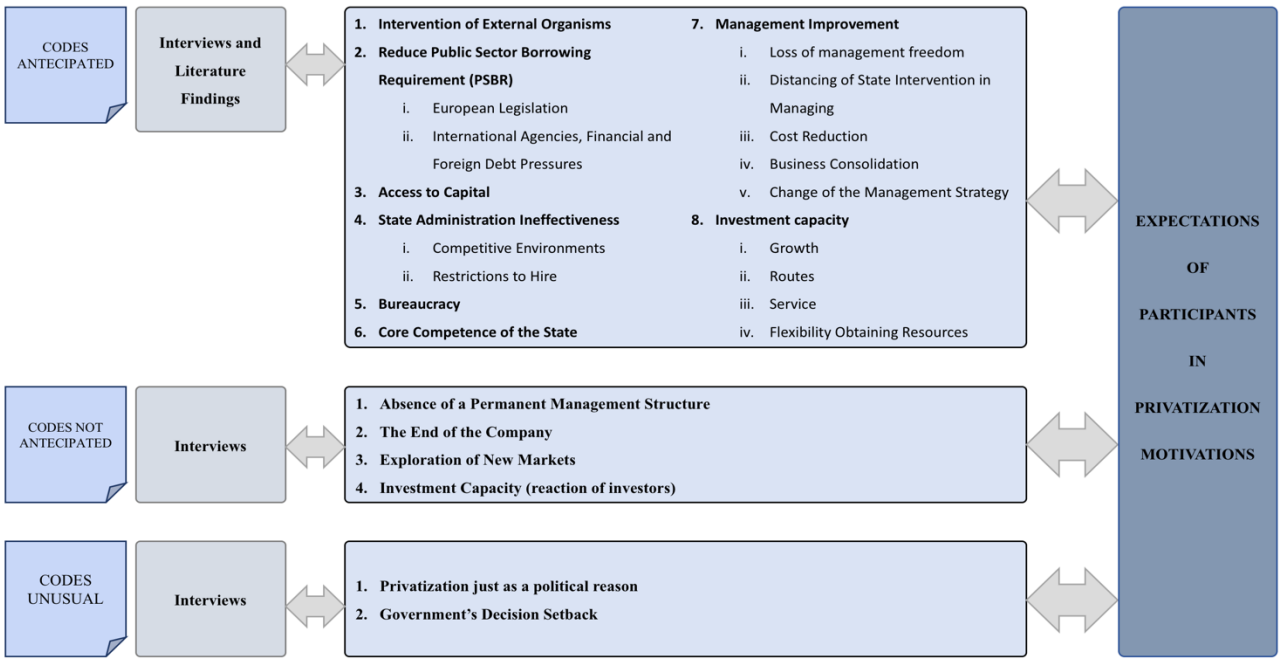
The third step of the analysis, *coding the data*, involved organizing the data into categories, as well as naming them. According to Creswell (2003), there are different types of codes to develop when analyzing the text transcript, which are:

- Codes on topics that readers would expect to find – based on literature and common sense
- Codes that are surprising and that were not anticipated at the beginning of the study
- Codes that are unusual and of conceptual interest to readers

The discussion of the results will be divided into these three categories such as: privatization reasons mentioned by the participants that match the literature findings; reasons that were stated but were not anticipated by the researcher; and the reasons declared unusual, but relevant for the study. The analysis will be done bearing in mind the research question of the study: *"Is there a difference between the motivations of privatizations and the expectations of executives and workers?"*.

According to figure 8, it is possible to observe the general framework of the analysis that will be performed.

Figure 8 - Data Analysis Framework



Source: Author's scheme

Motives that Correspond to the Literature Findings

According to what was already referenced in the literature review, eight major privatization motivations were mentioned by the interviewees. They are inter-related with each other, but for a better clarification and understanding, they were separated by categories and resumed as the following:

1. **Intervention of External Organisms**
2. **Reduce Public Sector Borrowing Requirement (PSBR)**
    i. European Legislation
    ii. International Agencies, Financial and Foreign Debt Pressures
3. **Access to Capital**
4. **Ineffectiveness of State Administration**
    i. Competitive environments
    ii. Restrictions to Hire
5. **Bureaucracy**
6. **Core Competence of the State**
7. **Management Improvement**
    i. Loss of management freedom
    ii. Distancing of State Intervention in Managing
    iii. Cost Reduction
    iv. Business Consolidation
8. **Investment capacity**
    i. Growth
    ii. Routes
    iii. Service
    iv. Flexibility Obtaining Resources

For each of the eight motivation categories are presented the respondents' main opinions, either convergent or divergent points of view, and in some cases. In addition, a comparative analysis will be made with the ideas set out in the literature review chapter. The main observations of the interviewees considered necessary to support the analyzes were transcribed.

1. Intervention of External Organisms

State owned enterprises are more exposed to the public sphere than private companies, therefore, they end up suffering from pressures from the unions as well as State interference.

As stated in the literature review, unions tend to oppose privatizations due to the potential layoffs associated. In fact, union criticism and the power of media have a huge influence on State's decisions upon SOE's management.

The majority of respondents stated that one of the reasons for TAP to become private, was the difficulty in implementing decisions:

> *"Managing cannot have an external organism always acting as second guessing. For instance, the unions: whenever our managing team would settle a negotiation, they would take it to the government that eventually would give in, for political and government reasons, even if valid, are part of a logic that is not compatible with a competitive management that needs to fight competitors that do not face these kind of difficulties"*
>
> **Michael Connolly**

In fact, it was mentioned in the interviews that TAP's workers are represented by around fifteen unions, which is very difficult to reach and perform management decisions. The main problem, which was also stated by more than one respondent, is the fact that, whenever unions would not reach or would not get the result pretended, they would resort to the State:

> *"In most of the things announced, the unions request something, and managers say no. Then, they try to negotiate with the minister. The minister does not want to be in the newspapers and might accept the terms, probably leaving the government after his mandate ends"*
>
> **Anonym**

Usually, State representatives want to avoid strikes, media exposure and public opinion defamation, which results in several concessions to them.

> *"TAP was being used against the government, in terms of public opinion, media, with such a strength, that I think the government was relieved by not having full responsibility of the company"*
>
> **Michael Connolly**

Therefore, even though those reasons might be valid for the State, they are not compatible for a company, which even though was public, performs its activity in a very competitive market, where other private companies do not suffer this problem so much:

> *"This industry is very unionized. When a syndicated company discusses with private management and its private shareholders, it makes a lot of difference whether the owner is the state or not. And it makes a lot of difference from the involvement and environment created. This model might be much more beneficial"*
>
> **Abílio Martins**

Additionally, the concessions made by the government in position, will be a responsibility of TAP for the future, which might be a burden for the company:

> *"But the problems remain with TAP. The concessions given, that should not be given... There is only one entity that pays for this: that is TAP. It creates burdens for the future"*
>
> **Anonym**

The coordinator of SITAVA, one of TAP's unions, confirmed the power that unions exert on the company:

> *"In TAP, the unions always had a huge strength. The defense by us was always very strong (...) It was always a very different company in terms of the relation with unions"*
>
> **Paulo Duarte**

Besides the pressure and influence that unions have, the State also intervenes in the company, which was also a factor pointed by the respondents, since managing TAP becomes more difficult.

In the literature it is mentioned the privation, at some level, of market liberalization, since SOEs have to comply with certain market and State rules. In fact, the main objectives behind privatization stated in the literature chapter, vary among jurisdiction, being the most common cited objectives the ones related with economic efficiency and the introduction and promotion of competition.

As mentioned, the country is facing an economical crisis, which began some years ago. As a consequence, TROIKA had to intervene in Portugal, where some negotiations with the government led to the imposition of several measures.

Therefore, TAP, as a state company at the time, had to comply with the new reality, being subject to several restrictions:

> *"When TROIKA came, TAP was subject to it dynamics, budgets, measures to be approved by the government, the freezing of wages, etc. A company that is in the realm of the public sphere faces these kind of difficulties"*
>
> **Abílio Martins**

One of the main problems of being a state owned company, which is in a competitive market and has to comply with state decisions, is the restrictions that are imposed and that affect results. For instance, as mentioned, the freezing of wages or the restrictions in awarding compensations and premiums for workers are important measures that influence the motivation and dedication that workers have in a company, which will increase its results. Moreover, it has an impact in the growth of the company.

> *"In a state company it is difficult to have variable remunerations, premiums, compensation for merit, among others, which are very relevant efficiency drivers and can be motivational and rewarding instruments for those who endeavor to achieve goals. And these new management approaches can make results happen. They are usually HR [Human resources] and management policies, which technically result in having aligned the management and shareholders' objectives with the management and the employees' objectives. In the sense that, everyone is focused in the same direction"*
>
> **Abílio Martins**

Additionally, besides the negotiations with TROIKA, unions also played the role of forcing some decisions to be adopted by the government in the company, because it was public, for instance:

> *"Some years ago, the negotiations with TROIKA started. So, state unions forced the implementation in the company of everything that was going to be enforced in other state structures with a state-owned nature.*
>
> **Michael Connolly**

However, the nature and structure of TAP, which faces several competition treats, should inhibit the company to comply with those rules. Nonetheless, the enterprise was public, thus it was obliged to obey to the rules.

> *"But those structures have nothing to do with the nature of an operational company. Thus, in the last year absurd measures were imposed to TAP, not because the government wanted to interfere, but because the company was, in fact, an enterprise of the state sector"*
>
> **Michael Connolly**

As mentioned by several respondents, TAP is a company that is inserted in a capital intensive and competitive market. Besides, its main business is the transport of people, where staff is included

because it is their job. Thus, sometimes, to comply with rules of the State, some measures do not make sense:

> *"Some examples are so absurd as they are comic. The state imposes to reduce travel expenses by x%. But, travel expenses in the government are made by department employees or ministers that are going to negotiate something or that go to a congress, among other reasons. However, for a company such as TAP, this measure has a very different effect in the daily life operations of the crew. If the company is going to decrease hotel expenses, it must decrease the people there. Of course, I can negotiate prices, etc., but if it is said that the company has to reduce 50% of travel expenses, only if the firm stops flying. How can we do that?"*
>
> **Michael Connolly**

2. Reduce Public Sector Borrowing Requirement (PSBR)

i. European Legislation

According to the literature, due to economic crisis and inflation, some countries faced increased government expenditures, consequently leading to deficit financing in most governmental businesses. As a consequence, privatization is seen as a mechanism to reduce PSBR.

As mentioned, since Portugal is a state member of the EU, it has to comply with their laws and measures. One of the main reasons to privatize TAP was, in fact, related with the fact that State could not help the company because of the link the country has with the European Community:

> *"The principal reason [for TAP to be privatized] is because it is linked to the European Community. The norms of EU do not allow the air company to be financially aided by the State. This means that, there cannot be a capital increase nor any kind of help from the State. For an airline company, which is a capital intensive company, it needs, many times, a lot of investment"*
>
> **Fernando Pinto**

In addition, the fact that the government could not help TAP due to European legislation, which would accuse the government of not fair competition, which helped with other companies that injected money in the State.

> "Sine 1997/1998 that was the last time that TAP received help from the government. It was the last time that the government could authorize it and after that it could not give any help, under the risk of TAP closing"
>
> **Michael Connolly**

Other respondents shared the same view on this idea, arguing that the EU demanded, as a policy to stablish fair competition. Therefore, the state was forced to privatize TAP, otherwise the company would not be able to compete with aggressiveness, mainly against low costs.

> *"The main reason that led the Portuguese state to take the decision to privatize the company, was precisely because it recognized that there were no financial conditions and because it was not authorized by the European Union rules of competition, to make capital injections. Therefore, TAP was unable to renew its investments and fleet, to become a more modern company and have a more modern operation, and be competitive in relation to other companies"*
>
> **Teresa Lopes**

Moreover, it is important to mention that in the Middle East companies receive state help, since they do not have to comply with European legislation. Therefore, TAP not only competes against companies in the Portuguese market, but also in the external market. Thus, Middle East companies, which are also competitors of TAP, receive financial help from the state, which according to European laws would be perceived as distorted competition:

> *"There have been several attempts to privatize TAP. When Eng. Fernando Pinto was hired, 15 years ago with his management team, it was with this purpose. The privatization of TAP was a result of several circumstances, but mainly due to the fact that is in the State perimeter, which is under European legislation that does not allow states to help airlines. Except that, airlines compete with each other in their own countries and markets. So, what happens in the Middle East, where countries inject money into airlines, is more complex, with distorted competition"*
>
> **Abílio Martins**

ii. International agencies, Financial and Foreign Debt Pressures

In addition to the pressures exerted by unions and the state, international agencies also pressured economies, such as Portugal, to reform sectors with new public management (NPM) principals, by conducting some privatizations and restructuring the public sector, as mentioned in the literature.

In fact, the pressures discussed previously, not only are internal (state failure, public sector inefficiency and bureaucratic mismanagement[14]), but also are external ones, as for instance,

[14] Factors that will be discussed in this chapter.

international lending agencies, which in the current days are responsible to finance external debts of some countries, which was the case of Portugal.

> *"Portugal was under the influence of aid request negotiated with TROIKA and under budget restriction policies that were implemented in the country for all public companies"*
>
> **Teresa Lopes**

Therefore, debtor countries like Portugal adopted some privatization programs in order to display their commitment to the stabilization programs, negotiated with TROIKA. However, privatization is perceived by unions just as a political decision to privatize important companies to improve the negative effects of crisis.

> *"There was a political decision to privatize important companies, and that was what happened with TAP"*
>
> **Paulo Duarte**

The stabilization program is in line with the financial deficit and foreign debt of Portugal. In fact, the privatization decisions, as mentioned in the literature, are quick solutions in order to address fiscal crises. Portugal, in order to solve the problems related to deficits and debts, tried several privatizations. According to some respondents, the government was supposed to sell the company, but for several reasons, it did not. However, forced by the international aid and the MoU signed with Troika, the government consummated the process.

> *"Portugal was on default. The privatization always had the purpose of happen, whenever possible. Portugal never stopped having the obligation to privatize. It tried three year ago but it did not work, because was a single proposal, which was not accepted by Portugal, due to the lack of compliance with some requisites. The state tried to privatized the company one year ago and ended up by being privatized by the Consortium of Barraqueiro and Azul owners. It was positive because it had to be, under the risk of TAP closing doors"*
>
> **Michael Connolly**

3. Access to Capital

In the literature review it is mentioned that a benefit associated with privatization, which is related with efficiency, is the stimulation of technological development and/ or innovative capacity. The assumption behind this argument is that profits motivate private the private manager to innovate. In

fact, according to some studies, capital investment spending increases significantly as firms are privatized.

All the respondents pointed the lack of accessing to capital as a major problem for the company, leading to its privatization. As mentioned before, it was due to European legislation, which restricted the help by the state to TAP. In fact, because TAP is an airline company, susceptible of having competition, the government cannot intervene. For companies that provide essential services for population, then it is a different subject. But, for the specific case of TAP, it was not allowed.

> *"The rules of competition that prevail in Europe limit the injection of capital by shareholders, when they are the states of the countries, in the aviation industry, where companies compete against each other. This is basically because the rules of competition want to safeguard that a given company does not have access to unlimited funds only because it is public"*
>
> **Teresa Lopes**

Some studies concluded that SOEs are likely to be less capitalized when compared to private companies. Moreover, the capacity utilization, investment and capital-intensity production technology increase after privatization:

> *"Because we were detained by the state, we could not access funds in the same way we could if we were privatized. This has in fact caused the company over the years to have some limitation on the investment and capitalization that made its accounts and its balance sheet not as good as they could be if that capitalization could have occurred"*
>
> **Teresa Lopes**

Thus, if privatization would not have occurred, the company could have tried to finance itself in the market. However, besides the amount borrowed, it would also have high interest rates. The process is expensive for the company, specially when TAP is so dependent from capital.

> *"If the company cannot be financed by its principal shareholder, then it is forced to resort to the market. But it is a problem, besides the amount, it has high interest rates. Also, the company cannot have warranties from the shareholder, which makes the financing process more expensive. Therefore, it is more difficult to grow and compete in the market"*
>
> **Fernando Pinto**

Therefore, respondents believe that TAP would not survive if it would be deprived from capital:

> *"TAP would not survive if it would continue the way it was, because the amount of money needed would not be provided, because state did not have it and even if it had, it was not allowed to support the company.*
>
> **Michael Connolly**

Therefore, besides being a crucial problem for the survival of the company, it would deny the company of investing and therefore, growing and competing:

> *"TAP could not finance itself to make the turnaround of its own business. How? By modernizing the product. So, we have a fleet average age of 25 years, which is historic. It is above any benchmarking, where at the end of twelve or thirteen years they not used anymore. And TAP needed to refinance itself in order to continue to grow and be key growth driver for the country itself"*
>
> **Abílio Martins**

However, not all the respondents share the same opinion on whether the lack of capital access was the main driver to privatize TAP. In fact, it was argued that previous privatizations processes caused the cease of money lent by banks, which caused enormous problems on TAP to finance itself and therefore, to survive. Thus, the cause presented by other respondents is seen as a consequence of privatization attempts. Additionally, it is mentioned that new private shareholders were thought to bring more money into company (the capital TAP needed to support its operations), but only more debt was injected because the state continued as the sponsor of debt. Thus, the state has to negotiate with banks in order to decrease the interest rates associated with the loans, which will allow the extension of debt maturities.

> *"What was sold to us is that privatization was an inevitability and by being private had more and better access to capital. The problem we found was that it was the exact opposite. What happened was that every time a privatization process was open (until it was closed), successfully concluded or not, the bank stopped lending money and we had a lot of difficulties in financing ourselves. This caused TAP to come to this situation also, because it had three privatization processes in a short period of time. What was thought was that these shareholders would bring capital and money to finance TAP, and in fact, what happened was that it was injected more debt. Because the state continued as the sponsor of the debt. One of the conditions that the consortium imposed to the state, in order to give back the capital that was lacking to reach the 50%, was that the state renegotiated the debt that TAP had. So, the state has to negotiate with banks, both the maturity of loans and interest rates. This means that the new shareholders do not have the capacity to handle the negotiation. This is only a legal way to get money through the state"*
>
> **Paulo Duarte**

Therefore, in the Memorandum of Understanding that the State signed in February with Atlantic Gateway, it was established that there will only be a remuneration for economic rights[15] after five years and if there is an operation of dispersion of stock capital. Thus, the 18.75% to which the public partner is entitled are dependent on two conditions: the subscription of the 30 million bond loan made in June 2016 and the successful conclusion of the debt renegotiation with the bank.

4. Ineffectiveness of State Administration

i. Competitive environments

According to the literature, some arguments focus on the importance of competition among companies, concluding that public enterprises rarely outperform private ones, mainly when the environment is competitive. The majority of theories generally favor private control, viewing state ownership as inefficient, mainly in a competitive business market.

Some of the respondents' comments already analyzed, make critiques on state management, implying that a private managing would be better for several reasons, but mainly because the air transport of individuals is a very competitive market, with several companies competing and innovating.

> *"[the company] continued to grow in the other 25 years in which it was private, but began to lose conditions of competition. Because, the competition, and especially the low cost companies, became to have a much bigger impact than us. We needed to be more agile but we could not. So either we privatized or we would lose our competitiveness to other markets"*
>
> **Fernando Pinto**

> *"The privatization of TAP was a driver to allow TAP to get financial help and be more efficient in a competitive environment, not as in a State regime"*
>
> **Abílio Martins**

[15] The money generated to remunerate the shareholders through dividends or through the sale of assets and shares, which will be a maximum of 18.75% to the State.

The arguments are based on the idea that state administration is not efficient on competitive markets, not because of the competence of people, but because the main focus of state management is different from the private one, perceived as more efficient:

> *"State administration is not efficient in a competitive market. It is not necessarily the competence of people and managers working in a SOE (that might or not be competent), it is the focus of state-owned management"*
>
> **Michael Connolly**

In fact, it was stated that the decision to privatize is based on the vision that government has on the services provided by the companies, if they are being well provided and answering public necessities, or if they would be more efficient if they would become private.

> *"The privatization decisions of SOES have much to do with the vision that the respective governments that are in functions do or have with respect to the necessity of the tasks that are being developed by that company continue to be made under the sphere of influence of the public cause. Or if, on the contrary, they become more efficient or better meet the needs of the public they serve if they are developed by private"*
>
> **Teresa Lopes**

Besides what was mentioned, a state company has more controls than a private company. Even though audits are important, they interfere with the management of the company. One of the examples pointed is the fact that workers are afraid to do anything, because they feel the extra pressure due to scrutiny of results and possible accountability of the responsible.

> *"We had several State controls: external audit, just as all companies have and two direct audits. Also, we still have audits from the state. Additionally, we have one from the EU directly and also one from each ministry, and since we are related with two – the ministry of finance and the one that owns the transports – this means that we end up having six audits – six internal controls. This ultimately makes the company highly difficult to manage. People are afraid to do anything"*
>
> **Fernando Pinto**

Other reason pointed for the inefficiency of the state is the aggressiveness in management, which is different depending on the ownership. A private company will search for efficiency, for drivers that will improve processes and search for value. Private managers seek for talent, for workers who question and who will do their tasks with the sense of urgency. Moreover, private ownership has a logic of managing the resources, which is very different from the public sector. In fact, even if state

companies try to replicate this model, they will eventually be *contaminated* other decision-making processes and procedures to work, as mentioned:

> *"A private company has a record to be more aggressive, have more effective and faster decision-making drivers, new management processes, value, talent and questioning seeking, being more agile, which is part of of our day-to-day and of our transformation process that we are doing at TAP. It is a question of culture, of sense of urgency – that does not mean that it has not been had – but it is a different form. The private companies are the ones that have a logic of operation to seek efficiency, the way the resources are managed, it is different ways of managing under the perimeter of a state company, which even if it does not want, will eventually be contaminated with different forms and procedures for working and decision-making"*
>
> **Abílio Martins**

For private companies, it is possible to reduce costs, such as with layoffs, and increase revenues, which for public management is more difficult due to unions pressure for instance.

> *"We have reduced the number [in the support area] by 50%. Now imagine a company growing 150% and the number of people reducing to half. It is other mentality, other efficiency and effectiveness (...)"*
>
> **Michael Connolly**

For instance, the fact that TAP reduced the flights from Porto to Europe because it was more efficient to redirect them to Lisbon, caused a negative impact in media and public opinion because Porto's population would have to do a scale in Lisbon to do the same flight, previously done directly.

> *"It is natural for a private company to specifically seek its sustainability and profit. There were two options: to concentrate (having more) the flights in Lisbon and having better results or to make people from Porto happy and to have worse results. There is no doubt what the decision to take (...) We cancelled important routes such as Johannesburg, very important in political terms, price relation with the market, but we reduced because it was not viable. And with Porto was the same"*
>
> **Fernando Pinto**

While the company was public, it had to assure the national interest, even when it was not viable to maintain routes. The public perspective is that, even though routes were a loss for the company, that the state would assume, they were positive for the citizens:

> *"Of course, when the company is 100% of the state, it can take decisions and measures that are for public service. Flights departing from Porto to Europe were a loss for the company, but for the citizens was good because they did not have to go to Lisbon and then fly to Milan, for example, because the State would assume*

> *the loss. Today, with an owner who only cares about what profit is, everything else will close"*
>
> **Paulo Duarte**

The different perspectives summarize the debate of public and private management focus, because on the one hand, privates search for efficiency while public enterprises focus on satisfying the national interest. One example given was a flight to Punta Cana, that operated once a week. The crew *"would fight against each other in order to take the flight"* because they would have one week free while waiting to flight back to Lisbon. This was an extreme example given, but reinforces the idea that public management for a company that wants to lead and aggressively competes with other companies *"it is not possible"* (*Michael Connolly*).

According to the unions vision, the new management vision, which searches for efficiency (by reducing costs, ceasing routes, among others) is not positive because workers are treated as numbers, which might get worse in the future.

> *"A lot of it is summarized in an Excel sheet. That being said, if you stop working for 10 minutes and 300 people do the same, it will give 3,000 hours of work wasted. Things like this, which is all very practical, with numbers, are already being seen on the ground. And I think that this will get even worse"*
>
> **Paulo Duarte**

ii. Restrictions to Hire

For a company that is in an aggressive and competitive market, which wants to grow, the fact that it is not able to hire new employees is a very difficult, if not impossible, task. As mentioned before, due to state measures, TAP was not allowed to hire. However, at state level it might make sense because *"state wants to decrease expenses through the reduction of personnel"* (*Michael Connolly*), but for a competitive company, it is very difficult because:

> *"We want to to expand, open new air routes, buy new panes, how are not going to hire? Without pilots, planes will not fly. (...) It was very difficult to maintain the company operating"*
>
> **Michael Connolly**

To comply with such measures, the management cannot be effective, because even if the company has market share and an increase of demand, because it is a state company, it will have to follow the state measures, as for instance:

> *"We had in the last four years of crisis - very strong for Portuguese citizens - a great increase of supply. But, at the same time, the state would not allow us to admit personnel. And then, we started to have problems, because how could we grow?"*
>
> **Fernando Pinto**

Both problems – inefficiency of state management in competitive markets and not being able to hire – are related with each other and help to explain why, according to the beliefs and the literature, privatization occurred.

5. *Bureaucracy*

In relation to what have being discussed and mentioned in the literature, the bureaucracy rules and centralization of SOEs can lead to privatization in order to ensure faster and more efficient decisions. In general, the problem was stated direct and indirectly by the respondents, which faced some bureaucracies, which is normal in a state company.

However, because TAP could not have capital injection, it could not perform its activity in accordance to its main goals. Thus, the main problem reflected by the bureaucracy, is the fact that it is time consuming and delays decisions, which if not taken on time, can have serious effects on the company, as for instance, not being able to have planes flying and completing routes.

> *"We would end up losing a lot of time, sometimes months, trying to find a way of showing that we were respecting the norms, but at the same time, we were hiring and not quit from flying. And this took months because everything that the government has to approve is endless, because nobody wants to take the risk of approving without consulting 50 opinions"*
>
> **Michael Connolly**

Therefore, bureaucracy can be perceived as a synonym of inefficiency and ineffectiveness as in both the public and private sector. However, the main difference between private and public entities is, as

mention, the incentives driven. When a company becomes private it has a motivation to reduce bureaucracy in order to improve efficiency and reduce costs, while public sector's main focus is to satisfy the public interest.

6. Core Competence of the State

Following the idea of inefficiency, another argument pointed is related to the core competence of the state, which is not to provide air transport service. The two main reasons are, on the one hand, the fact that travelling is not considered an essential activity of citizens' survival, and on the other hand, the fact that there are other substitutes, mainly for short distance journeys:

> *"In the case of Portugal and the majority of countries in Europe, it was taken a decision by the government that there was no need for air air transport to be developed by a state company. Why? Well, maybe because this function is not essential for the survival of populations, such as other more critical ones. In addition, because there are other transport alternatives, which substitute the air transport, mainly short trips. Therefore, it is a business so ordinary, that if it is not developed by a state company, it will be done by a private one. If demand exists, that service will be attended"*
>
> **Teresa Lopes**

Thus, the fact that government, while being the principal shareholder of the company, is not performing the business effectively, then it should allow for a private company to operate.

> *"An agreement was previously made with the government to allow shareholders to enter in TAP. As part of that agreement, the management would have to be independent, without politicians. This agreement was basically: we entered by one door and the government goes out on the other one. There would be no interference by the government"*
>
> **Michael Connolly**

According to the literature, some activities, which are not related with the core-business of state, should be left to the market and to the private sector. In fact, this idea is supported by political and philosophical arguments, which argue that, by contracting the size of government will be positive, wince it will decrease the cost for citizens. The general idea is the same, that government is performing tasks that should not be doing, therefore, should cease them (Kosar, 2006).

However, Paulo Duarte sees this as a problem because if private shareholders only concern by profits and efficiency, then everything that is not viable will close, since there is not intervention from the state. And the ones who will suffer will be the citizens.

7. Management Improvement

In the literature, one enhancement associated with privatization is the idea of management improvement. Private administrations can take decisions based on what is best for the company, without the need of complying with political objectives and regulations. Additionally, bureaucracy can be avoided, which is in line with the efficiency effect, and services can be directed more towards market requirements and the consumers. Therefore, in order to improve the management in the company, some principal reasons will be analyzed.

i. Loss of management freedom

In order to comply with the external and internal requirements, from EU and the state, respectively, in addition to the pressures exerted by unions, the management of TAP was affected. Moreover, the freedom to take decisions, to invest, to reward employees for their work, all in all, to grow and to stablish the company in the competitive market, was restricted. The main argument is that, this restriction to manage was more related with politics than management itself:

> *"The company is subject to certain actions, which are more often more linked to politics than anything else. For instance, Portugal experienced a strong crisis in recent years and had to restrict wage increases and personnel growth. This made sense to companies that were financially dependent from the state (...) In our case we could not resort to the state. Therefore, we lost our freedom to manage, for purely political issues (...) With a greater freedom of management we can compete in the market that changes at any moment"*
>
> **Fernando Pinto**

Thus, the management team of TAP could not improve the business just considering the perspective and context of the company, but would have to bear in mind all the restrictions, besides all factors

mentioned before. Thus, for managers, having limited decision making powers influences their ability to lead the company to success.

> *"The management of TAP was restricted. Portugal was under the influence of aid request made with Europe and TROIKA, on budget restriction policies that were implemented in the country for all public companies. Therefore, they had a limiting effect on the ability to manage the company in a free and competitive way"*
>
> **Teresa Lopes**

ii. Distancing of State Intervention in Managing

In order to change the direction and focus of the company, to be more in line with the interests of private company, TAP had to increase the distance of the influence that the state exerted.

Some impacts are already being felt in the newly privatized company, as mentioned:

> "*[The privatization] is increasing the distance between TAP's management and the interference of government in managing the company, and state measures that could affect TAP, which is now considered a private company, therefore they no longer apply, which is a relief. Before, the government had to make an adjustment and we had to participate without making any sense"*
>
> **Michael Connolly**

In fact, privatization was performed with the goal of having the greatest possible distance between TAP's management team and state interference. In the MoU signed by TAP and the consortium, it was assured to new shareholders that state will not intrude in the daily life of the company, which will prevent the company of having to participate in state adjustments, even when it did not make sense.

iii. Cost Reduction

Another motivation for privatization is the fact that private companies focus on efficiency and in order to reach it, besides all the factors mentioned, they equate cost reduction. According to the literature, the argument is that private firms face bankruptcy threats, which also incentives the manager to be more aligned with the shareholder's interest, leading to cost cutting and therefore to efficiency.

> *"[With privatization] is another mentality, other efficacy and efficiency. It is another environment to search for improvements, which already comes from the inside, from the employees, suggestions for projects, to continue to improve. Even*

> *respecting the legal minimum size to operate (due to security and service), we were able to decrease the size of the crews. This was something unthinkable, mainly due to the unions (...) the number of crew flights decreased and the efficiency of the whole company improved"*
>
> **Michael Connolly**

The main difference is the fact that, before the privatization of the company, it had to operate sometimes with losses, to assure a public service. With privatization, routes, for instance, can be ceased, as well as layoffs among others measures, in order to reduce costs, improve efficiency and compete with other companies.

iv. Business Consolidation

With the increase of efficiency, the business will be more consolidated, which is also a cause for privatization. By suffering pressures, having restrictions in managing such as not hiring, not having capital, etc., leads to instability in the company. Having a state concept influences the aggressiveness of competition by TAP, which would not resist against the changing market.

> *"It is a way of consolidating the company in the private sector, where it has to compete, to win against the competitors and cannot have a state concept. It is a new management, which brings positive aspects"*
>
> **Michael Connolly**

In addition to the motivation to consolidate the business via privatization, it was mentioned some differences that this change might bring:

> *"There might be impacts in what concerns the sustainability of TAP. There may be a different way of working, more pressure, more scrutiny of results and greater accountability"*
>
> **Abílio Martins**

Private companies are more goal driven, so results are important to access if the company is complying with shareholders' objectives. Thus, it could be possible that a more scrutiny of the outcomes becomes a reality, with possible culpability (and awards) for the responsible.

> *"As a request of the new shareholders, we will have a cost reduction program, in order to increase efficiency, which is normal and natural"*
>
> **Fernando Pinto**

8. *Investment* capacity

In the literature, the studies performed show evidence that firm's investment increased after privatization. Some of the categories of investment capacity that will be analyzed, might be perceived as well as a result of privatization. However, they are also drivers that led privatization to occur.

i. Growth

The majority of the respondents pointed growth as a major motivation for privatization, because TAP was living a paradox: the company needed to grow but it was impeded:

> "We already received capital since the privatization of 250 million euros, which is fundamental for us. Besides, another thing we would not had been able to do is a purchase order for 53 new airplanes. It is almost entirely the renewal of the fleet. Without this, we would be left behind. You can not compete with an older fleet"
>
> **Fernando Pinto**

The need to have a sustainable company, which could be growing and investing, led to the privatization, which if did not occur, would not allow TAP to renew its fleet, invest in new routes, increase the number of passengers, among others.

> "The best example is the capital injection. On day one as a private company, were ordered 53 new planes, which are evaluated in 4 billion euros. Before, TAP had never the capacity to do this, because we did not have have funding (…) It is happening more than this. TAP is growing! It announced eight more destinations in Europe, tripled US capacity, Canada routes were announced and more routes to Africa"
>
> **Abílio Martins**

TAP was seeking an immediate growth, which was possible from the first day of capital injection. Besides, there was a desire grow in markets where was not so competitive when comparing to other companies. For a country that is a *"main entrance door for Europe"* it is considered very important to have growth not in Brazil, but also to expand to the USA:

> "We increased the number of destinations in Europe by, at least, 150%; in Brazil we had 15 weekly flights, now we have *70*; in Africa we flew to 4 countries, now

> we are present in 8 or 9. The growth in the company's operation was extraordinary (…) [The privatization] allows a new vision, a renovation (…) We already grew 100% the number of passengers from the United States flying from there in TAP's routes, in this period, so short. We doubled the traffic in the United States, and that is very positive"
>
> **Michael Connolly**

ii. Routes

In order to grow, the company has to increase routes, which is the same logic if inversed: the company grows and, therefore, can invest in more routes.

In addition, one motivational to go private was to cease routes, which were not efficiently being operated. This would not be possible while the company was public, due to the public service provision assurance by State:

> *"It is natural for a private company to specifically seek its sustainability and profit. There were two options: to concentrate (having more) flights in Lisbon and having better results or to make people from Porto happy and to have worse results. There is no doubt what the decision to take"*
>
> **Fernando Pinto**

When the company becomes private, it is "allowed" to perform several measures, which are not "open" to discussion with the public, because TAP will perform was is best for the company.

> *"Porto is not inaccessible. It is not because we have finished with direct routes of Porto, that it is inaccessible"*
>
> **Teresa Lopes**

However, for being a former state company, at the moment of the privatization, some agreements were made with TAP (but not harming the company) in order to assure, for instance, that people from the Portuguese islands – Madeira and Porto – as well as the rest of the countries where the diaspora is more present, that TAP would maintain operating in those routes.

> *"TAP has obligations that are in its privatization agenda, namely of routes and flights to countries that are part of the diaspora. There are ten points that, not only are they being met, but also more is being done than what was supposed to"*
>
> **Abílio Martins**

Additionally, the growth was necessary for TAP to get back routes that were once important, but due to several reasons, had to be ceased:

> *"For instance, TAP has stopped flying to Guinea and now it is flying again. TAP should do what it is best for TAP. It cannot have routes that cause losses. TAP has to take strategic sustainability routes. It is important that TAP is still there for the future generation and that would be sustainable (...) TAP used to fly to JFK Airport but it ceased the routes. We never managed to return to operate. Now we are flying there again. The new TAP is this: new alliances and growth"*
>
> **Abílio Martins**
>
> *"[The privatization] brought additional know-how from the outside, because they are part of the investors – one part is Portuguese but the other is American and Brazilian – which allowed us to enter with more force in a market that was more difficult to reach - the American"*
>
> **Fernando Pinto**
>
> *"The capacity of investment, strategic definition and certain partnerships. All of this due to privatization. We had never been able to return to JFK Airport without the new shareholders, with their contacts and new signs of company strength, allowed TAP to be in the JET Blue terminal"*
>
> **Abílio Martins**

This vision, has already mentioned, is not shared by all respondents. In the unions point of view, when the company was public, some routes were assured, even when the company had losses. Currently being private, whatever is not profitable for the company will not be performed, since TAP has an efficiency and profit seeking behavior.

> *"Of course, when the company is 100% of the state, it can take decisions and measures that are public service. Flights departing from Porto to Europe were a loss for the company, but for the citizens to not have to go to Lisbon and then fly to Milan, for example, the State would assume the loss. Today, with an owner who only cares about what profit is, everything else will close"*
>
> **Paulo Duarte**

iii. Service

Even though investment on new routes is important, specially to grow and compete in the market, it is not possible to maintain the same service, specially for a company that has a fleet with an average of 25 years old, comparing to other competitors, which renew planes with half the age:

> *"We have a fleet average age of 25 years, which is historic. It is above any benchmarking, where at the end of twelve or thirteen years is not used anymore"*
>
> **Abílio Martins**

It is argued in the literature, that privatization improves the quality of services due to the competition faced by the organizations. Several studies were maid to support this evidence, leading to the conclusion that provision by private suppliers should be preferred as it may lead to increased quality as well as lower costs.

In TAP this is being verified, with an investment made to improve service, costumers will experience a quality improvement in TAP's planes, which is translated in more comfort.

> *"Soon it will begin the renewal of TAP's own fleet (...) planes are being remodeled in their interior, which will assure passenger's comfort.*
>
> **Teresa Lopes**
>
> *"The total renovation of the interiors of the planes, the transformation of Portugália to TAP Express, we moved from a regional fleet with an average age of 22 years to 2 years. Imagine the increase in comfort... At the end of 2017 we will have more comfort, with beds ahead that lie down to 100%. All this is a product that happens thanks to privatization"*
>
> **Abílio Martins**

Moreover, the company is now increasing its position in order to aggressively fight low-cost competition:

> *There is an adaptation on the tail model of the airplane in order to compete with the low-costs. (...) In this way, the company positions itself in the market in a more competitive way, whatever the range of services it provides: either at lower prices, in which it can provide a service that competes with the low-costs or a higher one, for that sector and segments of customers that privilege the service instead of the price"*
>
> **Teresa Lopes**

As stated in the literature, the consumption will increase due to the increase in the quality of services, which will be be positively perceived by consumers. This increase leads to a higher production, which will possibly create more jobs. Therefore, the consequences of quality improvement will help the growth of economies of both developed and developing countries, which is what TAP searched for.

iv. Flexibility Obtaining Resources

After everything that was mentioned, the flexibility in obtaining resources was also a motivation for TAP to become private, since resources were not easy and sometimes even not possible to obtain:

> *"Now that TAP is private, what will change in the future will be the greater flexibility in obtaining resources"*
>
> **Fernando Pinto**

Not only the investment in the new fleet is important, but also the possibility to hire and to invest are considered very important in the growth of companies, which TAP is not an exception.

Motives Not Anticipated by the Researcher

The previous analysis was related to privatization motives suggested by the participants and the literature findings. However, not all motivations were anticipated by the researcher. The following reasons were presented through the interviews and considered relevant for the case study.

1. Absence of a Permanent Management Structure

It was stated during interviews, the fact that lack of stability in the management structure was also a reason to privatize. In fact, a state company subject to state measures, cannot control whenever parties and governments change their mandate.

Therefore, it can happen that the government in power has a vision for the company, which can be replaced upon the change for a new government:

> *"The executives working in the company might have a focus to manage in accordance with the government in power, which can be replaced, leading to a possible substitution of managers. Therefore, there is no continuity, which for me is probably the most justifiable reason for privatizing"*
>
> **Michael Connolly**

In addition, the situation would be worsened off if managers would be substituted each time government changed. However, the team was able to maintain their functions and stay in TAP, even though politics changed.

Therefore, as pointed, privatization was in fact important to give TAP stable shareholders, who manage the company with continuity and in favour of the company:

> *"The privatization of TAP, independent from other reasons, was to have and to give to the company, stable private shareholders"*
>
> **Abílio Martins**

2. The End of the Company

Other important factor to be considered was the fact that it could serve as a (negative) alternative to privatization: the company would end. Thus, the majority of the respondents affirmed that privatization was inevitable, otherwise the company would have to cease its activity:

> *"It was inevitable to privatize TAP because of market necessities. TAP would not survive if continued the same way as it was in the past because the government did not have the cash to inject in TAP and also, it was not authorized to do it. (...) When the privatization process did not happen in the past, only because of Swiss Air (...) we had treasury for just 3 months. If privatization would not occur, the State could not help and there were no conditions to resist"*
>
> **Michael Connolly**

It was anticipated in the literature review and during interviews that privatization was necessary due to capital needs. However, when asked about alternatives to privatization, respondents confirmed that there were no alternatives, the privatization was the ultimate end:

> *"It was fundamental [to privatize TAP] because the company would not resist"*
>
> **Fernando Pinto**

Therefore, besides being inevitable, it is also considered the best possible scenario for the company and for the country, as a measured used that saved the company from closing:

> *"[The privatization was] inevitable, necessary, the best thing that could have happened to TAP and, mainly, for the country"*
>
> **Abílio Martins**

Motives Considered Unusual

There are other motives besides the two categories (anticipated and not anticipated), which were not anticipated by the author and were considered usual.

1. Privatization just as a political reason

For instance, the unions' perspective on the decision to privatize and on a possible alternative was a different opinion then the rest of respondents, claiming that privatization was not necessary to happen to TAP. In fact, the privatization only happened for political reasons: because the government negotiated some privatizations and TAP was used as a "test":

> *"In our understanding, the question [reasons to privatize] is only political, it has nothing to do with the company itself, with TAP. There was a political decision to privatize important companies in the country and that happened with TAP. Let's say that TAP is very important, and over the years there were many obstacles to implement measures in the country, which were tested in TAP, a kind of trial balloon"*
>
> **Paulo Duarte**

2. Government's Decision Setback

As mentioned, TAP's decision to privatize was to allow the company to invest, to grow, to hire, to have access to capital, among others. When the first privatization agreement was signed between the state and the Consortium, which would give to the latest a 61% stake in the company, it was intended to sell the remaining, being the company 100% private in the two years following the privatization process. However, when governments changed – to the current left-wing party – there was a setback in the decision:

> "*The former government privatized the company at the end of their mandate the way we know. The fact is, after the privatization occurred and due to the change in parties, to a more leftist position, it prevailed the importance of having some control in the management of the company. So, negotiations started so that TAP would have 50% of State's stake, instead of zero participation after two years"*
>
> **Teresa Lopes**

Thus, the primarily decision to privatize was based on rationales that the company should be entirely private, but the second government had a different opinion and reverted the process:

> *"The state did not want to be left out, from a company that it considered important"*
>
> **Fernando Pinto**

However, the main reason remains: TAP is private. But now, the state has 50% of the stake:

> *"Even though there was a regression of 50% to the state, it is a private company"*
>
> **Abílio Martins**

Even though the state will not interfere in the daily life of the company, which will be assured by private investors, unions argue that the process was negotiated with different perspectives from what actually occurred:

> *"When privatization was decided, it was supposed that the state would be out of social capital; but now, there is a reorganization of privatization, where the state will stay with 50% of the company. So, it is not the same thing that previously was discussing"*
>
> **Paulo Duarte**

Therefore, one government based the decision to privatize on several reasons, which did not match nor were shared in total by the new government in power, leading to a setback in the decision process.

5. Conclusion

The hardest thing is to get started, but the really hardest thing is to finish.

— Yogi Berra

The current study was performed in order to understand if there are differences between the motivations discussed in the literature on privatizations and the opinions of executives and workers on TAP specific case.

The main literature focuses more on the performance of SOEs rather than studying the reasons that lead public companies to go private. In fact, as previously mentioned by Jones & Mygind (1999), *"much less literature examines the causes of variation in ownership structures"*. Therefore, the author collected secondary data discussed in other studies, to compare with results of the interviews performed.

The conducted interviews with current and former TAP executives and union coordinator, was with the goal of accessing and obtaining internal knowledge. Moreover, by interviewing previous and current administrators as well as the unions' representative would give different insights on this matter. Therefore, table 16 summarizes the main results.

Table 8 - Summarizing the motivations and expectations on privatization

MOTIVATIONS ON PRIVATIZATION	EXPECTATIONS ON THE LITERATURE	RESULTS
Intervention of External Organisms	• Unions oppose privatization • Unions criticism influences management of SOEs • SOEs have to comply with market and state rules • Pressures from state and unions in competitive market are incompatible	• What was mentioned in the literature was verified by the respondents

MOTIVATIONS ON PRIVATIZATION	EXPECTATIONS ON THE LITERATURE	RESULTS
Reduce Public Sector Borrowing Requirement (PSBR)	• Privatization is perceived as a mechanism to reduce PSBR • EU members have to comply with laws and measures • State could not help the company – unfair competition • Pressures from lending agencies, financial and foreign debt • Fast solutions to address fiscal crisis	• Generally, it was verified; • Unions claim it was just a political decision to address fiscal crisis
Access to Capital	• Capital access increases technological development and/ or innovative capacity • SOEs are less capitalized than private companies • Difficulties in getting financial help from the private market	• Differences on the fact that competitive companies in EU cannot have help from the State; • Differences on whether the company really needed the capital to survive and if it was a positive injection
Ineffectiveness of State Administration	• Competitive companies outperform public ones (specially in competitive environments) • Private control is favored in terms of ownership when comparing efficiency • Focus of SOEs is different than private companies • Cost reduction (routes, personnel) • Restrictions in hiring due to EU norms • Private companies are focused on profit maximization	• Partly verified, even though privatization only occurred some months ago; • Differences on the fact that state cannot hire because of EU
Bureaucracy	• Bureaucracy is responsible for inefficient and delayed decisions	• What was mentioned in the literature was verified by the respondents
Core Competence of the State	• State should perform according to its core function: correct market failures • Provide services and goods to the population that are vital and necessary (no competition)	• Partially verified
Management	• Private administrators base decisions on what is best for the company • State does not interfere in management decisions • Bureaucracy can be avoided • Cost reduction • Business is consolidated	• What was mentioned in the literature was verified by the respondents
Investment capacity	• Investment increases after privatization • Cost reduction • Quality improvement • Flexibility to obtain resources is higher for private companies	• Partially verified; • Differences in unions, which mention the cease of important routes for population

Source: Author's Table

In terms of the intervention of external organisms such as the state and unions, the literature review findings were confirmed by the respondents. In fact, it was confirmed that unions are opposed to privatizations and they can influence the management of SOEs. As Paulo Duarte stated *"we are strongly against this privatization"*. In TAP, unions always had a strong influence in the decisions of the management team. Moreover, state entities have to comply with market and state rules, which is even more restricted because of the integration of Portugal in the European Community.

In addition, it was discussed in the literature that in competitive markets, private companies outperform in comparison to state enterprises. For a company with the profile of TAP, which is capital-intensive, disputes the market with other companies, mainly with the rise of low-cost companies and has a necessity to constantly innovate, it is incompatible with state management.

In what concerns the reduction of PSBR, some general findings were verified. For instance, the fact that privatization is perceived as a mechanism to reduce debts and deficits financings from international agencies, which exert pressure on the state to comply with the regulations and agreements made with TROIKA.

Portugal, along with the majority of other countries, suffered with the financial crisis. Therefore, as mentioned in the literature review, privatization can be perceived as a mechanism to recover from crisis. The unions argue that TAP's privatization was, in fact, a political issue: the government promised in the MoU with TROIKA to privatize important companies, where TAP is including. Therefore, as Paulo Duarte mentioned, privatization *"has nothing to do with TAP itself"*.

The managers, argue that the impossibility by the state to help the economy due to the risk of being accused of violating competition, would end with TAP. In addition, as mentioned by Michael Connolly, TAP *"cannot have an external organism always acting as second guessing"*.

In terms of accessing to capital, divergences were found on the literature and on the interviews' results. Starting with the validations, it was stated that having access to capital would increase technological development and innovative capacity. Due to the injection of capital by the new shareholders, TAP was able to open new routes and recover old ones, as well as modernizing the fleet, among other examples presented. In the literature review it is mentioned that SOEs are less

capitalized than private ones, which in this case was validated, since the company could not have capital injection if it would remain under the state influence.

However, because European Union has very specific and restricted legislations (in what concerns fair competition for example), the answers from the interviews showed very different results. For instance, it was argued that one of the advantages of being public is the fact that enterprises can receive capital from the state that the private market would probably not provide. Nonetheless, TAP is part of EU, thus, according to TAP's executives this would not happen and the company would not survive. However, the Union's coordinator argued that the previous privatization processes caused a crisis in borrowing money from the banks which led to the difficult financial situation of the company. In addition, he adds that new shareholders were though as a solution to inject more money in the company, which turned out to be the opposite since state will receive less economic rights and only if assumes to renegotiate the debt with banks.

Therefore, Paulo Duarte argues "*the state continued as the sponsor of the debt (...) This means that the new shareholders do not have the capacity to handle the negotiation. This is only a legal way to get money through the state"*, which is different that what mentioned by the executives.

The ineffectiveness of state administration was partly validated. In terms of the performance of private companies when compared to public ones being higher, according to studies done and stated in the literature review, it is not possible *yet* to affirm that it will happen, due to the recentness of the privatization process. However, according to the executives, some positive changes are already being implemented and noted, such as the new routes, renewing the fleet, increase of passengers, among others, which indicate that performance is in fact increasing. In terms of efficiency, some improvements are also being employed, such as cost reduction with the cease of routes and reduction of personnel, according to executives. The focus of private companies is profit-driven, according to the literature review, therefore according to the executives, the measures implemented are necessary to improve the company's competitiveness, while for union's coordinator, if shareholders only care about profits, more cases as the cease of Porto-Europe' routes will happen.

The bureaucracy was a validated, since both the literature and respondents presented the same results. The important results found were the fact that state companies are associated with more bureaucracy

practices, while private companies, reducing the levels of bureaucracy, increase efficiency and make decisions faster.

The core competence of the state was partially validated due to the fact that, literature mentions that the focus of private companies is different from the public ones, being private companies profit-driven, while SOEs should assure the provision of public service. Therefore, executives argue that the new ownership will lead to an increase in efficiency for the company and state should not intervene, since the business is not considered essential to populations' survival or that it is a monopoly (as the case of Comboios de Portugal – CP, where the state injected capital because there are no direct competitors). However, the union's coordinator Paulo Duarte does not share the same vision, arguing that now populations have to dispend more time to flight from Porto to Europe, for instance, and that if private shareholders are only concerned by profits and efficiency, then everything that is not viable will close, since there is not intervention from the state, and the ones who will end up suffering will be the citizens.

In general, the need to improve management is perceived by executives as a necessary condition for privatization. The fact that decisions are based on what is best for the company, that the state does not intervene in the management decisions, as well as the possibility to avoid bureaucracy, leads to a more consolidated business. This was verified in the literature review and by the respondents.

Lastly, the lack of investment was partially validated. Once again, costs can be reduced, while investment and quality of the services increase, due to privatization. Additionally, there is more flexibility in obtaining resources, which according to the literature, is higher for private companies. However, as mentioned, according to the union's coordinator, this will not be beneficial in the future for employees, for customers and for Portuguese citizens.

6. Limitations and Recommendations

The limitations of the current study for the researcher were accessing to people. Since the work is qualitative, it is dependent from external factors, namely the availability of the possible respondents. In addition, the persons interviewed have positions of high importance and responsibility, which difficult even more their availability. Therefore, it was not possible to conduct other planed interviews.

Moreover, the time was also a limitation. For a project of that lasted between three to four months, it was difficult to conciliate the time of respondents with the researcher.

Additionally, the fact that the current study is being developed from a different country where the process is occurring and where the respondents are, it had an impact in the sense of having more information and more respondents participating.

In terms of recommendations, the research that has been undertaken for this thesis has highlighted a number of topics on which further research would be beneficial.

According to Jones & Mygind (1999) and Li & Lui (2004), there is a scarcity of empirical works that examine the causes of variation in ownership structures. Since this work was qualitative, based on opinions from executives and workers of TAP, would possibly be relevant to perform a broader study, involving more companies in order to validate and generalize why companies become private.

In relation to the justifications of privatization, Haque (2000) reinforces the necessity of explaining not only the "formal" (official) reasons but also the necessity to examine the critical (hidden) reasons behind the process. As the current work was based on opinions and beliefs of TAP's executives and workers, would be noteworthy to do a research on the hidden reasons, investigating what information was not disclosed and if is any that is not accessible to public in general and scientific community.

Lastly, in the current work privatization was perceived to be inevitable and the alternative was the end of the company. According to a report published by the World Bank (Gómez-Ibáñez, 2007) was stated that *"unfortunately, there is less research on the alternatives to privatization than on privatization"*. Therefore, would possible be significant to study if there are alternatives to privatization, and what are those.

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