

Competitive Profile Matrix of Hazara Phosphate Fertilizers Limited in the Post Privatization Regime

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1. Introduction

The phenomenon of privatization is not new in Pakistan and can be traced back to the 50s, when Pakistan Industrial Development Corporation (PIDC) was established in 1952 and after successful operation transferred from the public to the private sector (Boubakri, 1998). After the Nationalization of 70s, the privatization of State Owned Enterprises (SOE) became an important instrument of economic policy of the government in late 80s but before it could kick started; the Government of Ms. Bhutto was set off. It was in 1991 that privatization in Pakistan its real sense began by then Prime Minister Mian Muhammad Nawaz Sharif. His vision of privatization was to promote the concept of the free market and attract foreign investment in the country as part of structural adjustment program of the country. Mass privatization program of Prime Minister Nawaz Sharif was inspired and influenced by the success of privatization in Britain, which was initiated by the British Prime Minister, Margaret Thatcher. During its first phase in Pakistan, Prime Minister Mian Nawaz Sharif chaired the denationalization of the banking sector, starting with Muslim Commercial Bank (MCB) limited. Mr. Sharif gave its privatization program slogan "turn Pakistan in South Korea, to promote greater private saving and investment to accelerate economic growth."

In 1970s, most of the major private sector industries and utilities were nationalized by Z.A.Bhutto (the Prime Minister of Pakistan) and placed under the government ownership. The nationalization led the stoppage of foreign direct investment, industrial development and declined in GDP that were indicatives of economic disaster for Pakistan. The after effects of nationalizations were so sporadic and negative for Pakistan's economy and its reputation in free market world that soon the demand for denationalization gained currency and a commission was set up by General Zia-ul-Haq government but no denationalization program began until 1990. The State of Pakistan was strictly following government owned business policy and this trend continued until 1991 when the privatization program officially launched. It was expected that

privatization would improve the operational efficiency of inefficient public enterprises (SOEs), reducing government spending and minimizing the role of government, increase private investment and generate employment, hence contributing in overall improvement in living standards of common people of Pakistan.

Mr. Sartaj Aziz was tasked to conduct this new initiative converting non-productive white elephants (public owned enterprises) into profit making companies. Mega-energy companies including Water & Power Development Authority (WAPDA), Karachi Electric Supply Corporation Limited (KESC) and Pakistan Telecommunication Corporation (PTCL) were set aside for the private sector to manage. From 1990 to 1993, about 115 units were privatized, including the two largest banks, 68 industrial units and 10% of the shares of the Sui Northern Gas Pipelines Limited (SNGPL). The government intended to use the program both to regain its position in the economy of the world and to use this program as a medium to attract foreign direct investment (FDI) in an open, fair and transparent way.

The long list of selected government owned companies to be privatized also included the National Fertilizer Corporation of Pakistan (Private) Limited along its subsidiaries providing fertilizer products and agronomic services to consumers. The company was incorporated in 1973 as private limited company with its three small plants. Natural Gas Fertilizer Factory, one of its subsidiaries, was transferred by Pakistan Industrial Development Corporation. NFC, keeping in view the demand of fertilizers in the country, added new plants in its inventory including Hazara Phosphate Fertilizers Limited, Haripur. Over the period Government of Pakistan has successfully privatized all manufacturing units of NFC through the Privatization Commission and Hazara Phosphate Fertilizers Limited was the last one on the list, as follow:

Producing Units	Product	Capacity (M.Tons)	Year of Operation	Date of Privatization
Pak Arab Fertilizers, Multan	UREA	92,400	1980	14.07.2005
	CAN	450,000	1980	14.07.2005
	NP	304,500	1980	14.07.2005
Pak-Saudi Fertilizers, Mirpur Mathelo	UREA	557,000	1980	31.05.2002
Pak-American Fertilizers, Daudkhel	UREA	346,500	1999	15.07.2006
Pak-China Fertilizers, Haripur	UREA	95,700	1982	26.05.1992
Lyallpur Chemicals,	SSP (P)	72,000	1976	09.02.2007

Jaranwala				
Hazara	SSP (G)	90,000	1989	28.11.2008
Phosphate,				
Haripur				
Total Production		2,008,100		

2. Literature Review

Hussain (2004) conduct a research study in which he found that whenever a bank privatize to the employee of the organization then no improvement found but when it privatize to the private investor it work. He actually compare the Muslim Commercial Bank and Allied Bank and noted that MCB was more profitable and efficient then the MCB. Khalid (2006) found significant relationship between the liberalization and privatization and organization performance. Khan (2006) noticed that there is significant change in the profitability and ratios of liquidity after privatize the firm.

Umer (2006) also conducts a study using the “CAMELS framework” of the financial indicators to know the relationship of privatization and liberalization with the banking industry of Pakistan. He noticed in the result that financial performance of the banks was more efficient that were privatize as compare to those that were liberalize. Same type of result in which privatization have strong influence on non-performing loans and banks performance as the study was conducted by Imran and Tariq in (2009) on Muslim Commercial Bank and Allied Bank on their secondary data during period of 1990-2004).

Bakhtiar (2006) conduct a research study in which he found that privatization actually increases the earning level of the corporation. He also noted that there is a strong relationship of increase in the saving, new products and the employment as well. He further explore that due to profitability sufficient level of increase was noted in the salaries of the employees of the organization. Overall it was concluded that it actually effect the overall organization performance.

Odey (2012) define that privatization is actually to reduce the assets of government and sell the assets to private ownership for betterment in organizations performance and profitability. Following are the four basic beliefs:

- 1) Government is in more things than it should be.
- 2) The government is not in the position to run the firm efficiently.
- 3) Public officers are not public friendly as compare to private officers.
- 4) Government consumes too many resources and thereby endangers economic growth.

This study agrees with the hypothesis of Zeckhauser and Horn (1989), that the theory of the principal and the agent holds well, suggesting that accountability is the basic and core problems in the public sector firms. They explain that the relationship between principal and agents is that of stewardship. In stewardship, it is believed that a man be found faithful and accountable. Those persons that run the government firm actually pays more attention to suppliers and employees then the tax payer that actually negatively affect the overall corporation or firm. So such justification is sufficient for privatization of the HPFL to private investors.

3. Research Methodology

This study is an empirical research using the case study method. Empiricism, in its broadest sense, is the habit of explaining universalities from particulars of experience (Partington, 2002). A case study research is a technique of organizing data and looking at the object to be studied as a whole. According to Paton (1990), “a case study seeks to describe a unit in detail, in context and holistically”. The sources of information are mainly from secondary data gathered from existing literatures, text books, journals, and other documentary evidences, such as magazines and official publications of the company under review, and personal interactions between the researcher and some staff of the company. This HPFL company was selected for this study because data for both pre and post-privatization periods was available. Primary data was collected for Employee’s satisfaction.

This type of research is after the event. In this study, the aim is to examine the relationships between variables and data on the natural environment in normal way or past events that have occurred without the direct involvement of researchers, to collect and analyze. This study is based on published annual report data of HPFL for the period 2004-2013. SWOT analysis and competitive profile matrix (CPM) was used assess the performance of HPFL in the post privatization period.

4. Analysis

4.1 SWOT Analysis of HPFL

4.1.1 Strengths

- 1) Agritech market share in the fertilizers having 35% of the market share, And in case of SSP (Single Super Phosphate) 70% market leader.
- 2) Agritech is using a trade name TARA for its goods like TARA urea, TARA DAP, TARA SSP, TARA CAN helping farmers.
- 3) Agritech devote time and attempt to promote understanding on techniques and methods.
- 4) Agritech travels advertising policy of innovative education using electronic media / printing and side of the road ad.
- 5) Hazara Phospahte Fertilizer Company is focusing on the farmers seminars.
- 6) Hazara Phospahte Fertilizer has a well-built network throughout the dealer to facilitate adequate availability of the products even in remote locations.
- 7) Agritech has developed a well-planned field warehouse network on the way to make sure fertilizer is accessible to farmers without interruption.
- 8) Company employed well-trained, disciplined and motivated to help to achieve the desire goals.
- 9) One of the biggest strengths of the HPFL is that the top management is loyal to the organization and the workers.
- 10) The price offered by the HPFL is cheap then the other competitive.
- 11) Their customers are loyal to the company and its brand name TARA.
- 12) In 2008 it has achieved the brand of the year award.
- 13) It has a strong distribution, marketing networks over the country.
- 14) Around 1500 families are getting benefit from the organization.

15) The organization is making the quality products which are certified by the (International Standard Organization) ISO 9000.

16) And this organization is also certified by ISO 14000 which is related to the environment.

4.1.2 Weakness

- 1) The promotion of employees is made after the period of 5-8 years.
- 2) The sales force is facing a tough time when it is moved to remote areas.
- 3) Transfers shall be made after the period of three years, causing a lack of policy performance.
- 4) Significant differences between executive compensation packages and employees.
- 5) Background the ideas are not welcomed; for the most part the controls are affected by higher authorities.
- 6) Lack of technical sales orders.
- 7) No transport availability during high season.
- 8) The biggest weakness is the shortage of the inputs such as electricity and gas.
- 9) There is a shortage of the storage facilities.
- 10) As it is a Private limited company it has a shortage of the capital as compared to the Public limited company.

4.1.3 Opportunities

- 1) Having a company of strong financial position, they able to start the production of the new product line.
- 2) When they add some of the new equipment, it will be able to improve the plant's production capacity.
- 3) Agritech, is able to participate in the acquisition of these companies that government is planning to privatized in future.
- 4) If in case Agritech decide to export its urea to other countries they can earn a more revenue.
- 5) Because of much knowledge about the use of agricultural product in recent days and fertilizer, the demand for fertilizer will increase.
- 6) Growing government hold to meet the demand for fertilizers in Pakistan. The market demand in Pakistan is that peoples now a day prefer the cheap products.

4.1.4 Threats

- 1) Natural gas shortage.
- 2) Farmer's liquidity.
- 3) Weather conditions.
- 4) Availability of raw material.
- 5) World Trade Organization challenges regarding export.
- 6) Fertilizer delivery in remote areas due to poor infrastructure.
- 7) The throwing away of imported urea dumped in local markets.
- 8) Conflicting government policies about the fertilizer.
- 9) Shifting fertilizer prices.
- 10) Complicated coexistence between public and private fertilizer.

- 11) Lack of education in farmer community.
- 12) Latest competitors in the business.
- 13) Unbalanced use of fertilizer.
- 14) The major threats are the labor union of The PAFL (Pak American Fertilizer Limited) which also has impact on the HPFL.

4.2 Competitive Profile Matrix:

Sr. #	Critical Success Factors	Success	FFC Weights	Ratings	Scores	Engro Weights	Ratings	Scores	Agritech Weights	Ratings	Scores
1	Loyalty of Customers	of	0.20	3.0	0.60	0.20	3.0	0.60	0.20	2.0	0.40
2	Share In Market		0.10	4.0	0.40	0.10	3.0	0.30	0.10	3.0	0.30
3	Competitiveness Pricing		0.10	3.0	0.30	0.10	3.0	0.30	0.10	3.0	0.30
4	Management Organization	of	0.10	4.0	0.40	0.10	4.0	0.40	0.10	2.0	0.20
5	Financial Position		0.15	4.0	0.60	0.15	3.0	0.45	0.15	2.0	0.30
6	Advertising		0.10	3.0	0.30	0.10	4.0	0.40	0.10	2.0	0.20
7	Expansion of Global Area	of	0.20	4.0	0.80	0.20	1.0	0.20	0.20	2.0	0.40
8	Quality of Product	of	0.05	3.0	0.15	0.05	2.0	0.10	0.05	2.0	0.10
Results					3.55			2.75			2.50

The assessment as follows:

Major weakness is represented by 1.

Minor weakness is represented by 2.

Minor strength is represented by 3.

Major strength is represented by 4.

Competitive Profile Matrix with respect to the strategic location of the company's main competitors with the company to identify its strengths and weaknesses. Critical Path Matrix shows that loyalty of customers and the major considerable critical success factors of the company is global expansion as indicated by a weight of 0.20 the FFC goods is better as it has a rating of 4; loyalty of customer's is very high and it is leader in fertilizer making; Engro is challenger and the Agritech is follower.

5. Conclusion

The studies in this research lead the researcher to problems and a sequence of questions that need to be focused for successful non nationalization. Simple in statistical analysis of the Hazara phosphate fertilizer Pvt. Ltd. the privatization does not affect the financial performance of the organization because no ratios result is in the favor of privatization. After computing the results of 11 ratios none of them is significant all of them are in significant. Finally, the researcher concludes that in the case of Hazara phosphate fertilizer Limited privatization has no positive role. Government must have to address all the issues related with the privatization. For non nationalization to be victorious in whichever country there is a set of circumstances that have to be met to make sure the highest possibility to create a viable private system.

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