

The measurement of privatization

Business



These possible solutions target the inefficiencies within the internal structure of the KPC. As I reckon, the most effective solution amongst these involves providing the KPC with complete independence. In a sense, it involves enabling the privatization of the KPC. The reason for the effectiveness of this solution is evident if one considers that privatization is able to target almost all the internal problems of the KPC. KPC may be privatized through delegation.

As was stated in the initial part of the paper this involves the “ transfer of management and control of state assets or activities to agents operating in accordance to market indicators...with the introduction of private sector managerial autonomy and incentives” (Bennett, 1997, p. 4). Privatization through delegation of the KPC thereby involves the transfer of management and control of the KPC and its subsidiaries to the heads of the subsidiaries of the KPC. Privatizing the KPC will prove to be beneficial for both KPC and the Kuwait economy for the following reasons.

Tetreault (2003) argues that privatizing state-owned corporations in Kuwait will prove to be beneficial as it will (1) enable increase in market share and greater terms of access, (2) lessen if not eradicate the possibility of interstate disputes, (3) enable greater income and wealth management, and (4) lessen corruption (p. 78-82). Increase in market share and greater terms of access is achieved if one considers that greater market share and terms of access are made available to non-state owned enterprises the limitations of which might have been set by the state’s dealings with other countries.

Privatizing KPC will thereby enable it to reach markets which have once been prohibited due to its connection to the Kuwaiti government. Privatization of

the KPC will also lessen if not eradicate interstate disputes for the sole reason that the decisions made by the corporation may not be directly linked to the Kuwaiti government. Such a move will also enable greater income and wealth management on the part of the KPC.

As was mentioned in the initial part of the paper, privatization ensures the economic efficiency of a firm due to its hard budget. It is thereby necessary to ensure the continuous growth of the capital in order to ensure the continuation of the corporation. For the same reason, the decisions [e. g. in terms of the employment or the hierarchy of power] within the KPC may be less tainted by corruption. Positions and contracts granted within the company may be done out of a feasible plan as opposed to being a result of a political favor.

This will thereby minimize if not eradicate the cases of corruption within the corporation. Conclusion The problems faced by the KPC may be seen as the result of the management problems within the corporation which is evident in the hierarchy of power within the KPC. As I reckon, enabling the privatization of the KPC through the delegation of its management to the executives of its various subsidiaries will enable the KPC to solve its internal problems as well as expand its reach in the international market.

During the period of globalization, adherence to a vertical integrated system proves to be dangerous as such a system tends to enable dysfunctionalities within its management system hence there is a necessity to privatize in order to ensure the continuous growth of the KPC which will enable the growth of the Kuwaiti economy.

References

Bennett, A. (1997). *The Measurement of Privatization and Related Issues. How Does Privatization Work? : Essays on Privatization in Honour of Professor V. V.*

Ramanadham. Ed. A. Benett. London: Routledge. Marcel, V. & J. Mitchell. (2005). *Oil Titans: National Oil Companies in the Middle East*. Washington: Brookings Institution Press. Praeger, J. (1997). *Banking Privitization: How Compelling is the Case? How Does Privatization Work? : Essays on Privatization in Honour of Professor V. V. Ramanadham*. Ed. A. Benett. London: Routledge. Tetreault, M. (2003). *PleasantDreams: The WTO as Kuwait's Holy Grail*. *Critique: Critical Middle Eastern Studies*, 12. 1, 75-93.