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Explaining the Process Model of Downsizing State-Owned Enterprises in Iran: A Case Study of the Sistan and Baluchestan Regional Electric Company

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ABSTRACT

Public-sector downsizing is becoming one of the key components of economic reform in developing countries. Accordingly, the present study aimed to develop a process model for downsizing state-owned enterprises in Iran, with a focus on Iran's regional electric company. The study adopted a qualitative approach based on thematic analysis. Data were collected through library research and semi-structured in-depth interviews with experts. The study population consisted of academic experts and managers of state-owned enterprises who had research or practical experience in the field of downsizing state-owned enterprises. Participants were selected using purposive sampling and theoretical saturation. Accordingly, theoretical saturation was achieved after a total of 17 interviews. The data were analyzed using the coding approach proposed by King and Horrocks through a three-stage process comprising descriptive, interpretive, and selective coding. Based on the findings, a total of 24 interpretive codes were categorized under six main dimensions: (1) internal company-related factors; (2) participant-related factors; (3) extent of downsizing; (4) contractual conditions and characteristics; (5) operational downsizing strategies; and (5) consequences of downsizing. These dimensions were subsequently presented within the proposed research model.

Keywords: downsizing, state-owned enterprises, regional electric company, thematic analysis

Introduction

Public-sector reform has become a central component of contemporary governance, particularly in countries seeking to improve administrative efficiency, fiscal sustainability, service quality, and responsiveness to changing economic and social conditions. Governments across different institutional settings have increasingly reconsidered the appropriate scale, structure, and functions of public organizations, with downsizing, privatization, outsourcing, decentralization, and organizational restructuring emerging as prominent reform instruments. These reforms have often been associated with the broader movement toward managerialism and New Public Management, which emphasizes efficiency, performance measurement, managerial autonomy, competition, and the selective transfer of activities from government organizations to private or quasi-private actors. Nevertheless, international experience indicates that public-sector reform cannot be reduced to a uniform package of market-oriented prescriptions because institutional capacity, administrative traditions, regulatory arrangements, political conditions, and socioeconomic environments substantially influence both reform design and outcomes [1]. Comparative evidence likewise suggests that managerial reform remains an enduring concern in public administration because governments continue to face pressures to improve effectiveness while simultaneously maintaining legitimacy, accountability, and public responsiveness [2].

Within this broader reform agenda, organizational downsizing has attracted considerable attention as a strategy for reducing excessive administrative structures, controlling personnel and operating costs, eliminating redundant functions, improving organizational flexibility, and redirecting scarce resources toward core activities. Downsizing may involve workforce reductions, elimination or consolidation of organizational units, outsourcing, contracting out, privatization, restructuring, process reengineering, or a combination of these measures. However, downsizing is not synonymous with indiscriminate reduction in organizational size. Its effectiveness depends on whether reductions and transfers are aligned with strategic priorities, organizational capabilities, service requirements, and environmental conditions. A systematic examination of public-sector downsizing has shown that its relationship with organizational performance is complex and depends heavily on implementation conditions, institutional characteristics, and the mechanisms through which organizational resources and responsibilities are reconfigured [3]. Consequently, downsizing should be considered a multidimensional organizational change process rather than merely a numerical reduction in employees or administrative units.

The strategic logic underlying downsizing is often based on the expectation that a smaller and more focused organization can achieve greater efficiency by concentrating its resources on core functions while transferring peripheral or specialized activities to actors capable of performing them more effectively. Yet empirical evidence suggests that the financial consequences of downsizing are neither immediate nor uniformly positive. Longitudinal research indicates that organizations may experience short-term costs or disruptions before potential longer-term financial gains become visible, demonstrating that the relationship between downsizing and performance can be temporally dynamic [4]. Moreover, financial conditions and managerial values can influence whether public organizations adopt downsizing reforms and how intensively such reforms are pursued [5]. These findings underscore the importance of distinguishing between the decision to downsize and the organizational process through which downsizing is designed, implemented, monitored, and evaluated.

The availability of organizational slack is another important consideration in understanding downsizing outcomes. Although excessive resources are often viewed as evidence of inefficiency, some degree of slack in financial resources, human resources, and organizational capabilities can facilitate strategic change by providing organizations with the capacity to absorb disruptions and adapt during periods of restructuring. Research on strategic change indicates that excess cash, additional employees, and enhanced human capital may serve as buffers that support organizations while they implement complex transformations [6]. Therefore, poorly calibrated downsizing can create a paradox in which an organization removes resources that appear redundant but that may actually provide adaptive capacity during periods of uncertainty. For public enterprises operating in technically complex and infrastructure-intensive sectors, this consideration is especially important because the consequences of insufficient staffing, inadequate technical capability, or poorly designed outsourcing may extend beyond internal efficiency and directly affect the continuity and quality of public services.

The human dimension of downsizing is equally significant. Organizational restructuring can alter employees' perceptions of security, fairness, trust, workload, career opportunities, and organizational support. Employees do not respond uniformly to downsizing; rather, different psychological response profiles may emerge during restructuring, ranging from relatively positive adaptation to prolonged ambivalence or difficulty recovering from organizational change [7]. The effects of restructuring on employee well-being may be mitigated when organizations provide supportive human resource practices and maintain an appropriate balance between performance pressures and employee needs [8]. In the public sector, where employees may have strong expectations of procedural stability and institutional continuity, the management of these psychological and behavioral responses becomes particularly consequential.

Employee support for change also represents a critical condition for successful reform implementation. Public-sector employees are not passive recipients of structural changes; their beliefs, intentions, and behaviors influence whether reform policies are translated into operational practices. Longitudinal evidence demonstrates that employee support for change develops over time and is shaped by the processes through which intentions toward change are formed and converted into supportive behaviors [9]. Accordingly, downsizing strategies that neglect communication, participation, perceived fairness, managerial credibility, and employee involvement may generate resistance or reduce the organizational commitment necessary for implementation. These human considerations become particularly salient when downsizing involves outsourcing, contracting, redeployment, or changes in the distribution of responsibilities across organizational boundaries.

Downsizing can also transform informal organizational relationships. Formal structures may be reduced or redesigned, but organizational functioning continues to depend on interpersonal networks through which employees exchange knowledge, advice, and problem-solving support. Recent longitudinal network research has shown that organizational downsizing can lead employees to reallocate advice ties as they adapt to changes in organizational membership and structure [10]. This network perspective is especially relevant to public enterprises that depend on specialized technical knowledge accumulated through experience. When downsizing results in the departure, transfer, or reassignment of experienced employees, the organization may lose not only formal positions but also critical relational pathways through which tacit knowledge and operational expertise circulate.

The consequences of workforce reduction also extend to labor relations and the institutional mechanisms used to manage redundancy. Downsizing may be presented as a strategic response to changing organizational requirements, but decisions concerning redundancy can generate disputes regarding transparency, fairness, employee protection, and collective representation. The response of trade unions and other employee representative bodies may therefore affect the feasibility and social consequences of downsizing initiatives [11]. Although the institutional strength and role of labor organizations vary across countries and sectors, this literature reinforces the broader point that downsizing is embedded in a network of stakeholder relationships and cannot be understood exclusively as an internal managerial decision.

Outsourcing constitutes one of the most frequently used operational mechanisms for organizational downsizing. By transferring selected functions to external providers, organizations may reduce internal administrative burdens, gain access to specialized expertise, improve flexibility, and concentrate internal resources on strategic or core activities. However, outsourcing also creates new dependencies involving contractor selection, contract design, monitoring, service standards, information exchange, and accountability. Research on human resource function outsourcing in public-service settings illustrates that downsizing-oriented outsourcing requires attention not only to the activity being transferred but also to the organizational, managerial, and human resource conditions under which transfer occurs [12]. Thus, the decision to outsource cannot be separated from the question of whether external participants possess sufficient financial, managerial, technical, technological, and professional capacity to perform the transferred functions.

Privatization literature provides another important foundation for understanding downsizing in the public sector. Research examining the determinants of local privatization indicates that privatization decisions are influenced by a combination of fiscal pressures, political factors, market conditions, service characteristics, and institutional arrangements [13]. This suggests that the suitability of privatization or contracting varies across activities and organizational settings. Tasks that are standardized, measurable, and exposed to competitive supplier markets may be more amenable to external provision than functions involving strategic control, public accountability, monopoly characteristics, or highly specialized organizational knowledge. Therefore, an effective downsizing model requires a systematic assessment of which activities should remain internal, which can be outsourced or contracted out, and what regulatory and monitoring mechanisms are necessary after their transfer.

Evidence from New Public Management reforms similarly demonstrates that structural reforms can produce heterogeneous effects across administrative systems. A large comparative study of European public administrations found that the effects of managerial reforms varied across national and organizational contexts, indicating that reform instruments must be interpreted in relation to the institutional environments in which they are implemented [14]. This contextual perspective is particularly relevant to developing and transitional economies, where state-owned enterprises may simultaneously perform economic, developmental, social, and strategic functions. Downsizing such organizations therefore requires more than importing reform models from other administrative systems; it requires an approach that reflects domestic legal arrangements, market maturity, organizational capabilities, infrastructure conditions, and the strategic significance of specific public services.

These concerns are highly relevant to Iran, where government downsizing and privatization have been recurring components of administrative and economic reform. Iranian experience has demonstrated that reducing the scale of government is closely connected with broader questions of administrative decentralization, redistribution of governmental responsibilities, and the concentration of national administrative functions [15]. Studies of government downsizing experiences in Iran have further emphasized that the outcomes of downsizing depend on structural, institutional, managerial, and implementation-related conditions, and that the gap between formal policy intentions and actual organizational practices remains a major challenge [16]. Consequently, the Iranian context provides a particularly important setting for examining downsizing as an implementation process rather than merely as a policy declaration.

Privatization has also occupied a central position in Iran's economic reform agenda. Comparative investigations have attempted to develop strategies suited to Iran by examining international privatization experiences and identifying the conditions necessary for an appropriate domestic model [17]. Nevertheless, the trajectory of privatization in Iran has revealed significant institutional and implementation problems. Pathological analyses of privatization have highlighted issues associated with the manner of transferring government activities and assets, the qualifications of recipients, regulatory deficiencies, inadequate competitive conditions, and the effectiveness of post-transfer supervision [18]. These problems illustrate that transferring activities away from the state does not automatically generate efficiency and may instead reproduce or create new forms of organizational and economic inefficiency when governance mechanisms are insufficient.

Historical analyses of the privatization of government assets in Iran further demonstrate that privatization has evolved over several decades and has been affected by changing policy orientations, institutional arrangements, and implementation practices [19]. This historical experience is important because contemporary downsizing initiatives occur within an accumulated institutional environment shaped by earlier reform programs. Organizations may therefore confront legacy structures, regulatory ambiguities, stakeholder expectations, and managerial practices that influence their capacity to implement new downsizing arrangements. Developing an effective model for Iranian state-owned enterprises consequently requires consideration of both the internal characteristics of the enterprise and the broader institutional environment surrounding privatization and public-sector restructuring.

The electricity sector represents a particularly sensitive setting in which to examine these issues. Electricity companies operate within a technically complex infrastructure system in which organizational efficiency must be balanced against reliability, continuity of supply, technical standards, safety, investment requirements, and public accountability. Decisions to outsource, contract out, integrate internal structures, or reduce organizational units can directly affect operational coordination and service quality. Accordingly, the downsizing of a regional electric company cannot be approached as a simple reduction in organizational size. It requires identification of core and non-core functions, assessment of technical and managerial capacities, evaluation of potential contractors, analysis of market and environmental conditions, and establishment of contractual and supervisory arrangements capable of protecting organizational and stakeholder interests.

Contract design is therefore central to the downsizing process. Where public-sector activities are transferred to external participants, contracts become important governance mechanisms defining responsibilities, performance standards, timelines, allocation of risks, monitoring arrangements, and corrective actions. The effectiveness of downsizing depends partly on whether contractual provisions are sufficiently transparent, comprehensive, legally compliant, and enforceable. Contracts must also be compatible with higher-level laws and regulations while providing mechanisms for monitoring the performance of contractors after outsourcing or privatization. In the absence of such arrangements, the apparent reduction in internal organizational responsibilities may simply be replaced by new coordination problems, service deficiencies, or accountability gaps.

The complexity of these relationships also highlights the importance of adopting research designs capable of identifying mechanisms and contextual interactions rather than examining downsizing through isolated variables. Quantitative organizational research has repeatedly emphasized the need to account for complex direct and indirect relationships among variables, as reflected in methodological work on the assessment of mediation effects [20]. At the same time, quantitative studies may be vulnerable to common method bias when organizational perceptions and outcomes are measured through shared data sources, particularly when models include interaction and nonlinear effects [21]. These methodological considerations strengthen the rationale for complementary qualitative inquiry when the objective is to identify the dimensions, processes, and contextual conditions through which organizational change unfolds.

Qualitative approaches are particularly useful when researchers seek to understand how experienced actors interpret organizational processes and how individual accounts can be integrated into a broader representation of shared organizational experience. Methodological scholarship on qualitative inquiry emphasizes the value of moving from individual narratives toward intersubjective descriptions that capture common meanings while preserving the richness of participants' experiences [22]. In the context of public-sector downsizing, expert and managerial narratives can therefore provide insights into decision criteria, organizational constraints, implementation risks, contractor capabilities, contractual requirements, and expected consequences that may not be visible through formal policies or aggregate performance indicators alone.

Despite the expanding literature on public-sector reform, privatization, outsourcing, restructuring, and workforce reduction, an important gap remains between broad policy prescriptions and organization-specific process models. Existing studies have provided valuable evidence regarding the drivers of privatization, the performance implications of downsizing, employee responses, financial conditions, human resource consequences, and the institutional challenges of reform. However, these dimensions are frequently examined separately. Less attention has been devoted to integrating internal organizational factors, characteristics of participating contractors, the appropriate extent of downsizing, contractual conditions, operational strategies, and anticipated consequences within a coherent process framework tailored to state-owned enterprises operating in strategic infrastructure sectors. Accordingly, the present study aimed to develop a process model for downsizing state-owned enterprises in Iran, with a specific focus on the Sistan and Baluchestan Regional Electric Company.

Methodology

In terms of its underlying research paradigm, the present study follows an interpretive paradigm; in terms of purpose, it falls within the category of fundamental research; in terms of outcomes, it is classified as applied research; in terms of time horizon, it is a cross-sectional study; in terms of nature, it is a qualitative study; and in terms of research method, it is a descriptive-analytical study. Thematic analysis was employed to analyze the data obtained from interviews with the study experts. Given the objective of identifying the dimensions and components of a model for downsizing state-owned enterprises, with a focus on the regional electric company, the study population consisted of experts in the field of downsizing state-owned enterprises. These experts included individuals who met criteria such as having at least five years of managerial and/or research experience in human resource management, particularly in the areas of privatization and organizational agility; possessing a relevant academic degree; and having experience in managing projects related to competencies, employee separation, and similar areas. Participants were selected through purposive sampling until theoretical saturation was reached. The data collection instrument was a semi-structured interview. No new codes emerged from Interview No. 14; however, to ensure theoretical saturation, the researcher continued the interviews through Interview No. 17. To validate the collected data and establish validity, the researcher asked verification questions during the interviews to confirm the accuracy of the interpretations derived from participants' statements. Moreover, throughout the interviewing process, the researcher followed an iterative procedure in which each interview was transcribed and coded immediately after completion so that any deficiencies or gaps could be identified and addressed. In addition, the test–retest method was used to assess the reliability of the research instrument. Accordingly, 20 days after the first round of coding, three of the conducted interviews were selected and recoded by the researcher.

Table 1

Calculation of Test–Retest Reliability

No.	Interview Code	Total Number of Codes	Number of Agreements	Number of Disagreements	Test–Retest Reliability
1	M5	17	14	3	81%
2	M11	23	19	4	77%
3	M16	16	11	5	75%
Total	—	56	44	12	78%

As shown in Table 2, the total number of codes across the two coding occasions separated by a 20-day interval was 56, the total number of agreements between the codes across the two occasions was 44, and the total number of disagreements was 12. Using the specified formula, the test–retest reliability of the interviews conducted in this study was calculated as 78%. Therefore, given that this reliability coefficient exceeded 60%, the reliability of the coding was confirmed. It should also be noted that data analysis in the present study was conducted based on the method proposed by King and Horrocks (2010) through a three-stage process of open, axial, and selective coding.

Findings and Results

As previously noted, thematic analysis involves deriving information through coding. Accordingly, thematic analysis in the present study was conducted through the following stages:

1. **Descriptive (open) coding:** Identifying and highlighting sections of the interview transcripts that were important for answering the research questions;
2. **Interpretive (axial) coding:** Comparing and interpreting the meanings of the identified open codes in order to merge, eliminate, or organize them hierarchically under one another;
3. **Selective coding:** Identifying overarching themes. In addition to summarizing the main themes, these themes provide an explicit interpretive account of the events and meanings reflected in the interview transcripts.

These themes are then represented in the form of a thematic network map, illustrating the dominant themes at each of the three levels as well as the relationships among them.

Table 2

Example of Analysis and Open Coding of Interview Text

Interview Code	Interview Text	Descriptive (Open) Codes
M1	"...One point that must receive considerable attention in downsizing the organizational structure of government organizations is that the benefits of this measure can be achieved only when its implementation is based on and aligned with economic and market regulations. In addition, the availability of the necessary infrastructure within the country's business environment, such as capital markets, insurance, and appropriate banking services, as well as the availability of professional and specialized human resources and managerial capabilities within the private sector, affect the successful implementation of downsizing in state-owned enterprises. Otherwise, the transfer of these companies will encounter numerous and substantial challenges...."	- Implementation in accordance with economic and market regulations - Availability of necessary infrastructure - Specialized and managerial capabilities of the private sector
M2	"...Outsourcing is one of the most reliable options available to the electricity distribution company because, while preserving the company's capacity to withstand pressures arising from internal and external environmental factors, it can improve flexibility, reduce costs, and optimize the utilization of the company's physical capital and human resources...."	- Maintaining the company's capacity to cope with pressures - Improving flexibility - Reducing costs - Optimal utilization of the company's physical capital and human resources

In the first stage, after descriptive (open) coding had been performed for all interviews, 61 initial codes were identified. Following a subsequent review and refinement process, including the merging or elimination of certain codes, a total of 49 descriptive (open) codes remained. In the second stage, to extract interpretive (axial) codes, the researcher repeatedly and continuously compared the codes obtained in the previous stage and subsequently categorized and structured them. For this purpose, several open (descriptive) codes could be grouped under a single interpretive (axial) code. At this stage, following repeated reading and careful examination through an iterative process of moving back and forth between concepts and categories, selective coding was performed. Ultimately, 23 interpretive codes were identified and classified under six main selective codes (Table 3).

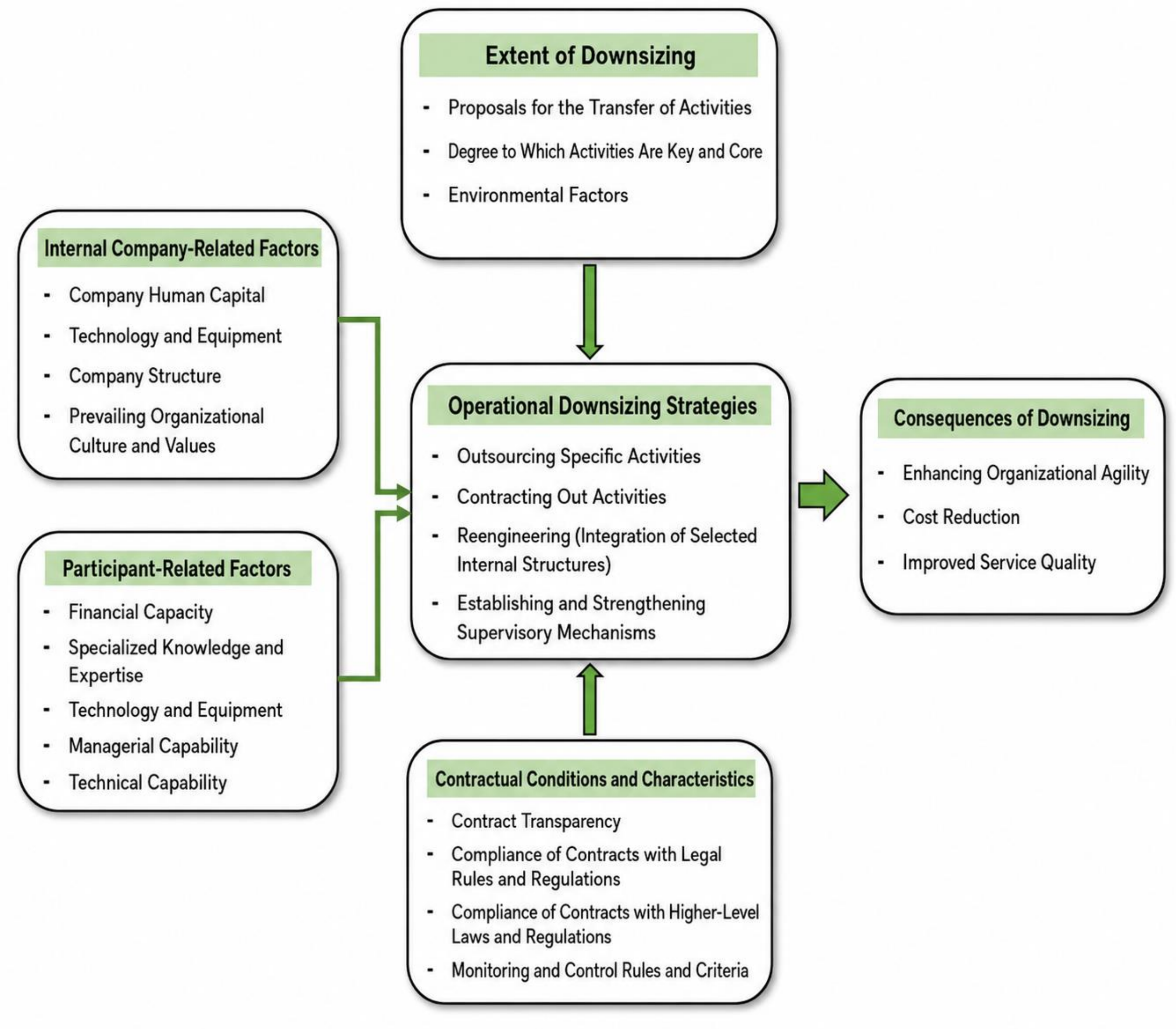
Table 3

Interpretive and Selective Coding of the State-Owned Enterprise Downsizing Model (Regional Electric Company)

Selective Codes	Interpretive Codes	Descriptive Codes
Internal company-related factors	Company human capital	Company goals and missions; transparency of processes and decision-making; managers' willingness toward decentralization; expected outcomes; intended levels of downsizing; employee skills (human resources); organizational values and culture; degree of complexity or standardization of the processes associated with activities considered for outsourcing or privatization; type of technology and equipment and technologies used by suppliers performing outsourced functions; current status of the electricity industry
	Technology and equipment	
	Company structure	
	Prevailing culture and values	
Participant-related factors	Company financial capacity	Contractor company's managerial capability; experience and good track record; degree of familiarity with and knowledge of regulations; knowledge and skills; specialized human resources; skills of contractor employees; technologies and technological systems used by the company
	Knowledge and specialized expertise	
	Technology and equipment	
	Managerial capability	
	Technical capability	
Extent of downsizing	Proposals concerning the transfer of activities	Assessment of the current status of the activity under direct organizational control; extent to which the outsourced activity is associated with stakeholder interests; activities eligible for outsourcing; position of the activities or missions considered for transfer relative to other organizational activities; infrastructure required for downsizing; external pressures for downsizing; economic conditions; state of market competition; extent to which activities affect the interests of company stakeholders
	Degree to which activities are key and core	
	Environmental factors	
Contractual conditions and characteristics	Contract transparency	Transparency; scheduling; comprehensiveness and consideration of all details; investment and risk regulations; identification of the short-, medium-, and long-term consequences of downsizing; strategies and measures required if privatization objectives are not achieved
	Compliance of contracts with legal rules and regulations	
	Compliance of contracts with superior laws and regulations	
	Monitoring and control rules and criteria	
Operational downsizing strategies	Outsourcing specific activities	Careful examination of mechanisms and structures; scope of the companies' responsibilities; determination of criteria and control activities to be implemented following outsourcing, merger, or privatization; identification of economically nonviable activities; careful examination and identification of activities beyond the company's capacity; identification of the capacities and capabilities of organizations operating at the same level as the company (provincial distribution companies); identification of strengths and weaknesses of supervisory units within the company; strengthening control and supervisory structures
	Contracting out activities	
	Reengineering (integration of internal structures)	
	Establishing and strengthening supervisory mechanisms	
Consequences of downsizing	Enhancing organizational agility	Economic efficiency; cost reduction; increased efficiency; optimization of resource utilization; increased optimal utilization of electricity facilities; acceleration of the process of establishing connections for new applicants; supplying electricity to customers at standard voltage and frequency; optimal operation of electricity network facilities; organizational flexibility in responding to environmental and technological changes; updating and standardizing the technologies and technological systems used
	Cost reduction	
	Improved service quality	

Figure 1

Model of State-Owned Enterprise Downsizing in Iran (Regional Electric Company)



Discussion and Conclusion

The present study sought to develop a process model for downsizing state-owned enterprises in Iran, with particular emphasis on the Sistan and Baluchestan Regional Electric Company. The findings showed that effective downsizing is not a single administrative action but a multidimensional process shaped by six interrelated dimensions: internal company-related factors, participant-related factors, the extent of downsizing, contractual conditions and characteristics, operational downsizing strategies, and the consequences of downsizing. The identified dimensions indicate that successful downsizing requires coordinated consideration of organizational capacities, the characteristics of external participants, the strategic importance of activities, contractual governance, implementation mechanisms, and expected organizational outcomes. This result is consistent with the broader public-sector downsizing literature, which emphasizes that downsizing should not be viewed merely as workforce reduction but rather as a strategic restructuring process whose consequences depend on organizational, institutional, and managerial conditions [3]. It also corresponds with evidence suggesting that public-sector reform is context-dependent and that standardized reform prescriptions cannot generate uniform outcomes across organizations and countries [1, 14].

The first major dimension identified in the study concerned internal company-related factors, including human capital, technology and equipment, organizational structure, and prevailing organizational culture and values. This finding indicates that downsizing decisions should begin with an assessment of the internal capacity and characteristics of the organization rather than with a predetermined target for reducing personnel or organizational units. Human capital is particularly important because the effectiveness of restructuring depends on the knowledge, competencies, experience, and adaptability of employees who remain within the organization. Downsizing that removes strategically important employees or weakens organizational knowledge may diminish rather than strengthen organizational performance. This interpretation is supported by Bentley and Kehoe, who showed that human capital and organizational slack may provide important resources during periods of strategic change and that excessive reduction of such resources can weaken organizational capacity to adapt [6]. Similarly, Edwards and Clinton demonstrated that restructuring and downsizing produce heterogeneous psychological responses among public-sector employees, indicating that the internal human consequences of downsizing require careful management [7].

The importance assigned to organizational culture and structure also suggests that downsizing must be compatible with managerial attitudes, decision-making patterns, decentralization tendencies, and established organizational values. Structural changes may fail when they are imposed on an organization whose managers and employees are unwilling or unable to operate within a more decentralized, flexible, and performance-oriented system. Employee attitudes toward change are especially important in public organizations, where reform implementation frequently depends on employees' willingness to translate managerial decisions into operational behavior. Ahmad et al. found that support for change in public-sector organizations develops through an interaction between employee intentions and subsequent behaviors, emphasizing the importance of actively managing employees' responses during reform implementation [9]. Furthermore, Harney et al. demonstrated that the adverse consequences of restructuring and downsizing for employee well-being can be buffered through supportive organizational and human resource practices [8]. Accordingly, the present finding reinforces the argument that organizational downsizing should be accompanied by cultural preparation, communication, employee support, and human resource planning rather than being implemented solely through formal structural decisions.

Another important result was the identification of participant-related factors, including the financial capacity, specialized knowledge, technology and equipment, managerial capability, and technical capability of contractors or other entities receiving transferred activities. This dimension demonstrates that downsizing through outsourcing or contracting is viable only when external providers possess sufficient capacity to assume the transferred responsibilities. In other words, the effectiveness of downsizing depends not only on the readiness of the state-owned enterprise but also on the readiness of the market and participating private-sector organizations. This result is consistent with studies of privatization showing that the availability of capable providers, market competition, and institutional conditions significantly influence privatization decisions and outcomes [13]. In the Iranian context, previous research has similarly shown that deficiencies in the qualifications and capabilities of recipients have contributed to problematic privatization outcomes [18]. Therefore, contractor selection must extend beyond price competition and include rigorous evaluation of technical competence, financial stability, managerial experience, human resources, regulatory knowledge, and technological capacity.

The significance of specialized knowledge and technical capability is particularly important in the electricity sector because many functions involve complex engineering operations, network reliability, safety requirements, and specialized equipment. The transfer of such activities to inadequately qualified contractors could create operational vulnerabilities and compromise service continuity. Research on outsourcing with a downsizing orientation has likewise shown that the success of transferring organizational functions depends on the capabilities of external service providers and on the organization's ability to determine which functions can be appropriately externalized [12]. The current findings therefore suggest that state-owned enterprises should establish competency-based eligibility criteria for contractors and continuously evaluate contractor performance after outsourcing. This is particularly relevant when externalization is intended to increase flexibility and efficiency rather than merely reduce the number of employees formally employed by the public organization.

The third dimension, the extent of downsizing, included proposals regarding the transfer of activities, the degree to which activities are key or core, and environmental factors. This result indicates that a central strategic question is not simply whether an organization should downsize, but how much it should downsize and which activities should be transferred. Core activities that directly influence strategic control, service continuity, stakeholder interests, or organizational legitimacy may require retention within the organization, whereas standardized, peripheral, or economically inefficient activities may be more appropriate for outsourcing or contracting. This interpretation is aligned with evidence indicating that privatization decisions are shaped by the characteristics of particular services and by broader economic, fiscal, political, and market environments [13]. Liou and Wang also showed that financial condition and managerial values affect the adoption and intensity of downsizing reforms, highlighting the importance of organizational and environmental circumstances in determining the appropriate scale of restructuring [5].

The identified role of environmental factors also supports the view that downsizing should be responsive to economic conditions, competitive pressures, market maturity, and the availability of supporting infrastructure. In Iran, privatization and government downsizing have historically been affected by broader institutional, political, and economic conditions, which have sometimes generated discrepancies between formal objectives and practical results [16, 19]. Rostami and Zarshagi also emphasized that government downsizing in Iran is closely connected with administrative decentralization and the redistribution of governmental responsibilities [15]. Therefore, determining the extent of downsizing requires a contextual assessment of what the private sector can realistically absorb, what public functions must remain under direct state control, and what regulatory capacities are available to govern transferred activities.

The fourth dimension concerned contractual conditions and characteristics, particularly contract transparency, compliance with legal rules and regulations, consistency with higher-level laws and regulations, and monitoring and control criteria. This finding highlights contracts as critical governance instruments in downsizing. Once activities are transferred outside the formal organizational structure, direct hierarchical control is replaced to a considerable extent by contractual control. Therefore, poorly specified contracts may create ambiguity regarding performance standards, responsibilities, risks, timelines, accountability, and remedies for nonperformance. This result is consistent with the challenges reported in studies of privatization in Iran, in which weak regulatory arrangements and deficiencies in post-transfer supervision have been identified as major obstacles to achieving desired reform outcomes [18]. Comparative studies of privatization in Iran have similarly emphasized the importance of developing a strategic framework that is compatible with domestic legal, economic, and institutional conditions [17].

The emphasis placed on legal compliance and monitoring also indicates that downsizing does not reduce the state-owned enterprise's responsibility for ensuring appropriate service delivery. Rather, the form of accountability changes. The organization must develop stronger capabilities for contract management, performance monitoring, quality control, risk assessment, and enforcement. This finding corresponds with broader public-management research showing that reform effectiveness depends on the institutional arrangements used to govern new organizational relationships, not simply on the adoption of privatization or market-oriented mechanisms [1]. It also reflects international experiences with New Public Management reforms, where structural and market-oriented reforms have produced different outcomes depending on the quality of managerial and institutional implementation [14]. Thus, the transition from direct provision to contractual governance requires simultaneous strengthening of regulatory and supervisory capacities.

The fifth dimension consisted of operational downsizing strategies, including outsourcing specific activities, contracting out activities, reengineering through the integration of selected internal structures, and establishing or strengthening supervisory mechanisms. The identification of several distinct strategies demonstrates that downsizing should be implemented through a differentiated portfolio of measures rather than through a single approach. Outsourcing may be appropriate for specialized or non-core services, contracting may provide flexibility for activities that can be clearly specified, and internal reengineering may be preferable where duplication or excessive structural fragmentation exists. These findings are consistent with the literature emphasizing that downsizing comprises a variety of organizational interventions and should be designed in accordance with strategic objectives and organizational circumstances [3]. They also correspond with Iranian privatization research emphasizing the need for contextually appropriate strategic models rather than uniform transfers of public assets or functions [17].

The inclusion of supervisory mechanisms as an operational strategy is particularly important because it suggests that downsizing should not be equated with organizational withdrawal. When functions are outsourced, supervision may actually need to become more sophisticated. The public enterprise must determine measurable performance standards, assess contractor compliance, monitor quality and safety, and preserve the ability to intervene when service delivery is threatened. This is especially important in infrastructure sectors where service failures may have widespread social and economic consequences. The finding also supports the conclusion drawn from Iranian government downsizing experiences that reform effectiveness depends strongly on implementation capacity, institutional coordination, and the practical mechanisms through which restructuring policies are operationalized [16].

The sixth dimension identified in the study concerned the consequences of downsizing, namely greater organizational agility, cost reduction, and improved service quality. These outcomes reflect the primary managerial rationale for downsizing: enabling organizations to operate with greater flexibility and efficiency while maintaining or improving the quality of services. The finding is consistent with the public-sector downsizing literature, which identifies efficiency, cost containment, performance improvement, and organizational responsiveness as common expected outcomes of downsizing initiatives [3]. However, the literature also cautions that such outcomes are conditional rather than automatic. Steel and House demonstrated that the relationship between downsizing and financial performance may involve short-term costs followed by potential longer-term gains, suggesting that the evaluation of downsizing should incorporate a longitudinal perspective rather than relying solely on immediate indicators [4].

The finding concerning organizational agility is also consistent with the broader logic of strategic restructuring. By reducing unnecessary layers, consolidating overlapping units, reallocating responsibilities, and using specialized external providers, an organization may become more responsive to technological and environmental changes. However, agility depends on preserving critical human and relational resources. Aalbers and Smit demonstrated that employees reallocate advice relationships during downsizing, indicating that restructuring alters not only formal structures but also the informal networks through which knowledge and expertise are exchanged [10]. In technically specialized organizations, the disruption of these relationships may undermine coordination and organizational memory. Thus, the pursuit of agility should involve deliberate knowledge-transfer mechanisms, succession planning, and preservation of strategically important expertise.

Cost reduction was another major expected consequence, but the findings suggest that cost reduction should be interpreted in terms of total organizational efficiency rather than merely payroll reduction. Outsourcing can reduce direct employment costs while simultaneously creating contracting, monitoring, transaction, and coordination costs. Furthermore, poorly implemented reductions can increase operational failures or generate costs related to employee resistance, knowledge loss, or service deterioration. Research on organizational restructuring shows that downsizing can create substantial human costs if employee well-being and organizational support are neglected [7, 8]. Similarly, research on redundancy strategies indicates that workforce reductions can generate labor-relations challenges and stakeholder resistance when the process is perceived as opaque or inequitable [11]. Therefore, cost reduction should be evaluated together with service quality, organizational capability, employee consequences, and long-term sustainability.

Improved service quality, the third principal consequence identified in the model, is especially important because public-sector downsizing should ultimately contribute to better public value rather than merely smaller organizational structures. In the electricity sector, service quality encompasses continuity, reliability, responsiveness, technical standards, efficient use of facilities, and timely provision of services to consumers. The present findings imply that improved service quality is likely only when downsizing decisions are strategically selective, contractors possess sufficient capabilities, contracts are comprehensive, and monitoring systems are effective. This interpretation is consistent with the broader argument that public-sector reform should move beyond narrow New Public Management assumptions and evaluate reform in terms of institutional capacity, public accountability, and service outcomes [1]. It also corresponds with international evidence showing that managerial reforms can generate different effects depending on their implementation and administrative context [2, 14].

Overall, the proposed model presents downsizing as a sequential and interconnected governance process. Internal organizational factors and participant-related capabilities establish the capacity for reform; the extent of downsizing determines which activities should be transferred or restructured; contractual conditions establish the legal and managerial framework governing transfer; and operational strategies translate these decisions into organizational action, ultimately influencing agility, costs, and service quality. This integrated perspective helps explain why downsizing initiatives may fail even when the underlying policy objective is economically rational. Weakness in any one component—for example, inadequate contractor capability, inappropriate selection of activities, unclear contracts, insufficient monitoring, or loss of critical human capital—can undermine the entire process. The proposed model therefore extends existing research by bringing together organizational, market, contractual, operational, and outcome dimensions within a unified framework specifically suited to the conditions of a state-owned regional electricity company in Iran.

The present study has several limitations that should be considered when interpreting its findings. First, the study adopted a qualitative design and relied on the perspectives of 17 experts, which provided rich and specialized information but limits statistical generalizability to all state-owned enterprises in Iran. Second, the empirical context was centered on the regional electricity sector and particularly the Sistan and Baluchestan Regional Electric Company; therefore, some identified dimensions may reflect sector-specific characteristics such as technical complexity, infrastructure dependence, and regulatory requirements. Third, participants were selected purposively, and although theoretical saturation was achieved, other stakeholder groups, including employees at different organizational levels, private contractors, regulators, consumers, and labor representatives, may have offered additional perspectives. Finally, the model was developed primarily from expert perceptions and was not subsequently tested quantitatively or evaluated longitudinally after implementation, meaning that the causal relationships among the identified dimensions and their actual effects on organizational outcomes remain to be empirically confirmed.

Future studies are recommended to test the proposed model quantitatively using larger samples from different state-owned enterprises and sectors in order to examine the relative importance of each dimension and the relationships among them. Comparative research could evaluate whether the model operates differently across electricity, water, transportation, healthcare, telecommunications, banking, and other public-service organizations. Longitudinal studies would also be valuable for examining the effects of downsizing before implementation, during organizational transition, and after stabilization, particularly regarding cost efficiency, service quality, employee outcomes, organizational agility, and contractor performance. Future qualitative research may incorporate the perspectives of employees, private-sector contractors, policymakers, regulators, customers, and trade-union representatives to provide a more comprehensive stakeholder-based model. Researchers could also examine moderating conditions such as market competition, regulatory capacity, technological complexity, organizational culture, political intervention, regional inequalities, and the maturity of private-sector suppliers. Finally, future studies could develop measurable indicators for each component of the model and use structural modeling or multi-criteria decision-making techniques to establish a practical framework for determining which activities are appropriate for outsourcing, contracting, restructuring, or continued internal provision.

For managerial practice, state-owned enterprises should approach downsizing as a planned strategic transformation rather than as an indiscriminate reduction in personnel or organizational units. Before implementation, managers should conduct a comprehensive assessment of organizational human capital, technological resources, structural arrangements, organizational culture, and the strategic importance of individual activities. Activities should be classified according to their core status, economic efficiency, service sensitivity, technical complexity, and effects on stakeholders before decisions are made regarding outsourcing or transfer. Potential contractors should be assessed through transparent criteria covering financial strength, managerial competence, professional expertise, technical capacity, technology, previous performance, and regulatory compliance. Contracts should specify responsibilities, performance indicators, timelines, risk allocation, service-quality standards, sanctions, monitoring arrangements, and contingency measures in detail. At the same time, supervisory structures within the public enterprise should be strengthened rather than reduced so that outsourced activities remain accountable and controllable. Managers should also develop workforce transition plans, preserve critical organizational knowledge, communicate transparently with employees, and provide retraining or redeployment where appropriate. Finally, downsizing performance should be evaluated through a balanced set of indicators covering cost savings, organizational agility, service quality, operational reliability, stakeholder satisfaction, employee consequences, and long-term organizational sustainability.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

The study protocol adhered to the principles outlined in the Helsinki Declaration, which provides guidelines for ethical research involving human participants. Written consent was obtained from all participants in the study.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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