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<RRH>SOEs and the public mission</RRH>

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<TITLE>STATE-OWNED ENTERPRISES AND THE PUBLIC MISSION</TITLE>

<SUBTITLE>A multidimensional lens</SUBTITLE></BOOK-PART-META>

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<ABSTRACT><TITLE>Abstract</TITLE>

What is “public” about the mission of public enterprises? This should be a central question in research and practice, not least because many of the boundaries of the world’s “publicness map” have undergone significant shifts since the recession. The query is fundamental for the organizational level of analysis and, indeed, to understand the true meaning of expressions such as “mission drift” or “diminishing publicness” – the terms used to describe the consequences of the mix of public and private action. Overall, the chapter compels us to rethink what we know about the public mission. The main conclusion is that the notion remains blurred, also due to the intrinsic lack of clarity of the underlying concepts of goals, values and public. The chapter offers a useful heuristic tool that can help shed light on key issues of interest to the research and to provide a meaningful springboard for future scholarship.</ABSTRACT></OPENER>

<BODY><HEAD1><TITLE>Introduction</TITLE></HEAD1>

State-owned enterprises (SOEs) are one means of public action ([Bauby & Similie, 2015](#); [Kettl, 2002](#)). They play a significant role in several key industries, including major transportation infrastructure, energy, telecoms, finance and manufacturing. Their behavior is gaining much academic traction, with the renewed interest driven by three factors.

First, the “publicness horizon” is changing ([Walker & Bozeman, 2011](#)). In fact, in the period from 2005 to 2012, the new wave of government interventions in the economy led to steady growth in the number of SOEs, whose weight, measured in market value and percentage of world GDP, increased in both developing and developed countries ([Florio, 2013](#)). Further, the number of SOEs among Fortune 500 companies jumped from 9.8 percent in 2005 to 22.8 percent in 2014, and increases in profits, employment and other performance indicators were recorded ([Bruton et al., 2015](#); [Clò et al., 2015](#); [Del Bo et al., 2017](#)). And finally, while earlier decades have seen privatization policies turn SOEs into frequent targets of takeovers, they are now moving increasingly over to the acquirer side of the market in a bid for corporate control ([Del Bo et al., 2017](#)). This is consistent with the argument that

supports the diversity of the modern SOE compared with its many loss-making predecessors ([Bruton et al., 2015](#); [Florio, 2014](#)).

Second, until now, mainstream thinking on SOEs has tended to view state ownership in black and white terms, as, for example, when comparing the performances of privately controlled firms with those of SOEs in which the state holds majority stakes and has complete ownership and control ([Bruton et al., 2015](#); [Inoue et al., 2013](#)). The situation on the ground is more complex, and it is no coincidence that SOEs are called “hybrid organizations,” an umbrella term used to identify organizational forms that “do not fit neatly into the conventional categories of private, public or non-profit” ([Christensen & Lægread, 2011](#); [Doherty et al., 2014](#); [Hennart, 2013](#); [Koppell, 2003](#); Wright, [2000](#)). Moreover, the hybrids are subject to both special principles and special regulatory structures ([Scott, 2000](#)). Their mixed nature makes generalizations quite difficult, which leads many studies to suggest caution in classifying organizations for performance testing and comparison ([Andrews et al., 2011](#); [Bruton et al., 2015](#); [Dunsire et al., 1988](#); [Florio, 2014](#); [Peng et al., 2016](#)).

Third, reliance on the agency approach has strongly influenced the way in which scholars from different disciplines have typically addressed SOEs. Central to the principal–agent theoretical lens are the potential conflicts of interest between the principal (the state) and the agents (the top executives), which tempt the latter to veer off the goal-setting path charted by the public owners. In the literature that increasingly tends toward a more nuanced view, e.g., [Bernier and Simard \(2007\)](#), [Boyd and Solarino \(2016\)](#), [Bruton et al. \(2015\)](#), [Emmert and Crow \(1988\)](#), [Florio \(2014\)](#) and [Peng et al. \(2016\)](#) – the goal tensions are considered only part of a much more complex picture. For example, a review article covering the period 1980–2013 describes the complexity of contemporary corporations thus: “There are a wealth of owner types, and an even broader set of outcome variables. Additionally, owner groups are not monolithic in their attitudes or behaviors: they have differing objectives, risk preferences, and investment horizons. Different owner types must also coexist in the same firm” ([Boyd & Solarino, 2016](#), p. 1283).

The same study points to the need to rethink the mainstream theories of the firm in order to understand the fundamental nature of the new SOEs of the 21st century.

In this chapter, we take a different view. The focus of the proposed discussion is the public mission, a term that denotes the centrality of the organization’s mission *in and for* public purposes.

Public mission is ubiquitous in SOE literature but is rarely a primary focus of study. It is often taken for granted and usually employed in a metaphorical sense. Nearly all

comparative analyses grounded in economics raise issues about the assumed impact of public mission. In public management and policy studies literature, familiar topics associated with public mission include accountability, public interest and transparency, to name just a few. However, the inherent breadth of the public mission concept means that it continues to slip from our grasp. In this chapter, we seek to come to grips with this underexplored topic by posing the apparently simple question: *What exactly does “public mission” mean?*

We argue that for the study of SOE behavior to advance, we need to go beyond the classic public-private dichotomy, rooted in ownership. In particular, we need to examine both the direct influences of political authority at the organizational level and the indirect influences from the larger policy environment.

In brief, the chapter dissects the multifaceted nature of the SOE to offer a three-fold contribution to public mission research. First, based on a working definition of public mission, it analyzes the component parts and discusses the concept, introducing an alternative view from the one that traditionally regards organization goals and values as unproblematic. Second, it maps the sources of “mission drift” in the tensions between the different dimensions of publicness that coexist in the hybrid forms. Third and last, the chapter presents a possible avenue of research to advance this conceptual development.

<HEAD1><TITLE>Research approach</TITLE></HEAD1>

Analyzing SOE behavior would require simultaneous consideration of a number of perspectives ([Lioukas et al., 1993](#), p. 646), including organization studies, economics and public management studies. To clarify the notion of public mission, we analyze the two defining features of the mission: goals and values. Here, the reframing of the relevant literature is underpinned by an “instrumental” viewpoint of the link “between goals, means and consequences” ([Christensen et al., 2007](#), p. 83).

We adopt this viewpoint because of its longevity in the practices that inspire New Public Management (NPM) thinking. In particular, NPM supports the idea of “public and private osmosis,” which is the full involvement of the private sector in the production of collective goods and the public sector’s acquisition of business methods, norms and values ([Dijkstra & Van der Meer, 2003](#), p. 90). Recent comparative work ([Kuhlmann & Wollmann, 2014](#)) has demonstrated that also in the present post-NPM era the public reform agenda continues to be dominated by 1980s managerialist principles. Thus, a first limitation of this selection of the academic work is that it does not adequately develop alternative viewpoints to the rational instrumental one, including, for example, those that view organizational hybridity and goals as constructs in need of a rethink (e.g., [Grandori, 2013](#)). The second

limitation is that only a portion of the relevant studies will be referred to, because, as far as we can ascertain, there is a paucity of research into how SOEs actually interpret and define public mission. Hence, our work is just the beginning of a much needed research effort.

<HEAD1><TITLE>Responsibilities of state-owned enterprises</TITLE></HEAD1>

The roles assigned to SOEs, and the rationales underpinning state ownership, differ radically across jurisdictions ([OECD, 2015](#); [Salamon, 2002](#); [Tanzi, 2011](#)). [Heath and Norman \(2004](#), pp. 255–256) have identified five general categories of responsibilities imposed upon the SOEs:

1. *Macroeconomic*. Several reasons can push SOEs into counter-cyclical spending during recessions, including the need to level out the business cycle; to create over-capacity and make work projects to stem unemployment and safeguard employment levels; and to keep inflation in check through wage and price controls. Moreover, the government can use SOEs to help it meet specific fiscal objectives ([OECD, 2005](#), p. 21).
2. *National interest*. SOEs are often seen as the “house stewards” of national industry, providing domestic firms with subsidized goods and services (especially energy) and guaranteed markets in which domestic suppliers take precedence over foreign suppliers. The SOEs are usually a strategic card of national interest, the government’s preferred channel for investment in sectors identified as national priorities, or to support the development of fledgling industries. The SOE vehicle is also used to keep industries, information and productive technology deemed essential to national security under state ownership and control.
3. *Redistribution*. The state relies heavily on SOEs to help achieve redistributive goals. This normally translates into refraining from the kind of price discrimination practices adopted by profit-maximizing private firms to ensure that the same services are delivered at the same price nationwide (e.g., postal service).
4. *Model employer*. SOEs are cast in the role of model corporate citizens, obliged to “lead by example” and to act as a pressure gauge for private firms. This means that SOEs often offer higher wage rates, superior benefits (e.g., on-site daycare), better job security, and hire more women or members of disadvantaged minorities.
5. *Reduction of externalities*. The production of positive externalities can be defined as the main social responsibility of a SOE, even though the need to control negative externalities leads the state to keep certain SOEs firmly in the public sector domain, above all, in the liquor and gambling industries, where state monopolies serve to prevent private enterprises from producing “too much” of the good. The same is true of the public

ownership of industries with the potential to create catastrophic externalities (such as uranium mining and refinement, nuclear energy generation, etc.).</NL>

However, it must be emphasized that these responsibilities are not exclusive and often reinforce each other. For instance, through the ownership of enterprises, many states sought to pursue social goals such as sustaining employment and generally substituting for underdeveloped welfare systems ([OECD, 2005](#), p. 21).

Two additional issues, highlighted in recent literature critical of the market failure argument, make some kind of government intervention essential in order to shape the mission of SOEs. First, the pressing need to guarantee equity: “even the outcome of an efficient market might be seen as being inequitable by a majority of citizens” ([Tanzi, 2011](#), p. xi). Second is the central role of SOEs in spurring innovation-led growth: “both as independent actors and as potential coordinating change agents” ([Tönurist & Karo, 2016](#), p. 641). Specifically, SOEs could be key instruments in advanced sectors, such as “the internet, biotechnology, nanotechnology and the emerging green economy” ([Bauby & Similie, 2015](#); [Mazzucato, 2014](#), p. 2), by internalizing missions in the public interest ([Bance, 2015](#)).

Obviously, as noted by [Austvik \(2012\)](#), the more a sector is deemed important to the national economy, the more reason the state has to “have a strong hand on its development or maintenance, or both” (p. 318). Conversely, [Millward \(2011\)](#) observes that as technology, economic strength and political alliances change over time, SOEs might lose their rationale.

While in real-life practice there are multiple combinations, the above categories of responsibilities offer a rough idea of the ways in which government – as “a simultaneous shareholder, regulator, and coordinator” ([United Nations, 2008](#), p. 89) – affects the task environment and practices of SOEs and the variety of issues that potentially fall within the remit of the SOE mission.

<HEAD1><TITLE>Mapping the public mission</TITLE></HEAD1>

Achieving academic consensus on the definition of public mission is no easy task, due in part to the often indiscriminate use of terms such as public purpose, collective purpose, social mission, public function and public interest ([Beck Jørgensen & Bozeman, 2007](#); [Bozeman, 2007](#); [Wettenhall & Thynne, 2002](#)). Moreover, different conceptions of public-private relationships (and tensions between the two) exist in different political settings (Wright, [2000](#)), as will become clear below.

Then there is the unsurprising fact that each component of the public mission concept, namely, “public” and “mission,” are interpreted and used in a variety of ways, which poses a major challenge for analyzing the public mission in hybrid contexts such as SOEs.

Generally, mission “clarifies an organization’s purpose, or *why* it should be doing what it does” ([Bryson, 2011](#), p. 127, original emphasis). Hypothesizing organizations as open systems, the task environment – “those parts of the environment which are relevant or potentially relevant to goal setting and goal attainment” ([Thompson, 1967](#), p. 27) – is vital to ensuring the suitability and sustainability of organizations. Blair-Loy and colleagues ([2011](#)), citing [Selznick \(1957\)](#), note that the formation of an organization is marked by the making of value commitments, that is, choices that fix the assumptions of policymakers as to the nature of the enterprise: its distinct aims, methods and role in the community.

At an organizational level, the mission encompasses disparate values, those of the collective (society’s public values) and those of the individual (the individual’s public values). This means that, as far as we can ascertain, there is no single overarching definition of what public mission is. Following [Preston and Post \(2013\)](#), the scholars that coined the expression “public responsibility” in relation to the interrelatedness of business enterprises and public policy processes, the adjective “public” rather than “social” is used in this chapter because it more faithfully reflects the fact that SOEs and their management operate and pursue their goals within the specific context of public life (p. 3). Of those goals, the “values beyond market economics” ([Feintuck, 2010](#), p. 38) take on particular importance, from which we derive the working definition: “*public mission is meant as an organization’s set of goals informed by context-specific, embedded public values.*”

General definitions require some delineation when applied to a particular task ([Gerring & Barresi, 2003](#)). Here, goals and values are considered the central points of reference in our understanding of the mission of SOEs.

<HEAD2><TITLE>**Goals**</TITLE></HEAD2>

In the study of organizations, the concept of organizational goals is fundamental and one of the most controversial ([Mohr, 1973](#)). Lurking in the shadows is always the classic question of whether organizations, like individuals, effectively have identifiable goals and, if so, of what type. Goals are meant to influence how formal organizations are structured and thus provide guidelines for their activities ([Christensen et al., 2007](#)). The ultimate purpose of state ownership of enterprises should be to maximize value for society through an efficient allocation of resources ([OECD, 2015](#)).

The setting of goals is essentially a problem of defining desired relationships between an organization and its environment ([Thompson & McEwen, 1958](#)). Goals can be visions ([Perrow, 1967](#)). “Vision clarifies *what* the organization should look like and *how* it should behave” ([Bryson, 2011](#), p. 127, original emphasis). Goals specify resource utilization and the

desired output of an organization at some future time ([Aharoni, 1981](#)). Goals may be an individual attainment, or a group or organizational attainment ([Mohr, 1973](#)).

Given the continual interaction between the organization and its environment for legitimacy and survival, reappraisal of goals is a recurrent problem, especially for those organizations that operate in unstable environments. Reappraisal of goals likewise tends to be more difficult as the “product” of the enterprise becomes less tangible and more difficult to measure objectively:

<DISP-QUOTE>The governmental enterprise may have similar indicators of the acceptability of its goals if it is involved in producing an item such as electricity, but where its activity is oriented to a less tangible purpose such as maintaining favorable relations with foreign nations, the indices of effective operation are likely to be less precise and potentially ambiguous. The degree to which a government satisfies its constituents may be reflected periodically in elections, but ... it seldom is clear just what the mandate of the people is with reference to any particular governmental enterprise. In addition, the public is not always steadfast in its mandate.

<ATTRIB>([Thompson & McEwen, 1958](#), p. 24)</ATTRIB></DISP-QUOTE>

Mainstream literature usually treats public and private firms as separate entities. In the case of SOEs, commercial goals are often not the most important goals ([Aharoni, 1981](#); [Ramamurti, 1987](#)).

A fairly common assumption in the public management field is that the public organizations have higher levels of goal ambiguity than business firms. Further, Klein and colleagues ([2010](#)) believe that “public actors ... may not have access to clear signals of performance ..., face ‘soft budget constraints’ – and may persevere for reasons other than customer satisfaction and shareholder wealth.” Despite these differences, “entrepreneurial concepts make sense in the context of public action” ([Klein et al., 2010](#), pp. 2–3). With some variation, the literature tends to state that goal ambiguity in government organizations diminishes their performance (Chun & Rainey, 2006). On the subject of contradictory goals, the comment made by [Aharoni \(1981, p. 1341\)](#) is still applicable today:

<DISP-QUOTE>Being publicly owned, [the state-owned enterprises] are expected to pursue various activities in the public interest and at the same time achieve economic goals ... They have to reconcile ... financial flexibility and prompt reaction to a changing environment with the need to assure public

accountability and consistency with social goals, which in many cases, are not prescribed at all.</DISP-QUOTE>

However, recent studies that integrate economics and organization theory in the explanation and design of economic organizations have challenged the enduring public/private dichotomy. Indeed, the authors of these studies unanimously call for the rejection of the teleological approach whereby the different types of entities are assumed to pursue different goals ([Grandori, 2013](#)). First, because of the slippery nature of the concept of organization goals ([Ramamurti, 1987](#)). Second, because *all* contemporary organizations, regardless of their legal status, can have multiple missions and objectives ([Rauh, 2015](#)). Third, because goals are “very malleable and very poorly verifiable” ([Grandori, 2013](#), p. 586).

<HEAD2><TITLE>Values</TITLE></HEAD2>

The conceptualization of values has many meanings in the social sciences literature. Recent studies ([de Graaf & van der Wal, 2017](#); [van der Wal et al., 2006, 2015](#)) have reignited interest in the theme. Researchers argue for different core values guiding action and/or having a different relevance ([Rutgers, 2010](#)). The very fact that values motivate context-specific action suggests that values are inextricably linked to the contexts in which the action is to be taken ([Witesman & Walters, 2014](#)).

From an organizational perspective, [Beyer \(1981\)](#), cited by [Wright and Wright \(2000\)](#), defines values as “rationalized normative systems of preferences for certain courses of action or certain outcomes” (p. 603). The values guide the decisions although no organization of any kind is free to *unilaterally* choose either the means or the ends for operating in its specific task environment. For example, decisions and operations are shaped by country-specific institutional characteristics ([Stan et al., 2014](#)), including “the dominant patterns of economic organization and control” of the business systems ([Hotho, 2014](#); [Lorrain, 2005](#); [Wright, 2000](#)) and the different national public-service traditions ([Scott, 2000](#)).

Overall, public values are meant to provide: “normative consensus about (a) the rights, benefits and prerogatives to which citizens should (and should not) be entitled; (b) the obligations of citizens to society, the state, and one another; and (c) the principles on which government and policies should be based” ([Bozeman, 2007](#), p. 13).

Government has a special role as guarantor of public values but, as shown by the emergence of new forms of governance ([Salamon, 2002](#)), public values do not belong exclusively to the government sphere, neither is government the only set of institutions having public value obligations ([Beck Jørgensen & Bozeman, 2007](#), pp. 373–374). This has considerable

implications for the blurred divide argument. In particular, if one accepts that private actors have public value obligations, then it is not sufficient for corporate actors affected by political authority minimally to comply with the law ([Beck Jørgensen & Bozeman, 2007](#)). Thus, the scope of managerial responsibility towards these obligations grows. Conversely, [Kettl \(2002\)](#) associates the rise of hybrid forms with the often overlooked process of value-transfer: the more the number of third parties involved grows “the more the partners’ behaviour defines these values” (p. 507).

For a value to be called “public,” there has to be a collectivity – an aggregation level that can benefit from the protection of this value ([de Bruijn & Dicke, 2006](#)). That means that public values are ultimately rooted in society and culture, in individuals and groups, and not just in government ([Beck Jørgensen & Bozeman, 2007](#)). In the European utilities sector, the core public service values include universal service, transparency, non-discrimination and regulatory separation ([Scott, 2000](#), p. 315). However, public values are “by definition, never static” and “inherently relative” ([Bognetti & Obermann, 2012](#); [de Bruijn & Dicke, 2006](#), pp. 721–722). “What is labelled as a public value in one period of time may be defined as private in another decade” ([de Bruijn & Dicke, 2006](#), p. 720). [Scott \(2000\)](#) moots similar considerations in an analysis of three types of services of general interest: economic, social, strategic. That study also highlighted the presence of potential sources of conflict of interests between the values; for example, efficiency is likely to be in constant tension with social-procedural and continuity-security values ([Scott, 2000](#)).

Like goals, the notion of values is dynamic and context-dependent. Hence, the values “are considered to be primarily situationally-determined” ([Wright & Wright, 2000](#)). As a consequence, “the degree of organizational interest in the issues ... [is] always in a state of flux” ([Carroll, 1979](#), p. 501).

The relationship between values and goals is so intimate that in ordinary language the two words are often used interchangeably. This ambiguity sows confusion and makes a big difference to whether efficiency is itself considered a core (or intrinsic) value, or an end that relates to the carrying out of an action or a process, or to the results of the action ([Rutgers & Schreurs, 2003](#), pp. 277–278).

Most analyses highlight the recurrent problem of the irreconcilability not only of the goals and values as distinct from each other but also of the goals and values themselves. Misalignments are anything but rare when organizations play “in two or more games at the same time” ([Kraatz & Block, 2008](#), p. 243).

<HEAD1><TITLE>Mission publicness</TITLE></HEAD1>

What we take away from the above is that the mission is perceived as a compass that directs the work of the organization, both internally and externally. Given the increasing interrelatedness of managerial activity and public policy ([Preston & Post, 2013](#)) and the increasing presence of hybrids, we assume that the achievement of public goals is not an exclusive prerogative of the pure public organizations. Moreover, mission publicness is a matter of degree. In [Figure 4.1](#), the right side of the continuum indicates the highest degree of business orientation (e.g., profit maximization), while the left side indicates a degree of business orientation less central to the organization's mission.

At a conceptual level, the continuum provides broad indications of the guiding vision of an organization. Assuming the “traditional separation of public and private roles in economic life” ([Preston & Post, 2013](#), p. 3), the maximum degree of business orientation is found in private enterprises and the minimum degree in government departments. The middle ground is where the mission blends public and business orientation to become a composite. Neither can it be ruled out that the single units or divisions of the same organization (e.g., a large multiutility that operates in diverse institutional spheres) present differing degrees of business orientation.

In such cases, it would probably be more appropriate to speak of *multiple* missions. In this chapter, however, we follow the mainstream scholarship and use “public mission” in the singular.

<FIG><LBL>Figure 4.1</LBL> <CAPTION>Continuum of mission publicness</CAPTION></FIG>

Like all models, [Figure 4.1](#) is an oversimplification. Its practical purpose is limited to charting the mission “publicness” at any moment in time by using the (public) goal orientation as its guiding light. Thus, the model's emphasis on parsimony at the cost of other relevant variables and constraints (including organizational configurations, managerial choices and influences in the public sphere) is misleading, as it overestimates the purposive, autonomous action of management to define and develop priorities and courses of action. A final weakness of the mission publicness continuum is that it does not indicate the right direction to pursue.

The discourse maintains that SOEs “have a more complex mission” ([Greiling & Grüb, 2015](#), p. 642) than their private counterparts. Today it is an indisputable fact that SOEs are far more market oriented. As a consequence, a cash flow hungry public owner can push for the maximization of profit and the relative share dividends.

A recent exploratory study showed a remarkable shift toward a market-driven logic in

the respective missions of Italy's top ten central government-controlled SOEs operating in diverse sectors, including energy generation, railways, manufacturing, broadcasting, postal services, gas networks and microelectronics (Clò et al., 2016). First, none of the companies' statutes refer specifically to public goals and values. Second, the SOEs analyzed not only provide the vast majority of universal services but also regularly launch corporate social responsibility initiatives in the environmental, cultural and social fields. However, this type of activity is voluntary and, as such, is not a distinguishing feature of SOEs. Third, the fact that SOEs have undergone different types of sector-specific reform has had a distinct impact on the degree of their orientation toward market or public values. Listed SOEs that operate in liberalized markets have expanded and diversified their domestic business through cross-border mergers and acquisitions, enabling them to generate a significant portion of consolidated income outside of Italy. They are generally profitable and distribute dividends. Conversely, unlisted SOEs that provide universal services and operate in non-competitive markets are still somehow *compelled* to maintain the less profitable parts of their business, leading to economic losses for both the SOE and the taxpayers that help fund it (Clò et al., 2016).

The mixed evidence has led the researchers to hypothesize that the fulfillment of public goals (e.g., the provision of universal services) is no longer embedded in the firms' *explicit* public mission, which has been increasingly transformed through regulation, that is, by forces *outside* the firm's boundaries. Indeed, the cited study concludes that, as the SOEs move into the marketplace, their public mission tends to become more *implicit* and therefore less visible. In these different circumstances, the safeguarding of public values such as equity, transparency and social inclusion is *de facto* given over to the legal and regulatory tools (including universal service obligations, concession contracts, standards and service contracts) that reflect distributional choices made by the government. Indeed, the mission is shaped by a "distinctive mix" of autonomous managerial responsibility and policy environment decisions *and* influences. The same study suggests that values and goals are adapted on the ground and change over time, making it pointless to talk of public mission in static terms.

The next section seeks to shed light on the term "public" and the question of publicness by analyzing some arguments that maintain the public/private distinction at the organizational level.

<HEAD1><TITLE>Organizational publicness</TITLE></HEAD1>

A vast amount of research has been produced comparing public and private organizations from

both the theoretical and empirical perspectives ([Rainey & Bozeman, 2000](#)).

In the public administration literature, dichotomies are often used as a method to study the differences between public and private organizations ([Bozeman, 2007](#); [Rutgers, 2001](#); [Walker et al., 2013](#)). Dichotomies “divide reality into two realms and provide ultimate differences and similarities” ([Rutgers, 2001](#), p. 5). For instance, the public/private dichotomy is at the heart of the debate and empirical research on privatization, contracting out, deregulation and other divestment options ([Aulich, 2011](#)). Most studies operationalize the public/private divide through ownership arrangements or legal status ([Walker et al., 2013](#)), and often call for the use of different strategies for the management and evaluation of government organizations as opposed to those used for private companies. This approach to the distinctiveness between sectors (the so-called *core approach*) is clear and immediate but, while generating a wealth of significant findings, fails to factor in variances, especially organizational forms that do not readily fit into one of the basic categories. Moreover, it disregards the fact that public outcomes are increasingly provided across various sectors by both for-profit and not-for-profit organizations.

In recent years, research has generated many theories that take a more nuanced view of what it means to be public ([Talmage et al., 2018](#)). According to the dimensional publicness perspective, for example, the difference between public and private organizations is one of degree.

In a seminal book, [Bozeman \(1987\)](#) posited three dimensions of organizational publicness: ownership (public, private, or nonprofit); funding (government grants versus consumer payments); and control (by political or market forces), which have been further developed by other authoritative scholars. For the author, the varying degrees of public influence over *all* types of organizations constitute the so-called “publicness puzzle” ([Bozeman, 1987](#); [Bozeman & Bretschneider, 1994](#)). Thus, organizations can be more or less public in each of the three dimensions ([Andrews et al., 2011](#)). Interestingly, “even a state department has characteristics shared with private organizations; conversely, even pure market organizations exhibit public characteristics” ([Jørgensen & Rutgers, 2014](#), p. 5). In short, the dimensional approach moves away from the narrow idea that equates “public” with “state or government.”

Organizations subject to constraints of political authority or dependent on political authority for resources behave differently owing to the “imprint” of public ties. This imprint usually involves a more intensive regulatory environment, increased accountability and perhaps increased “red tape,” more extensive political oversight, and greater public visibility.

Less public organizations tend to be sheltered from these constraints and maintain a higher degree of autonomy in both strategy and action ([Bozeman, 2013](#), pp. 177–178).

Based on the public administration literature, [Dijkstra and Van der Meer \(2003\)](#) have identified five perspectives, or analytical lenses, for framing the public/private dichotomy:

1. <NL>political control and institutional perspective;
2. legal status perspective;
3. legal and regulatory perspective;
4. legal-economic ownership perspective;
5. economic funding perspective.</NL>

Each of these captures the features of the various organization forms. Here, we will analyze the main implications for the purposes of this chapter. The first perspective classifies the organizations based on their capacity to make collective decisions that are binding on the members (which typically fall into the private category) and public types of organizations with both an internal and external binding force. All organizations may be coerced or otherwise constrained to engage in behaviors that serve the objectives of the polity ([Miller & Moulton, 2014](#)).

The second perspective, rooted in legal status, has a binary character. The organization is private or public, depending on whether it is regulated by private law (civil code) or public law (administrative code). In private law, people are free to establish, join or leave an organization; private law sets out the financial and democratic accountability arrangements to be put in place. By contrast, the institutional design of public law organizations is shaped by both general rules and sector rules. Organizations with public law status are born from acts of law or secondary legislation; public law establishes the procedures to ensure their financial and democratic accountability and the specific rules by which members can enter and exit.

The third perspective maintains that all formal organizations possess private law powers, regardless of their legal status. The public interest that informs the public law powers implies that an organization that holds public law authority and powers can impose its will on other subjects.

The fourth perspective (legal-economic) is perhaps the most fundamental area in which the public/private distinction applies ([Wamsley & Zald, 1973](#)). The owner has the right both to arrange the organizational resources to achieve the desired outcomes and to implement actions (of control and other types) which concretely influence goals and

operations. The organizations owned and run by the government are considered public, while the organizations owned by private subjects are considered private. The term “public” can be applied to both SOEs with public law status and enterprises with private law status whose stocks are owned by the government. The issue is further complicated in two particular cases, given that, according to [Dijkstra and Van der Meer \(2003, p. 97\)](#), a “sharp bipolar distinction” is missing when the state holds partial ownership and when preferential shares exist. In the former case, partial SOEs can be run largely as business enterprises with some degree of public ownership and/or control. In the latter, even a minority public shareholder can substantially affect the corporate decisions, including dividend distribution and the appointment of board members ([Tanzi, 2011](#)).

The fifth and final perspective originates in the economic analysis of market failures. Here, the public/private divide rests on the provenance of the organization’s key resources (e.g., funding, personnel, technology, legitimacy), otherwise known as market mechanisms (private organizations) and budget allocation (public organizations). This perspective accommodates the “variety of roles which the public service can play in service delivery, i.e., regulating, financing, monitoring, and evaluating” ([Pierre, 2000](#), p. 338).

[Dijkstra and Van der Meer \(2003\)](#) highlight three aspects of interest with respect to our specific purposes. First, organizational publicness cannot be reduced to just one criterion. Second, the use of multiple lenses is key to a comprehensive analysis of hybrid arrangements. Third, the above dichotomies do not match consistently; taken together, they are partly concurrent and partly contradictory. The upshot is that the same organizational entity can be considered public or private, depending on the specific perspective adopted. This latter aspect takes on particular relevance when it comes to public accountability issues.

<HEAD1><TITLE>Mission drift</TITLE></HEAD1>

The assumed influence of business-like approaches on public sector values is a recurrent issue among public administration scholars and practitioners ([van der Wal et al., 2008](#)). The challenge of holding SOEs properly accountable while giving them the latitude to fulfill the functions for which they were designed is a hot topic ([Stanton, 2009](#)). In fact, accountability is the tool used by government to safeguard the public interest. However, [Stanton and Moe \(2002\)](#) prefer to use the aptly metaphorical expression *sorcerer’s apprentice* to describe the SOEs: “quite useful at first, but later impossible to stop or redirect” (p. 112).

But when change occurs in the ownership structure such discussions are often overturned. The argument is that the blending of potentially conflicting mission logics could pervert the nature of the SOE’s mission, making it *de facto* indistinguishable from pure

profit-seeking organizations. “The key danger is that the ‘public interest,’ the *raison d’être* for state involvement in services, will be displaced by the pursuit of other interests or values, either because core public interest values are marginalized within new arrangements, or because these arrangements have less capacity to deliver public interest outcomes” ([Scott, 2000](#), p. 311).

To capture the changes in orientation, academic research uses labels such as goal conflict ([Peters et al., 2014](#)), mission drift ([Aulich, 2011](#); [Merritt et al., 2018](#); [Moore, 2000](#)), mission corruption ([André, 2010](#)), goal diversion, goal conflict and goal slippage ([Posner, 2002](#)), tensions ([Yeung, 2005](#)), schizophrenia and mutual imprisonment (Wright, [2000](#)), mission erosion ([Delponte et al., 2014](#)) to name just a few. Scholars often mean different things even when they use the word “drift.” Some say the drift is the result of the incompatibility of public and business goals, for some it is a change in managerial priorities, while yet others interpret the object of drift as the values that inform SOE behavior and operations. Just like the observation made earlier concerning the confusion between means and ends, studies of drift sometimes examine the cause and sometimes the effect of a diminished public commitment.

Interestingly, the mainstream literature applies the drift label to a departure from public goals (i.e., the mission moves toward the right side of the continuum shown in [Figure 4.1](#)), while the literature on voluntary and not-for-profit organizations also uses the term “drift” to describe a mission shift in the opposite direction (to the left side of the continuum). In this case, the argument is that the excessive focus on social goals “may weaken the organisation as a business and possibly lead to commercial failure” ([Cornforth, 2014](#), p. 4).

As in discussions about the differences between government and business, this makes it clear that “normative arguments prevail” ([van der Wal et al., 2008](#), p. 467). Without detracting from the soundness of this viewpoint, perhaps Koppell is right when he says that often “the organizations are implicitly judged against an ideal standard that may not be met by any type of organization, public or hybrid” ([Koppell, 2003](#), p. 15).

Another model that frames the drifts and other potential pitfalls from a public accountability stance is the 2×2 matrix developed by [Dijkstra and Van der Meer \(2003\)](#), which combines two dimensions: legal status (Perspective 2, above) and regulatory power (Perspective 3). The exercise reveals that although “some public status organizations lack public powers, a number of private law status organizations do hold such powers” (p. 98). The bigger problem affects the latter type of organizations, which, while endowed with public powers, have accountability structures that pertain solely to their membership. Their

autonomous sources of authority allow them to operate with significant independence from the authorizing body. In such conditions, it is hard to ensure effective regulative action through rigorous and detailed guidelines, which may not be enough. Likewise, matching ownership (Perspective 4) and funding (Perspective 5) show that, at the organizational level, ownership enables the government to play both a direct role (e.g., in SOEs with a public law status) and an indirect role (e.g., SOEs with private law status that receive subsidies). Also in this latter case, the efficacy of an oversight strategy based on procedural controls is questionable.

In short, Dijkstra and Van der Meer's approach brings into clearer focus the public accountability relations that are shaped in hybrid contexts. As seen in the privatization of services like electricity, urban passenger transport and road infrastructure in the Australian state of Victoria, public accountability mechanisms must be strengthened. In this specific case, these include stronger independent bodies and well-designed accountability models that maximize access to information in the "context of a reregulated state" ([Hodge & Coghill, 2007](#), p. 697). The Victoria experience shows that these mechanisms were the most highly valued by constituents throughout the race to privatize. The choice of which tools to put in the transparency and accountability toolbox must not only meet technical criteria but is also a political choice because it involves decisions about values ([Salamon, 2002](#)).

Italy is also an instructive example of a mismatch between tool selection and policy purposes. The implementation of the Consolidated Code of State-Owned Enterprises (Legislative Decree 175 – 19/08/2016) brought those unlisted companies in which a public entity held equity back into the bureaucratic administration fold from which they had previously been shooed away. According to the commentators ([Cassese, 2018](#)), the new regulations (which govern key aspects such as the management and disposal of the shareholding, corporate management, the directors' responsibilities and emoluments, transparency requirements, auditing activities, codes of conduct and procurement policies) are in stark contrast to the corporate design of the SOEs. Paradoxically, it is the state authorities themselves, the ones that introduced the new framework in the first place, which pass negative judgment on it, and which, by progressively authorizing many companies to issue financial instruments on the regulated markets, actually favored its bypassing, in what is a clear departure from the Consolidated Code. That is what happened, for example, to the RAI (the Italian Broadcasting Corporation), Invitalia (National Agency for Inbound Investment and Economic Development), and, prior to its IPO, ENAV (Italian Air Navigation Service).

Basically, mission drifts are predictable consequences of dynamic accountability tensions that the public bodies have failed to adequately address. That inadequacy may concern the technical efficacy of the tools and the effective capacity to safeguard public values in an ever-changing context.

<HEAD1><TITLE>Research agenda and concluding remarks</TITLE></HEAD1>

This chapter shows that the SOE is characterized by its hybridity, its mixed character and that, far from reproaching it for its lack of purity, we should regard this as the quality from which it can derive its strength, especially if it shows itself to be sufficiently “plastic” to adapt to variable, changing and constantly evolving situations. The blend of cultures that it can embody is not necessarily a completely rational character, and, if one caricatures, its capacity to be multi-headed is advantageous, even if this blurs its public mission. Finally, its capacity for autonomy from the public authorities, its long-term vision, not subject to short-term political imperatives, and the expertise that it can amass, may certainly have some disadvantages, but these are vital qualities if it is to serve the general interest.¹

The points made here show the multifaceted nature of the public mission and the limitations of the “metaphorization” of the concept in the mainstream literature. First, given that the public mission is a source of goals and priorities for the relevant organizations, it cannot be omitted from any analysis that seeks to fully understand and assess the outcomes of SOEs. Second, the problems of definitional clarity mean that the object of analysis is slippery. Third, the public mission is a useful heuristic tool.

Clearly, the reflections offered here need to be further refined and substantiated. In particular, two intersecting research paths hold much promise: conceptual development and the operationalization of the public mission.

In terms of conceptual development, the work of concept formation needs to take into account three analytical dimensions:

1. <NL>*Peculiar characteristics*. The research must continue to track down the additional attributes required to raise the working definition to a “minimal definition,” that is, one that embodies all the strictly necessary attributes. In contrast, the ideal-type definition encompasses the maximum number of attributes ([Gerring & Barresi, 2003](#)).
2. *Public mission design*. In order to model what happens on the ground, we need to investigate the various steps that lead to the design and development of the public mission, namely, how the “musts” that the organization is required to pursue become public outcomes. The process involves five concurrent and iterative steps: (1) the initial

specification of the agenda by the key decision makers, (2) the specification of public mission that, together with the firm's priorities, frames managerial responsibilities, (3) capacity building, (4) implementation and (5) assessment.

3. *Macro and micro level functions.* For illustrative purposes, the public mission: establishes the organization's arenas of action and the domains under which public outcomes can be measured; is negotiated and shared; guides behavior to meet societal expectations; generates commitment to responsibilities; produces legitimacy for the diverse categories of stakeholders; is a guide for action; and influences personal motivation.</NL>

A comprehensive definition will fully develop each of the above dimensions. For instance, dimension 1. calls for disentangling the *relationships* and *hierarchies* among goals and among values to identify incompatibilities and tradeoffs. A good place to start is the research that has developed classificatory frameworks in public and private settings, also in a comparative key (e.g., [de Graaf & van der Wal, 2017](#); [Schmitz & Glänzel, 2016](#); [van der Wal et al., 2008](#)). Alternatively, a minimal definition of public mission could partially capture the attributes included in dimensions 1. and 2. In parallel, the work of concept formation pertaining to the notion of mission drift must continue. A limitation that future research must overcome is that this chapter covers only the public accountability issues and not the “complex network” ([Hodge & Coghill, 2007](#)) of accountability forms (e.g., managerial, financial, market) of which SOEs are a part.

It must be acknowledged also that it may ultimately prove impossible to formulate a conceptualization of the public mission that is distinct from other closely related concepts ([Bozeman & Su, 2015](#)) and that the fuzziness may never disappear completely. As things stand, it is impossible to predict what type of progress, if any, will be made toward a “satisfactory differentiation” ([Bozeman & Su, 2015](#)) of the public mission from, for instance, corporate social responsibility, organizational publicness, or corporate social performance.

The second research path will map the underexplored terrain of the operationalization of the public mission. To test the public mission-public outcome hypothesis, it is necessary to focus on dimension 2. Investigating how the public mission shapes outcomes is tricky. The usual methodological difficulties (e.g., what to measure, from which perspective – citizens, consumers, internal staff, society-at-large – and on the basis of what evidence) are compounded by the fact that operating at the level of organizational processes means entering a reality similar to a kaleidoscope “with many parts that shift as they bump into each other” ([Boyne et al., 2010](#), p. 271). For instance, focusing on one public outcome alone could be misleading because a variable that is positively linked to one outcome can be negatively

linked to other outcomes, or because an improvement for one category of stakeholders may have a negative impact elsewhere.

The aim of this chapter has been to give researchers inspiration and momentum in the hope that they will continue to investigate the relevance of the public mission, its guiding role in enabling organizations to wed external expectations with internal commitments, and the impact of organizational practices on public outcomes.</BODY>

<BACK>

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Notes

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