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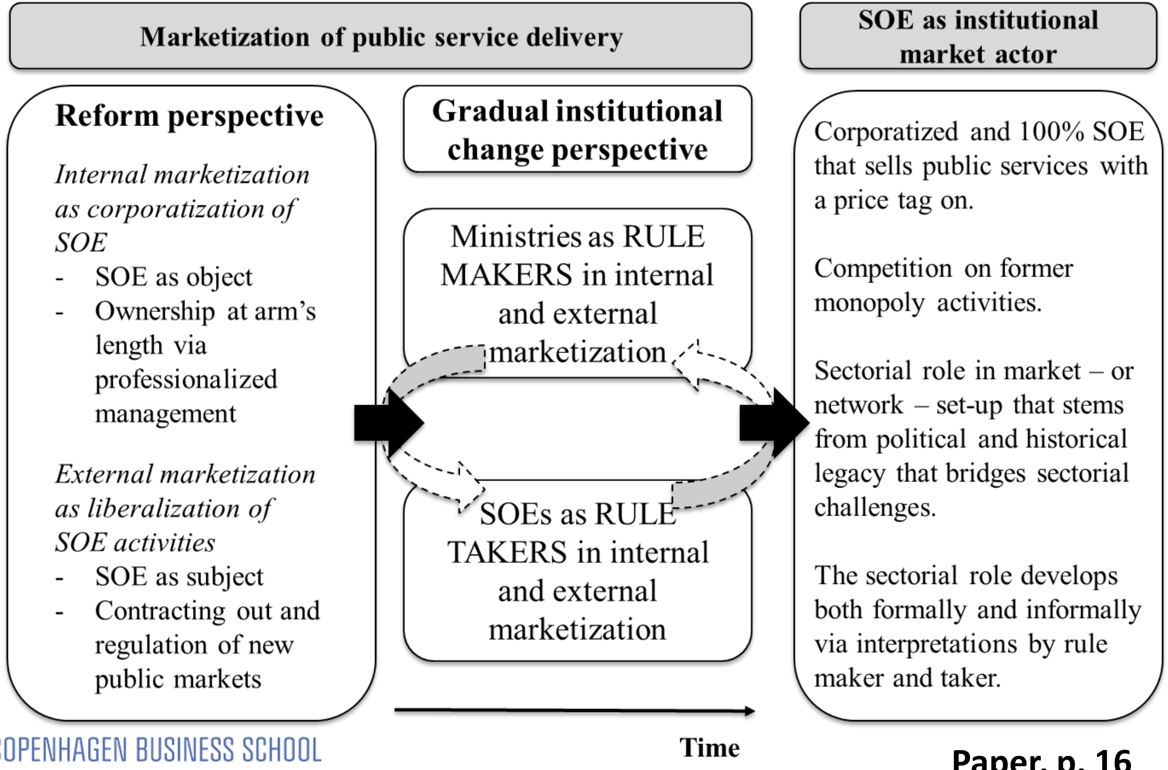
State-owned enterprises as Institutional market actors.

A gradual change perspective on the role of domestic SOEs in the marketization of public services

Lene Tolstrup Christensen, PhD
Department of Business and Politics
Copenhagen Business School
ltc.dbp@cbs.dk

The argument of the IMA in two minutes…



Paper, p. 16

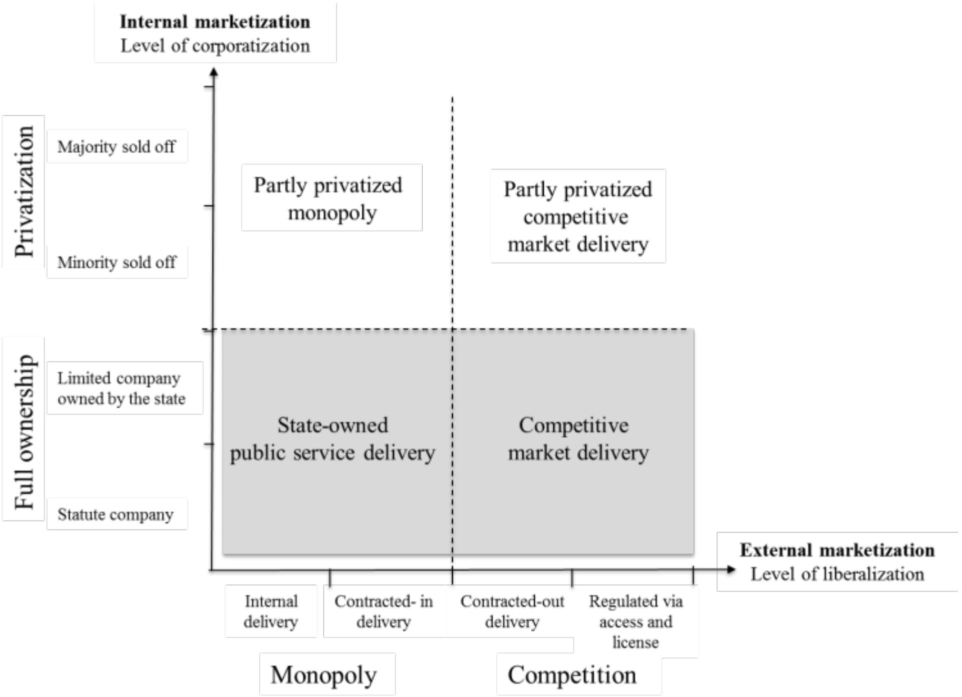
Theory: Internal and external marketization

Internal marketization is the process of corporatization of SOEs (Wettenhall, 2001), stressing the move from hierarchal orders towards state-ownership policies at arm's length via independent boards of directors and managers with economic and juridical independence (Van Thiel, 2012) also including commercialization and de-politicization.

⇒ ***SOE as object in reforms***

External marketization is the creation of a market for public service delivery outside the SOE based on its former activities. This has to do with challenging the monopoly that SOEs have had (Parker, 2003) through what Hermann and Verhoest (2012) call liberalization via competition and in public service delivery competitive tendering and contracting out that create a situation for the government to govern on contracts (Kettl, 1993) with external providers (Alford and O'Flynn, 2012).

⇒ ***SOE as subject in reforms***



Paper, p. 3

Theory: Three strands of literatures on SOEs

	Public economy and regulation: Revitalizing the SOE as an economic tool	**Management studies: SOEs as organizational hybrids**	**Public policy and organization: SOEs as a policy tool within a governance perspective**
SOE as a policy instrument	Politicians and design important	Corporate governance focus	Political control of commercial activities within the governmental sphere are important
Marketization influence on the state–SOE relationship	The state becomes both regulator and owner SOEs survive because of financial performance, an emergency role, privatization reversal and international expansion	Internal marketization leads to a reduction in public values	The states has more roles towards the SOE that is a distinct category next to other 'third sector' organizations SOEs as a broader category also include mixed and locally owned companies
SOE as an actor	SOEs have double strategies dependent on the relations with the state as regulator and owner *making the relations ambiguous* (Rentsch & Finger, 2015).	*SOEs are hybrid organizations* with mixed ownership (Bruton et al., 2015)	*SOEs influence market reforms* and have a *political and historical legacy* (Paz, 2015).

Paper, p. 5-6

Theory: Gradual change perspective

Institutions ‘are **formalized rules** that may be enforced by calling upon a third party ‘ (Streeck & Thelen, 2005, p. 10) , but also

organizations where ‘ their existence and operation become **in a specific way publicly guaranteed and privileged**, by becoming backed up by societal norms and the enforcement capacities related to them’ (Streeck & Thelen, 2005, p. 12).

Institutions as social regimes:

Institutions evolve in “the continuous interaction between rule makers and rules takers during which ever new interpretations of the rule will be discovered, invented, suggested, rejected or for the time being, adopted” (Streeck and Thelen, 2005, p.16).

⇒ Focus on the inherent ambiguities and gaps between formal institution and how are actually implemented (Streeck & Thelen, 2005)

Theory: Gradual change perspective

Layering is when new institutional elements are attached as amendments to existing institutions (Mahoney & Thelen, 2010) since the existing institutions are unchangeable.

Conversion is when a formal institution is redirected towards new goals, functions or purposes beyond original intent and highlights reinterpretation by actors (Hacker et al., 2015).

Displacement is when new institutional arrangements occur as old institutional elements are discredited and it needs cultivation from endogenous actors (Streeck & Thelen, 2005).

Drift is when an institution is not renegotiated, but formally held in place (Conran and Thelen, 2016). It happens because of changes to the institutional context or because actors abdicate from previous responsibilities (Streeck and Thelen, 2005).

Conclusions: Institutional Market Actor

1. Corporatization – amendment

- Commercially driven operational organization that delivers services on commercial terms
- Arm's length and judicial and economic independence
- Ownership as non-political

⇒ As ***conversion*** that can take different trajectories and become highly political

2. Competition – novel

- No longer intended monopoly
- Several relations to the state

⇒ As ***layering*** where the SOE stays as market actor with some sectorial legacy

⇒ SOE has advantages, but is constrained commercially

⇒ Double governance grip for the state

Conclusions: Institutional Market Actor

3. Sectorial role bridges sectorial challenges

- **Transformation of monopoly as *conversion*** into market- or network-based arrangements
- Sectorial role as a policy relation develops as ***layering*** next to:

⇒ Internal marketization as the development of ownership relation of the converted SOE

⇒ External marketization as layered market-based governance of contracts and regulation

4. Develops formally and informally via interpretations

- **Redefinition of the political influence** of the SOE
- SOE influences its own role and the sector as rule taker.

⇒ Due to operational knowledge and capabilities, size and ownership status

⇒ Monopoly into simply market-based institutions and loose ownership policies

⇒ Discretionary room for interpretation

⇒ Societal expectations beyond the formal institutions

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Thank you for your attention!

Lene Tolstrup Christensen, PhD
Department of Business and Politics
Copenhagen Business School
ltc.dbp@cbs.dk