



The multiple logics of State-Owned Enterprises (SOEs)

A CIRIEC research project

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What?

This version of this research project proposal follows and integrates elements from the discussion at the meeting of the commission on public services and enterprises of CIRIEC on November 7, 2024 in Paris and online. The first version needed many revisions. Already a promising number of the CIRIEC network members have said that they would be interested to participate to this project. A second version has been approved by the International Scientific Council in January 2025. This third one will be distributed more widely for the next steps of the project. A fourth version with more details will be later distributed to the participants. As for the 2020 handbook, the secretariat of Ciriec international is going to be involved and will help the participants.

State-owned enterprises (SOEs) are the most autonomous agencies in government. One of the reasons is that they have autonomous revenues. They enjoy a considerable degree of legal, organizational, material and financial autonomy (Baltowski and Kwiatkowski, 2022). Nevertheless, they are also policy instruments. A lot of autonomy but state control. In the British tradition, it is called an “arm’s length” relation. What it means is that for their day-to-day operations, SOEs are quite autonomous but, at any time, they can be remembered who is the principal. And this principal has a lot of power.

SOEs are institutions with complex rationalities involving more logics than revenues and being policy instruments. The multiple logics perspective of looking at it has not been considered much so far for improving our understanding of SOEs. One way to summarize this project could be to ask what is lost in translation in the governance of state-owned enterprises (Grosman, Aguilera and Wright, 2019) or are SOEs drifting (Bernier, Dutil and Hafsi, 2018) or are there multiple logics at play at the same time (Thornton, Ocasio and Lounsbury, 2012)? These are three different ways to ask the same question.

What is suggested here is a comparative study looking at the elements presented in what follows. This list could be debated and is not exclusive among the things that could be studied. What are the logics will be, we hope, a first step that will become a special issue in the *Annals of Public and Cooperative Economics*. The second step is studying their logics and their interrelations that would improve our understanding of SOEs and help decision makers in government to use them more efficiently. So, it is suggested to look at:

1. Governments have various policies to be implemented by SOEs.

There are economic policies to be implemented by SOEs. There are also various administrative policies that SOEs have to implement. They might come from electoral platforms, suggested by the public service or built to react to crises. They might come from social pressures on government. They might be carefully planned after extended research, based on evidence or may be not. They can take the form of industrial policies or more limited specific objectives. Governments have many policies that SOEs have also to implement such as for example a sustainable development policy. But today there is a growing literature on policy design based on the accumulated knowledge on policy making (Howlett, 2019; Chisholm, 1995). The knowledge about policy instruments has improved over the last decades, policies hopefully are better designed than they were. For example, we know much better what privatization can and cannot deliver. And there are different ways to escape government control. One of them is creating subsidiaries. Another could be to create a Stadtwerke (Greiling, 2015)?

These policies could be clear statements easy to implement but they also could be the results of compromises in parliament to reach a positive vote. Sometimes policies need to be transformed into laws and debates in parliament indicate more precisely what are the objectives to be fulfilled. But still, objectives formulated might remain vague to get the support of various interest groups. The policy formulation process is a complex one (Kingdon, 2011) that explains why there is room for interpretation once the time to implement them has arrived.

A long time ago, Parenteau (1980) wrote that in Québec SOEs had been created a decade before the policies to implement were drafted. Are there policies to be implemented or creating the SOE is the strategy (Bernier, Dutil and Hafsi, (2018)? There are important variations from one country to the next but overall what do SOES management know about the policies they are supposed to implement and what can governments do to make sure that these policies are implemented? The first logic is public policy or policies.

2. Governance mechanisms have been established to link SOEs to the government owning them.

After New Public Management had demonstrated its limits, New Public Governance became the next paradigm (Pollitt and Bouckaert, 2017). What is left of it is the importance of governance. In order to organise the implementation of the policy objectives, various mechanisms of corporate governance have been established over time. Board of directors have various roles among which is control. Boards of directors are also supposed to monitor or to take strategic decisions. As on public policy, there is a huge literature on corporate governance that could be used here (see Wright et al, 2013; Grandori, 2004). We can also study if the guidelines of the OECD are respected (Thompson and Alleyne, 2023).

This literature raises important questions about how SOEs are and should be governed. Should members of board of directors be independent is an important issue for example. This varies a lot from one country to the next. In some countries, politicians are still on boards. In others it is prohibited. Boards of directors were considered to be weak links in the governance system. They have been improved after 2000. Their presidency is now

separated from the management in many states. An important literature sees this as an improvement versus past models.

Between the government that could have organized like in France a body to oversee or coordinate the various holdings of the state or directly under the supervision of what is called in Québec a “ministère de tutelle”, there are various mechanisms in charge of governing SOEs. These governance mechanisms have a life of their own and might have their own views about what SOEs are supposed to achieve. People nominated to these boards might have opinions about what SOEs should do. Are citizens properly represented on these boards is another issue to consider.

The complexity level has also increased. In the Canadian context to take an example there are specific departments in charge of specialized SOEs but over the years the Treasury Board has issued administrative policies that SOEs have to apply. The result is a heavier load of overhead, more time spent at accountability and more confusion about who is the principal of the SOE (ref Bernier...). There are also auditor general that are supposed to make sure that or a Cour des comptes, etc. The way governance is organized and has an impact on what SOEs do is thus a second logic that has to be considered.

3. Core technology of a SOE and capacity.

Before Henry Mintzberg offered his typology of structures, James D. Thompson (1967) wrote that organizations are constituted of two subsystems. One is the core technology or business. Being an airline company or a bank makes a difference. Public or private, airline companies operate planes in the same regulated way.

The other subsystem is the buffer one that allows the organization to “protect” or support the core activity. All organizations need a human resources or financial support service for example. In SOEs, the relation with the government or the public ecosystem is essential and thus the buffer subsystem matters and at the same time, the core activity cannot be neglected.

Taïeb Hafsi (1989) has built on Thompson's idea to suggest that government-SOE relations follow a pattern. When a SOE is created, the relation with the government is essential. Later as the core activity grows, there is a balancing act between both and eventually a conflict might develop because of the growing importance of the core activity. If the core activity “wins”, the SOE might become more autonomous. What can we say about the importance of this core technology? For example, are companies that manage nuclear power more difficult to control because they can argue that safety is essential? Is it different for network industries in general (Florio, 2017) or for conglomerates (Greiling, 2015)? The core technology has also been used as a reason to internationalize SOES. The car industry is an example.

There is the technology and there is also the capacity issue that is linked. Are SOEs able to do what they are supposed to achieve? Both things are presented here under the same heading but could be separated. SOEs are expensive policy instruments because they are organizations that have a tendency to expand to be able to build capacity and also to be able to answer the requests of their institutional environment. But they give the state a capacity to make sure that things will be achieved much more than other policy instruments such as regulation that expect compliance. What do we know about the

knowledge and capacity built in SOEs (Hanson and Sigman, 2021)? They can be islands of autonomy and capacity even in weak states (Skocpol, 1985).

The core technology or main activity is a logic that cannot be neglected to understand SOEs

4. Strategy, strategic plans and processes around them.

SOEs produce strategic plans. It is part of the public sector functioning and rituals. Internally the process to develop them could be important to give a shared meaning of the mission to all employees. These plans could be the operationalizable version of the policies they are supposed to implement or their translation. To be today socially acceptable, do these plans mention equality, diversification and inclusion? Do they mention investing in science and/or innovating? Do they refer to government policies? How well are they known in the organization?

The plans are presented to standing committees of parliament. Such presentations follow a process or ritual. Getting their plans accepted could be a way for SOEs to be accepted by their institutional environment. Once the plan is accepted, SOEs might have some room to be entrepreneurial as we develop next (Bernier, 2014). There is of course a legal framework but here is also the translation of policy objectives. The strategy might be following the public policies but not necessarily. What happens if they don't?

Another question could be how much the state plans on the longer run than elected governments? In France, there is a long tradition of the *État stratège* (Bauby, 1991; Bance, 2016). Between the welfare state of yesterday and the minimal state of the new public management movement, how the strategic is the state is an interesting question. Is the state capable of making strategic choices and working to achieve the goals established? And are these goals a different logic from what the government of the day wants in its public policies? The overall strategy of SOEs written down or in the mind of employees is an interesting logic to understand.

5. Public entrepreneurship

Autonomous agencies like SOEs might be the location in the state apparatus where entrepreneurs can be found (Bernier and Deschamps, 2020). There is a broader literature on public entrepreneurship and a smaller one on public entrepreneurship in SOEs (Bernier, 2014). Entrepreneurs might be able to play with different institutional logics (Gullmark et al, 2023). They have leeway and through institutional work, they can shape their destiny depending of country, governance systems and industry-based factors (Butzbach et al, 2025). The proper selection of their CEOs and managerial teams could involve recruiting people who could be entrepreneurs (Bernier, 2014). Do SOEs recruit managers that are specialists of the core activity or generalists that care about government policies or simply know them should also be studied. Entrepreneurship is made of taking advantage of opportunities. Government planning is as far way as anything could be from entrepreneurship. What matters here is what CEOs or teams of managers want to do. Have they even read government policies? How far from policies are their strategic plans or what they do is even related to these plans? Here we get into the institutional work and entrepreneurship literature (Lawrence, Suddaby and Leca, 2009).

Whether a SOE is entrepreneurial or not, what do we know of its organizational culture? Does it have a life of its own, social norms, myths about itself, rituals, essential documents new employees have to read their first day at work, stories about the origin of the organization?

In other words, has the SOE developed its own logic of taking advantage of opportunities? Is there an entrepreneurial logic?

6. Make money

SOEs have policy objectives to fulfill but also a commercial activity as we said already. The state expects them to bring regular revenues to the consolidated budget. This has not always been the case but in the 21st century, making money has become more important and helps to build legitimacy (Bernier and CIRIEC, 2015; Del Bo et al., 2025)). SOEs that do exist after the 30 years when privatization was popular are now profitable (Bernier, Florio and Bance, 2020). The research project has to have a look at the performance of the SOEs (see Perelman and Pestiau in Bernier et al, 2020).

There has been a trend toward commercialization that reinforces the business orientation. It could mean that SOEs are more likely to put emphasis on commercial activities rather than policy implementation. Internationalization pushes also toward a stronger commercial logic. To make money is a way to gain legitimacy for SOEs in this century. This is an important logic.

So, six logics to consider.

So, to summarize thus far, there is more than hybridity of commercial reality and policy objectives. Policy objectives could be unclear, governance mechanisms could be improved, the core technology of a specific SOE might have its own logic difficult to understand outside, organizational strategy might differ from public policy, managers might have their own ideas of what the SOE should do and the commercial aspect might counterweight public ownership. SOES are granted autonomy to fulfill the multiple objectives of a complex role. How do they find the equilibrium among these logics is the topic of this research project.

These six logics do not necessarily point in the same different direction. There are contradictory practices and beliefs inherent in institutions (Thorton and Ocasio, 2008). Policy formulation and strategy development might go together. But other logics are in different directions. For example, the internalisation of policy objectives (Bance, 2015) can confront public entrepreneurship. Or, according to Tremml (2020), boards are a barrier to public entrepreneurship.

The theoretical approach grounded in institutional theory could be discussed. There is a literature on hybridity. There could be a discussion on the relative merit of this approach versus the institutional logics approach (Scott, 2014; Besharov and Smith, 2014). There are multiple approaches to hybridity and logics. Others would suggest the principal-agent literature. In institutional theory, there is also the idea of decoupling (when organizations adopt a policy symbolically without implementing it substantively (Meyer and Rowan, 1977). Pache and Santos (2014) studied organizations that selectively coupled intact elements prescribed by each logic. This strategy allowed them to project legitimacy to external stakeholders.

SOEs are institutions with a complex rationality involving a mix of the logics presented here. They exist in complex institutional environments where they have to build legitimacy. What are these mixes might vary from one government to another and even from one SOE to another under the same government. What we want to do with this research project is to better understand what SOEs are supposed to achieve.

How?

Country studies of a few cases are suggested as the basis of the methodology of this research project. It is mainly a qualitative research digging in the logics of decision making in government organizations and comparing what different actors think. It could be interesting to have a look how these logics vary whether we look at the national, subnational or local levels. The research involves also a quantitative element. Without a measure of the performance of the SOEs, the qualitative research lacks the capacity to evaluate what is said during interviews (Del Bo et al., 2025).

It is suggested ideally to have a look at least at two SOEs per government, ideally three. For example, in Québec, Hydro-Québec, the Caisse de dépôt et placement du Québec and Investissement Québec could be considered. For the Canadian federal government, Atomic Energy, the Banque de Développement du Canada and Export and Development Canada. The last two do what Investissement Québec does. Similar SOEs could be studied in next door Ontario, the Canadian largest province. Public banks have not been studied much at CIRIEC. Financial institutions are often difficult to study because they are clothed in secrecy. But they are important in a world where SOEs are often financial organizations rather than producers of goods.

Ontario and Quebec are provinces in Canada but they have larger populations than a number of small European states such as Ireland or Norway. They are under a federal government but small European nations are also part of the European Union. SOEs are essential to implement economic policy autonomously while regulation, taxation and subsidies are shared, monetary policy is managed by the federal government. Could this be compared with the European experience? Theories and methods will be discussed early in the research project that will be followed by the empirical studies.

The first step is documentary. Policy documents, laws and debates in parliament, annual reports have to be studied. Numbers about performance can be gathered in these documents.

Strategic plans might or might not be a logic among the others but they are a picture of what a SOE intends to do and could be compared with the public policies they are supposed to implement. Looking at these documents could be a first step in this research.

A further step would be to make interviews with ministers, presidents of the board of directors, high level managers of the SOEs. Eventually this could lead also to focus groups of employees. Obtaining interviews is going to be long and difficult. A questionnaire will be suggested and discussed early in the research project. A more organized methodology will be developed for and with the participants to the study.

A book is planned with the various empirical studies. As for the Bernier/CIRIEC book of 2015, it is suggested here to use the same framework to present the results of the research. Some of the initial material could be published in CIRIEC's working papers. More theoretical or methodological discussions could be presented in a special issue of the Annals as said earlier. Topics such as the value of comparative studies and what can we learn from case studies is another topic. There is a broader issue of state capitalism that varies from one country to the next (Musacchio and Lazzarini, 2014; Palic, Reeves and Whiteside, 2023; Yeyati and Negri, 2023) that has to be discussed too.

Who ?

The CIRIEC network of scholars on the topic is invited as well as other scholars interested. The people who participated to the 2020 Routledge Handbook are also invited and of course a call for papers and for participants will be distributed. Suggestions are welcome.

When?

The cycle for this project will be of 18 months
to have results to present at the CIRIEC Congress in Montreal on 5-8 October 2026.

A first conference on the content/methods/theories prior to the end of the special issue of the *Annals of Public and Cooperative Economics* that is foreseen.

A second conference on the country cases.

A calendar will come with steps and meetings on Zoom

A common questionnaire will be suggested for discussion and a number of meetings for those interested.

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A longer version of the document with the appropriate references will be sent to participants.

Annex

An institutional logic could be defined “as the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences.” (Thornton et al, 2012, page 2)

The institutional perspective is a framework for analyzing the interrelationships among institutions, individuals, and organizations in social systems. (also page 2)

Institutional logics represent frames of reference that condition actors' choices (still page 2).