

This is an Open Access document downloaded from ORCA, Cardiff University's institutional repository: <https://orca.cardiff.ac.uk/id/eprint/148993/>

This is the author's version of a work that was submitted to / accepted for publication.

Citation for final published version:

Andrews, Rhys , Clifton, Judith and Ferry, Laurence 2022. Corporatisation of public services. Public Administration 100 (2) , pp. 179-192. 10.1111/padm.12848

Publishers page: <https://doi.org/10.1111/padm.12848>

Please note:

Changes made as a result of publishing processes such as copy-editing, formatting and page numbers may not be reflected in this version. For the definitive version of this publication, please refer to the published source. You are advised to consult the publisher's version if you wish to cite this paper.

This version is being made available in accordance with publisher policies. See <http://orca.cf.ac.uk/policies.html> for usage policies. Copyright and moral rights for publications made available in ORCA are retained by the copyright holders.



Corporatization of Public Services

Professor Rhys Andrews
Cardiff Business School,
Cardiff University,
CF10 3EU,
Wales, UK,
Tel: +44(0)29 2087 4198,
Email: AndrewsR4@cardiff.ac.uk
Corresponding author

Professor Judith Clifton
Facultad de Ciencias Económicas y Empresariales
Universidad de Cantabria
Judith.clifton@unican.es

Professor Laurence Ferry
Durham University Business School
Durham University
and
Rutgers Business School
Rutgers University
New Brunswick
USA
Laurence.Ferry@durham.ac.uk

Forthcoming in: *Public Administration*

Corporatization of Public Services

The corporatization of public services by moving services previously provided in-house into various types of arms-length corporate forms of organization is becoming an important trend at multiple levels of government. Although the use of such corporate forms to deliver public services is not a new phenomenon, evidence on the impact of corporatization on public services provision is only slowly emerging. In this symposium, we aim to advance our understanding of the theoretical and practical implications of corporatization through empirical analyses of its dynamics in a range of different settings. In this introductory article, we begin by explaining what is meant by the corporatization of public services and the different forms that it can take, before summarizing the existing evidence on the governance, accountability and performance of corporatized public services. We then describe the articles included in the symposium and conclude by outlining a future research agenda for studying corporatization.

1. Introduction

Governments across the world create and use publicly-owned or controlled corporations and companies to provide public services. However, while privatization has received significant attention from scholars, the “corporatization” of public services has been largely neglected. Such “corporatization” occurs when public and social services – which were previously organized, produced and delivered directly by the state through government entities at the local, regional or national levels – are transformed into a legally separate corporate entity and usually made subject to company law. As a result, corporatized public services are assumed to benefit from the organizational autonomy needed to “replace politics with professionalism” (Bourdeaux 2005). However, the decoupling of service provision from political control raises the prospect of democratic deficits, which should be of the utmost importance to public administration researchers and practitioners concerned about the quality of public governance (Grossi et al. 2015).

Although the practice of corporatization can be traced back to ancient times and came of age in the post-war period, governments’ efforts to corporatize public services – especially utilities in sectors such as telecoms, energy, transportation and water and waste – have grown from the 1980s onwards (Clifton and Díaz-Fuentes 2018, Christensen and Laegreid 2003). Increasingly, corporatization has also penetrated deeper into the “human”, “social” fabric of the public sector, reforming local public and social services, including hospitals, social care, educational institutions, pensions, housing, parking spaces, public areas, recreation and sport, culture, economic planning and fire-fighting (Braithwaite et al. 2011; Grossi and Reichard 2007). So, today, corporatization is expanding geographically and by sector. For example, Ferry et al. (2018) note that the number of local public corporations grew from 400 to 600 in England between 2010 and 2016 – with similar developments observed in other countries (Aars and Rinkjob 2011; Citroni et al. 2015; McKinlay 2013). Voorn et al. (2018) argue this upward

trend is most likely a global one. It is though, a trend that requires a nuanced interpretation, since, while corporatization continues to grow, its reversal can also be observed, for example in movements towards re-municipalization in Germany (Bönker et al. 2016), the Netherlands (Gradus and Budding 2018), the United States (Warner and Hefetz 2012), and elsewhere.

The growing prevalence of corporatization and its deepening penetration into the public sector is not yet matched by a substantial body of knowledge about its implications for the theory and practice of public administration. Scholars have sporadically addressed the broader history of corporatization of public services (e.g. Skelcher 2017; Leopold and McDonald 2012), the antecedents of corporatization at the local level (see Tavares 2017), its institutionalization (Christensen and Grossi forthcoming) and subsequent performance effects (see Voorn et al. 2017). There is also a small, but growing literature on the corporate governance of state-owned enterprises, which addresses issues of accountability in corporatized public services (e.g. Grossi et al. 2015; Klausen and Winsvold 2021). However, while the existing research has begun to cast valuable light on the dynamics of corporatization, we need to know more about the processes through which public services are being corporatized (McDonald 2016), the management and governance challenges that this development poses (Andersen and Torsteinsen 2017) and the medium and long-term consequences of the policy (Lindlbauer et al. 2016).

Public administration scholars have stated there is a growing “danger”/concern that due to our lack of knowledge on the topic the trend towards corporatization will be ideologically driven rather than evidence-based (Voorn et al. 2018). This is significant because corporatization is, after all, a core instrument associated with the New Public Management, and has been implemented in a variety of different ways in countries across the world (Thynne 1994).

In the light of the growing trend of corporatization and a lack of corresponding research, this symposium gathered theoretically-informed, rigorous empirical studies dealing with several key concerns, ranging from the factors that explain different modalities of corporatization through to the management and performance of publicly-owned corporations. In this editorial introduction, we begin by discussing the theory and practice of corporatization, reflecting on the history of corporatized public service provision. Following that, we review the existing empirical evidence on corporatization, especially studies focused on the governance, accountability and performance of corporatized public services. We then describe the articles included in the symposium, discussing their main findings within the context of the evolving scholarly and practitioner debates about corporatization. Finally, we conclude the introduction with a brief assessment of some promising future research directions.

2. Concepts and definitions

Public and social services are corporatized when services which were previously organized, produced and delivered directly by the state through government entities at either the local or national levels are transformed into a “public corporation” and usually made subject to company law. Public corporations are government controlled and may also be government owned. The control the government exercises over public corporations does not take the form of a direct, close, day-to-day approach or interference; rather, public corporations are given considerable autonomy to work at arm’s length from the government. In addition, the public corporation is bound to perform a range of activities on behalf of the government, acting as an instrument of public and fiscal policies (International Monetary Fund 2014). Typical public policy objectives that public corporations may have to conduct include providing citizens with essential services, such as energy, transportation, communication, education and health. Public corporations might also have to serve fiscal policy objectives by employing more staff than

required, receiving extra inputs, selling proportions of their outputs for below market prices, or acting as fiscal monopolies to raise revenues (Comín and Díaz-Fuentes 2004).

Corporatization does not refer to one reform alone, rather, it is an umbrella term that is associated with a range of different reforms. The World Bank (2016) has usefully produced a list of items that it considers important for a successful corporatization:

- The organization should be legally established as an independent corporation.
- Management must be autonomous, and is virtually wholly in control of inputs and issues concerning service production.
- The public corporation is subject to prevailing national company law and accounting rules.
- Government entities are usually subject to administrative and public law. Corporatization may mean public corporations and public enterprises become subject to prevailing national commercial or private laws.
- The public corporation has assets and liabilities transferred to it in order to fulfil its duties. However, not all assets and/or liabilities need to be transferred; for example, the government may write-off debts in order to give the public corporation a means of funding the services it provides.
- The public corporation should have a board of directors, responsible to shareholders and customers.
- Corporatization may change previously existing staffing rules, such as civil servant schemes. Labour contracts may become more flexible, and salaries may be more closely linked to performance.
- The public corporation should be made fully responsible for its financial performance. There is a “hard” budget constraint. Liquidation is therefore possible.

- The public corporation is financially independent. It is responsible for its losses while it has the right to retain surpluses.
- The public corporation has a performance contract with the government. This enables the government to ensure it has ultimate control over the corporation.

When a public service is corporatized, it is not necessarily the case that all of the above reforms are implemented. Depending on which “mix” of these reforms is put into place, the public corporation will be transformed in different ways, with distinct consequences for public and social services. MacDonald (2014) argues that there are, basically, two main approaches to corporatization enacted by governments, which he labels “progressive corporatization” and “neoliberal corporatization”. In the case of progressive corporatization, those reforms that focus on separating the government entity from the public administration will be implemented, whilst public ownership is maintained. Hence, this kind of corporatization involves the transfer of assets and liabilities from the government to the public corporation, silo-ing off the entity, and allowing it to be in charge of its own structure, accounting and reporting lines. The expected benefits of this approach to corporatization is that managers of the public corporation can get on with the activities of providing services to citizens under the control of government but with but much less political interference than would be expected under, for example, a state-owned enterprise. For MacDonald (2014), this kind of corporatization may be “progressive” in the sense the autonomy granted from government could be used to help the public corporation focus on delivering services to citizens. Neoliberal corporatization goes beyond the separation of the entity from government and also includes those reforms associated with diluting the role of the state in public service provision. This approach to corporatization includes moving the entity into commercial law, so it operates in a business world of accounting, shareholder and board of director structures, financial structures, whilst the private

sector also becomes involved in public and social service production and delivery (Alonso et al. 2021). Whilst MacDonald (2014) points to the potentially negative effects of managing public service provision in a commercial world, the World Bank (2016) assumes that the performance of the public corporation will be enhanced when subject to these commercial pressures.

The origins of public corporations have been traced back to the beginnings of civilization, such as in the public works in irrigation and mines in Ancient Egypt and public infrastructure corporations in the Roman Empire (Comín and Díaz-Fuentes 2004). However, it was in the post-war period that corporatization really started to come of age, as many governments took control of large sectors of economic activity and property. In this period, governments used public corporations, as well as state-owned enterprises, to ensure that essential public services functioned properly, to access scarce primary materials and to rationalize productive structures. Across Western Europe, Canada, Australia and the majority of developing countries, large parts of sectors such as energy (electricity, gas), transport (railways, airlines, airports and ports), communication (post, telecommunications and broadcasting), water and sewage, health, education and financial service institutions were transformed into public corporations or other government entities (Clifton et al. 2003).

The post-war period can therefore be seen as representing the first wave of corporatization. A second wave of corporatization occurred from the 1980s, in parallel with the rise of privatization, when huge proceeds were made from the selling off of former state-owned enterprises to the private sector. Where privatization policies were not implemented, other alternative policies were introduced with the aim of reforming the public sector, often in the direction of making it more similar to the private sector. The overarching term of New Public Management has been used to describe these reforms: corporatization became a core element of this policy turn (Thynne 1994).

3. Current state of empirical research

Although scholarly interest in the nature of corporatization at multiple levels of governance is growing, empirical research on the topic continues to lag behind that on comparable public sector reforms. In particular, studies focused on privatization, contracting out and associated practices vastly outnumber those dealing with the corporatization of public services. Figure 1 highlights that during the past two decades leading social science journals have consistently published around five times more papers dealing with privatization and related reforms than corporatization and associated practices. Nevertheless, despite the considerable disparity in the attention given to these two reforms, the table does indicate that the amount of research published on corporatisation has more than doubled in recent years.

[Figure 1 here]

A review of the empirical public administration research dealing with corporatisation suggests that it now comprises four main strands: i) quantitative studies investigating the antecedents of corporatisation, especially within local governments; ii) research evaluating the performance effects of corporatisation; iii) quantitative and qualitative analyses of organizational and managerial issues within public corporations; iv) quantitative research and case studies pinpointing governance and accountability challenges associated with corporatized public service provision. The content of, and gaps within, this empirical research effort are summarised below.

Antecedents of corporatisation

Numerous articles point to an increase in the corporatization of public services (e.g. Citroni et al. 2013; Grossi and Reichard 2008; Voorn et al. 2018). However, despite an apparent growth

in corporatized public services across the world, surprisingly few empirical studies systematically evaluate the antecedents of corporatisation. Research in England (Andrews et al. 2020) and the United States (Bourdeaux 2008) points towards the importance of debt financing and limitations as a determinant of corporatisation, with grant dependence a further predictor of corporatisation in English local governments. By contrast, Portuguese municipalities are less likely to corporatize public services if they experience fiscal stress or are dependent upon central government grants (Tavares and Camoes 2010), though these influences may vary depending on the service being corporatized (Tavares and Camoes 2007). In Dutch municipalities, financial position appears to have no influence on the decision to move a service into a municipally-owned corporation (MOC) (Schoute et al. 2020). Instead, public service characteristics seem to be most important, especially the relative asset specificity and ease-of-performance-measurement associated with corporatization. There are also examples of corporatization being imposed upon sub-national public services by central government (e.g. Alonso and Andrews 2021).

In addition to the literature examining the drivers behind the use of corporatized public services, studies have begun to emerge that analyse the termination and dissolution of corporatized public services, as well as the return of corporatized services in-house. At the local government level, Camoes and Rodrigues (2021) find that Portuguese municipalities experiencing financial pressure are more likely to terminate municipal corporations. At the organizational level, Andrews (2022) finds that corporatized services are less likely to be dissolved if they are majority public-owned, but more likely to be dissolved when they are subject to greater political control. Gradus et al. (2019) highlight that there are cases of reverse corporatization within Dutch municipalities, though these are much less common than instances of reverse privatisation. Importantly, while this scholarship on the antecedents of corporatization casts much-needed light on the motivations behind reforms, more research is

required to better understand the extent to which corporatisation and its reversal are driven by a common set of concerns within different countries or are largely context-dependent.

Effects of corporatisation

Most research on the effects of corporatisation uses quantitative methods to investigate its relationship with the performance of public services. Voorn et al's (2017) review of performance studies published between 2001 and 2015 suggests that efficiency gains can be realised from corporatisation, especially for mixed enterprises that involve private sector partners. Subsequent research in a sample of Dutch MOCs has suggested that improvements in the perceived quality of public services can also be achieved by smaller corporatized entities with fewer differences between owners (Voorn et al. 2020), and by those that have effective performance management (Voorn et al. Forthcoming). The importance of performance management and managerial networking for perceived public service quality are confirmed in Kim's (forthcoming) study of South Korean local public corporations. Maine et al (forthcoming) also suggest size matters, with large housing corporations in Sweden having better financial and social performance, but worse environmental performance. They also point to the importance of strategic ambidexterity. In their study of a sample of German municipal corporations, Daiser and Wirtz (2021) emphasise that managers' perceptions of organizational success are mainly determined by effective strategic management. However, Stiel (forthcoming) finds that municipally owned utilities in Germany perform no better or worse than other organizational forms. Similarly, Berg et al.'s (forthcoming) analysis of Swedish municipalities suggests that corporatisation has no effect on citizen's satisfaction with local public services and may even lead to higher levels of taxes and increased corruption.

Alonso and Andrews' (2021) case study in England found that corporatisation of underperforming education services may be successful when a nonprofit organizational form

is adopted. Nonetheless, it is widely accepted that corporatised public services are usually more at-risk of failure and dissolution than in-house or privatised services (Voorn et al. 2017). Furthermore, Andrews (2022) highlights that the failure rate of municipal corporations in England is much higher than for central government agencies. In the Italian context, Menozzi et al (2013) suggest that corporatized public utilities subject to greater political control experience more significant co-ordination problems because they appoint too many employees. Whatever the risks of failure, corporatization is shown by Białek-Jaworska (forthcoming) to improve the long-term debt capacity of Polish municipalities by permitting the introduction of user fees and off-balance sheet borrowing, though as Jeong's (2020) study of South Korean municipalities shows this practice may ultimately be a problematic source of fiscal illusion. Nevertheless, while increased financial flexibility has long been argued to be a key motivation for corporatizing public services (Stumm, 1996), to date, little systematic research has compared the long-term financial sustainability of corporatized public services with other alternative models of service delivery.

Managing corporatized public services

Corporatisation is often assumed to lead to an increase in managerial autonomy from political oversight (Voorn et al. 2017). However, few studies directly test whether managerial autonomy increases markedly as a result of corporatisation. Case study research from England has highlighted that problems with the political management of a local public service can provide the impetus to corporatize the service (Alonso and Andrews 2021). Likewise, research from Norway and the United States suggests that once local governments begin corporatising public services they typically go on to create and operate larger numbers of corporations (Aars and Rinkjob 2011; Rubin 1988). This implies that giving managers more freedom to manage may be regarded as especially advantageous by parent organizations, and that corporatization can

become a welcome source of opportunities for new service delivery innovations (Smith 2014). Indeed, the wider literature on state-owned enterprises suggest that they hold out the promise of bigger and better innovation (Tonurist and Karo 2016), so evidence on whether corporatized public services are more innovative than those managed in-house or by private contractors would be extremely valuable.

Aside from any potential innovation pay-off, one likely feature of managerial autonomy within corporatized public services is increased compensation for the executives responsible for managing them. This may be an inevitable by-product of the need to attract talented managers to manage such complex hybrid organizations. However, it may also signal the unintended intrusion of market forces into public service provision. For instance, Keppler and Papenfuss (forthcoming) highlight that vertical pay dispersion in German municipal corporations is greater among those that take a private legal form, which have much greater autonomy over employment conditions than those taking a public legal form. Papenfuss and Keppler's (2020) review of pay and motivation research in public organizations indicates that public service motivation may be weaker in corporatized public services, but that well-designed performance-related pay schemes can be effective in such settings. As they note, whether the higher compensation paid to directors of public corporations results in better managed services is a topic worthy of detailed research. Importantly, Krause and van Thiel (2019) find that German municipalities' efforts to strengthen their control over corporatized entities have a damaging effect on managers' perceptions of their autonomy within those entities. Interestingly, Tremml et al. (forthcoming) find that German municipal energy companies that are majority public-owned have a stronger entrepreneurial orientation than those that are minority-owned because municipalities exert less control over the board of directors than private partners. All of which points towards the need for more studies

investigating the complex relationships between different approaches to corporatisation and public service innovation.

Governance and accountability of corporatized public services

The need to successfully balance the imperatives of democratic political control and managerial autonomy within corporatized public services is at the heart of the growing number of studies that investigate the governance and accountability of those services. Although corporatized public services are hybrid organizations that blend a commercial orientation towards business sustainability with the need to create social value, they are rarely left completely exposed to market forces (Kornai et al. 2003) or made subject to the stringent performance regimes applied to “pure” public organizations (Andrews and Ferry forthcoming). As a result, efforts to uphold accountability in corporatized services often focus on the role of their boards of directors.

Grossi and Thomasson’s (2015) study of Copenhagen Malmö Port highlights the profound difficulties directors of corporatised services confront when seeking to meet the accountability requirements for multiple stakeholders. In Germany, the mandatory corporate governance code for municipal corporations and a commitment to self-regulation among the politicians and executive directors that manage them has been found to strengthen accountability (Papenfuss and Schmidt 2020). Klausen and Winsvold’s (2021) study of Norwegian municipal enterprises highlights that the accountability of corporatized public services can be enhanced through operational meetings between local government managers and the directors of enterprises, with elected politicians retaining oversight of strategic matters. It has also been suggested that Norwegian municipal enterprises with more elected representatives on their board of directors are more responsive to citizens (Aars and Ringkjøb 2011). In the co-operatives that provide much of the social housing in the UK, local service

users are guaranteed a seat on the boards of directors to ensure their voice is heard (Caincross et al. 2013).

Although the extension of political control over corporatized public services can potentially enhance democratic accountability and legitimacy (Koppell 2003), several empirical studies underline the potential for problematic ‘politicisation’. For example, in Swedish municipalities, board seats in municipal corporations are sometimes allocated as a reward to loyal party members by political leaders (Bergh et al. 2019). In Italy, extensions of political control over local public utilities have been shown to threaten the independence of senior managers and directors (Garrone et al. 2013). Andrews and Ferry’s (forthcoming) study of local authority companies in England highlights that these difficulties in balancing the politics and management of corporatized public services are also acknowledged by the financial auditors of those services. Nevertheless, given that the politics-administration relationship varies greatly across the political systems of different countries, more evidence is required to fully understand the ways in which political control affects the management of corporatized public services.

4. Contribution of papers in the symposium

The papers in this symposium cover diverse forms of corporatisation across various public sector settings in different countries for both historical and contemporary time periods, employing a mix of literature review and quantitative and qualitative research methods. For example, through an important historical study that regrettably journals do not publish more of given the valuable insights they afford, Cooper et al. examine initiatives in the 1980s in the UK to advance corporatization. They argue that the Thatcher administration of the 1980s sought to create arms-length agencies within the UK civil service to help make government efficient and business-like. They suggest that this project was grounded in Thatcher’s peculiar ideological

background being her twin commitments to a childhood Methodism and the economic theories of neo-liberal economists like Friedrich Hayek and Milton Friedman. They argue that Thatcher's agenda for civil service reform was met with opposition, both from the political "wets" within her own cabinet and also from senior figures within the civil service. The creation of agencies was one way around this resistance to her policies. Ministers no longer directly controlled delivery, rather business-like managers could be imposed over the new agencies who would then bring in the rationality of the market. They argue that this distanced elected officials from the control of government and therefore made economic efficiency, rather than democratic preferences, the hallmark of British governance. By doing this, they suggest the corporatization of central government functions was and remains an obstacle to democratic governance.

Bernier et al. examined determinants of corporatization in the Canadian public sector drawing on an original dataset of public organizations at the federal and provincial levels covering a 30 year period from 1990 to 2019. They found that over the past 30 years corporatization has been an important phenomenon, but that this is mainly associated with administrative capacity rather than either pressures on public finances and / or a favored ideology of governments. As a consequence, they argue corporatization in this context is more a pragmatic state-building exercise than a project driven by ideology and New Public Management. In addition, they suggest the cost and complexity involved may mean larger administrations find corporatisation more accessible.

In the contemporary setting, there are several studies of local government. In a quantitative tradition, Bel et al. consider the effect of different forms of corporatisation on costs in Spain. They examine eight types of public services in 874 different Spanish municipalities between 2014 and 2017, focusing on four different types of governance: public agencies, public corporations, corporations with minority public ownership and corporations with majority

public ownership. They argue that their analysis shows that corporations do not provide cheaper services than the public sector, which is in contrast to previous work in this area. This may be due to the effects of unionization and collective bargaining in Spain. They argue in particular that mixed corporations with a public sector majority stake are actually worse than public sector agencies at offering services for low cost, due to the fact that these organisations achieve the “worst of all worlds”, with incompatible and conflicting goals causing inefficiencies. Their analysis suggests that further research should examine the effects of corporate forms on quality of service provision and look at other issues like the numbers of shareholders involved in each organisation.

Also in the quantitative tradition, Papenfuß and Schmidt argue that corporatization creates potential for public service provision but creates challenges for governance. They look at one issue which is executive turnover within agencies by examining 275 German municipal corporations between 2006 and 2016 to examine turnover and the characteristics of executives against length of tenure. Their findings suggest that politicized executives, executives with higher pay and internally hired executives have a longer tenure and a lower turnover likelihood. At the same time, there is a higher likelihood of turnover of executives in non-profit making corporations as opposed to profit making corporations. Their study suggests that we need good governance codes and that in recruitment processes, decision makers need to ensure that potential executives are familiar with the special publicness fit. They also should think about the causes and consequences of higher turnover in not profit making public corporations and how that relates to overriding public management goals.

There was also qualitative research at the local level. For instance, Berge and Torsteinsen examined the impact of corporatisation on culture in Norwegian Local Government, drawing on eight case studies to investigate this question. The case studies included two in house integrated structures (the baseline), two in house companies, three inter-

municipal companies and an enterprise comprising four limited companies. They interviewed 70 individuals including mayors, CEOs, heads of technical departments from municipalities and companies, Board Chairs, department managers and union representatives. They found that new norms, cognitions and identities formed within these entities, creating a sense of us “the municipal company” and them “the municipality”. This process took place quickly, with Berge and Torsteinsen arguing that cultural differentiation grew with legal autonomy and suggesting that these barriers might create issues for the governance of public service provision involving these kinds of organisations.

Through a qualitative study also, Voorn and Van Genugten conducted six in-depth case studies in Dutch jointly owned MOCs to understand governance problems that occur in MOCs and coordination mechanisms to overcome these problems. They conducted semi-structured interviews with people from the six MOCs (though in one MOC they could only interview a single member of staff), performing 18 interviews in all. Various governance problems were identified, including free riding, duplication in governance and lobbying of MOCs, with the latter least likely to be present. Cooperation between municipalities and MOCs was also observed, with the local civil service often playing a role in this. As a result, there was a level of consensus and stewardship, which could reduce duplication of governance in some MOCs. However, Voorn and Van Genugten also argue there was a tension between the owner-municipality acting as a coordinator with its MOCs and the role of the same municipality in holding them to account. They suggest their study may be limited because of the Dutch context and in particular the legal set of MOCs, however they suggested that further international study of the governance of MOCs would be useful.

The special issue also includes several studies of healthcare in the contemporary setting, though these used contrasting methods. For instance, Turner and Wright have written a scoping review of the literature on the corporatisation of health service organisations internationally.

By excluding literature about privatization, autonomization and studies published before 2008, the review identified 18 relevant articles. They found considerable ambiguity in the use of the concept within the literature, but were able to develop a typology of four main perspectives on corporatisation: i) managerialism of medical work; ii) agendas of institutional work which encouraged market-like behaviour; iii) corporate governance implications of legal independence; and, iv) colonization of the public sector by the private sector. All four perspectives underline the need for multi-level approaches to understanding corporatisation in the healthcare setting. In addition, Turner and Wright highlight the importance of organisational capacities for realising the potential benefits of corporatization. However, there are key differences between each perspective around the benefits of corporatization as an approach: institutional reform highlights the outcomes that can be improved whereas colonization highlights efficiency gains from rationalising back-office functions or amalgamating units. This review also highlighted the moderating effects of other influences on the impact of corporatization, such as trade union power, cultural issues and ideological debate about healthcare. They argue that the perspectives they have developed should allow for a more precise discussion in practice and in scholarship about the effects of corporatization.

Alonso et al consider healthcare through a quantitative approach providing a longitudinal study of how far the political complexion of the party in control in Spain explains the type of corporatization strategy employed in Government. They used the Spanish healthcare system as it was subject to reform during the years studied. A count data regression model was employed to analyse secondary data from 17 Spanish regional governments for the period 2003-17 that looked at the differences between right and left-wing controlled regional governments' strategies. Their analysis revealed that right wing parties preferred corporatization strategies that employed the private sector, like Public-Private Partnerships and the Private Finance Initiative. Left wing parties however, were associated with the

implementation of corporatization forms that did not involve the private sector, like Public Enterprises and Public Entities. This is important because it is one of the first studies to identify a relationship between the ideology of the governing party and the form of corporatization selected by them.

In contrast, Hodgson et al. employed a qualitative approach at a specialist hospital in England to consider in detail at the organisational level how recent health care reforms combined with financial austerity to accelerate both corporatization and commercialization in the National Health Service. As a result, they argue such changes have encouraged a greater public sector entrepreneurialism, shaping more entrepreneurial conduct from staff that went through a gradual normalization. In this context, it is suggested that in the relationship between organizational dynamics and individual behaviors, there are dissonant effects of these shifts upon individuals' attempts to compartmentalize their activities, and resulting ethical dilemmas.

From the studies in this special issue, a number of similarities and differences can be determined. For example, both Alonso et al. and Cooper et al. are focussed on the ideological precursors to corporatization strategies. They approach the problem in different ways, with Cooper et al. using a textured historical analysis and Alonso et al. providing a much broader brush numerical analysis. Both though suggest that there is an ideological motive behind some forms of corporatization. In contrast, Bernier et al. did not find such an ideological imperative.

Alonso et al., Voorn and Genugten and Turner and Wright point to the idea that corporatization is not just one thing but has to be approached in different ways to really understand it as a phenomenon. They analyse it from different perspectives being political motivation, a study of executive appointment and a literature review, but all come to the point that there are radically different ideological backgrounds, characteristics and models within the framework of corporatization.

Berge and Torsteinsen and Cooper et al. both emphasize the important effect of culture following on from corporatization. In Cooper et al. this is the intended goal of a group of politicians concerned to spread business culture into the public sector. In Berge and Torsteinson they examine the fact that this appears to have happened in Norway but do not point to strong causation in the same way, seeing it as a more of an emergent process. Hodgson et al. highlight how the changes involving corporatization encouraged a greater public sector entrepreneurialism, which ultimately is a change in culture. Voorn and Van Genugten provide an interesting example of how culture can differ between different types of corporatized form, with different approaches to executive tenure. Papenfuß and Schmidt and Voorn and Van Genugten both look at the role of governance in these organisations. They both in different ways recommend good governance structures, which clearly set out roles and responsibilities and argue ambiguity creates problems.

Almost all the studies except Cooper et al. that focusses on central government, Bernier et al. that looks at both federal and provincial levels, and Turner and Wright which is a literature review, focus on local government or regionally run healthcare. For example, Alonso et al.'s study would be more difficult to undertake outside say local government or healthcare due to the inherent factors under study and data availability. Some of the other studies rely on the fact that comparable case studies are possible in local government in a way that they are not in central government, but the study of Cooper et al. underlines how much national-level analyses are needed.

Cooper et al. and Voorn and Genugten both address questions of accountability. Cooper et al. argue that corporatization is an obstacle to democratic accountability, but the other papers in this symposium are relatively silent on the impact of corporatization on democracy. Berge and Torsteinson definitely suggest a sense of us and them between the municipality and the company. Given the political motivations discussed by Alonso et al. and the argument of

Cooper et al. about democracy and corporatization it begs the question of whether it is worth investigating to see if this is a problem at the local level as well as the national.

Overall, the papers have afforded very interesting different theoretical insights into local government, healthcare and national government across primarily diverse European countries that include Germany, Netherlands, Norway, Spain and the UK. These studies have called on quantitative and qualitative methods, affording both detailed statistical analysis and insightful case studies. They have shone a light on corporatisation across various themes from antecedents of corporatisation to governance to accountability issues for democracy. Together therefore these papers offer a useful basis for other researchers to consider future research into corporatisation that addresses these and other issues in the same and other public service areas and across many other countries for comparative studies.

5. Conclusion and future directions

The articles in this symposium highlight the growing presence and importance of corporate entities within the public management landscape. They also illustrate many of the unique challenges and opportunities that the corporatisation of public services presents for researchers, policy-makers and practitioners. Whereas scholarship dealing with privatisation and contracting out is now well-established within the public administration literature, appreciation of the distinctive dynamics of corporatisation remains in its infancy. By drawing together a diverse set of articles dealing with the phenomenon of corporatisation in a variety of settings, using different theoretical and methodological approaches, this symposium has aimed at providing a starting point for more detailed research into this complex public sector reform. We believe that there are a number of research directions that are likely to be especially fruitful for theorizing and empirically investigating the on-going evolution of corporatization.

The Bel et al. and Turner and Wright articles in this symposium suggest that the performance of corporatized public services diverges from those services that are provided through other delivery models. Nevertheless, evidence on the effectiveness, efficiency, economy and equity of corporatized provision across multiple policy sectors and countries is still severely lacking. In particular, the responsiveness of corporatized services to local citizens' needs and demands is virtually unknown. Given the on-going growth in the use of corporate entities flagged in each of the contributions to this symposium, we need to know much more about whether the services that they provide are better or worse than those provided in-house or by private contractors, and in which circumstances they are most or least likely to result in better outcomes. In addition to studies comparing the merits of alternative delivery models, quantitative and qualitative research addressing service users' attitudes towards corporatisation would shed invaluable light on the extent to which corporatized services are able to create public value.

Another fruitful line of inquiry is to empirically test MacDonald's (2014) argument that corporatization, being a mix of different sub-policies, may in fact result in different kinds of corporatization, which he labels "progressive" and "neoliberal". This approach was utilised in the paper by Alonso et al. in this special issue, in order to ascertain whether political ideology is a determinant for which version of corporatization is actually implemented. However, other studies could explore the extent to which "progressive corporatization" is really progressive, and whether this in fact does lead to improved public service delivery, in other words, which of these two modes of corporatization is likely to be most successful. Furthermore, once a public service is corporatized, many areas of activity change, as seen in World Bank (2016). Hence, it is possible that corporatization as enacted by a government leads to a "progressive" corporatization in some of the newly organized activities, but a "neoliberal" corporatization in

other areas of activity. Empirical and case study work would be valuable here to assess the consequences for public service delivery.

Finally, it would be useful for theory, policy and practice if future research were to look to better understand the accounting, audit and accountability aspects of corporatization. This is in the broader ideological sense highlighted by Cooper et al. in this special issue, but also in quantitative, qualitative and mixed methods studies across the public services including central government, local government and healthcare that have been covered by studies in this symposium. In this way a more detailed insight into the governance, strategy and operationalisation of such arrangements would be possible.

References

- Aars, J. & Ringkjøb, H-E. (2011) Local democracy ltd. The political control of local government enterprises in Norway. *Public Management Review*, 13, 825-844.
- Alonso, J. M., Clifton, J. & Díaz-Fuentes, D. (2021) Corporatization and political ideology: the case of hospitals in Spain. *Public Administration*. DOI: 10.1111/padm.12776
- Andersen, O. J. & Torsteinsen, H. (2017) “The master of the house” – agencies in municipal service provision: balancing autonomy and accountability. *Administration & Society*, 49, 730-752.
- Andrews, R. (2022) Organizational publicness and mortality: explaining the dissolution of local authority companies. *Public Management Review*, 24, 350-371.
- Andrews, R. & Ferry, L. (forthcoming) Political control and audit fees: an empirical analysis of local SOEs in England. *Public Money & Management*.
- Andrews, R., Ferry, L., Skelcher, C. & Wegorowski, P. (2020) Corporatization in the public sector: explaining the growth of local government companies. *Public Administration Review*, 80, 482-493.

- Bergh, A., Erlingsson, G., Gustafsson, A. & Wittberg, E. (2019) Municipally owned enterprises as danger zones for corruption? How politicians having feet in two camps may undermine conditions for accountability. *Public Integrity*, 21, 320-352.
- Bergh, A., Erlingsson, G. Ó. & Wittberg, E. (2021) What happens when municipalities run corporations? Empirical evidence from 290 Swedish municipalities. *Local Government Studies*, 1-24.
- Białek-Jaworska, A. (forthcoming) Revenue diversification and municipally owned companies' role in shaping the debt of municipalities. *Annals of Public and Cooperative Economics*.
- Bönker, F., Libbe, J. & Wollmann, H. (2016) Remunicipalisation revisited: long-term trends in the provision of local public services in Germany. In *Public and social services in Europe* (pp. 71-85). London: Palgrave Macmillan.
- Bourdeaux, C. (2005) A question of genesis: an analysis of the determinants of public authorities. *Journal of Public Administration Research and Theory*, 15, 441-462.
- Braithwaite, J., Travaglia, J. & Corbett, A. (2011) Can questions of the privatization and corporatization, and the autonomy and accountability of public hospitals, ever be resolved? *Health Care Analysis*, 19, 133-153.
- Caincross, L., Clapham, D. & Goodlad, R. (2013) *Housing Management, Consumers and Citizens*. London: Routledge.
- Camões, P. J. & Rodrigues, M. (2021) From enthusiasm to disenchantment: an analysis of the termination of Portuguese municipal enterprises. *Public Money & Management*, 41, 387-394.
- Christensen, L. T. & Grossi, G. Forthcoming. The gradual corporatization of transport infrastructure: the Danish case. *Public Administration*.

- Christensen, T. & Lægreid, P. (2003) Coping with complex leadership roles: the problematic redefinition of government-owned enterprises. *Public Administration*, 81, 803-831.
- Citroni, G., Lippi, A. & Profeti, S. (2013) Remapping the state: inter-municipal cooperation through corporatisation and public-private governance structures. *Local Government Studies*, 39, 208-234.
- Citroni, G., Lippi, A. & Profeti, S. (2015) Representation through corporatisation: Municipal corporations in Italy as arenas for local democracy. *European Political Science Review*, 7, 63-92.
- Clifton, J., Comín, F. & Díaz-Fuentes, D. (2006) Privatizing public enterprises in the European Union 1960–2002: ideological, pragmatic, inevitable? *Journal of European Public Policy*, 13, 736–756.
- Clifton, J. & Díaz-Fuentes, D. (2018) The state and public corporations. In A. Nolke and C. May (Eds.), *Handbook of the international political economy of the corporation*. Cheltenham: Edward Elgar. 106-119.
- Comín, F. & Díaz-Fuentes, D. (2004) *La empresa pública en Europa*, Madrid: Síntesis.
- Daiser, P. & Wirtz, B. W. (2021) Strategic corporate governance factors for municipally owned companies: an empirical analysis from a municipal perspective. *International Review of Administrative Sciences*, 87, 135-153.
- Ferry, L., Andrews, R., Skelcher, C. & Wegorowski, P. (2018) New development: Corporatization of local authorities in England in the wake of austerity 2010–2016. *Public Money & Management*, 38, 477-480.
- Garrone, P., Grilli, L. & Rousseau, X. (2013) Management discretion and political interference in municipal enterprises: evidence from Italian utilities. *Local Government Studies*, 39, 514–540.

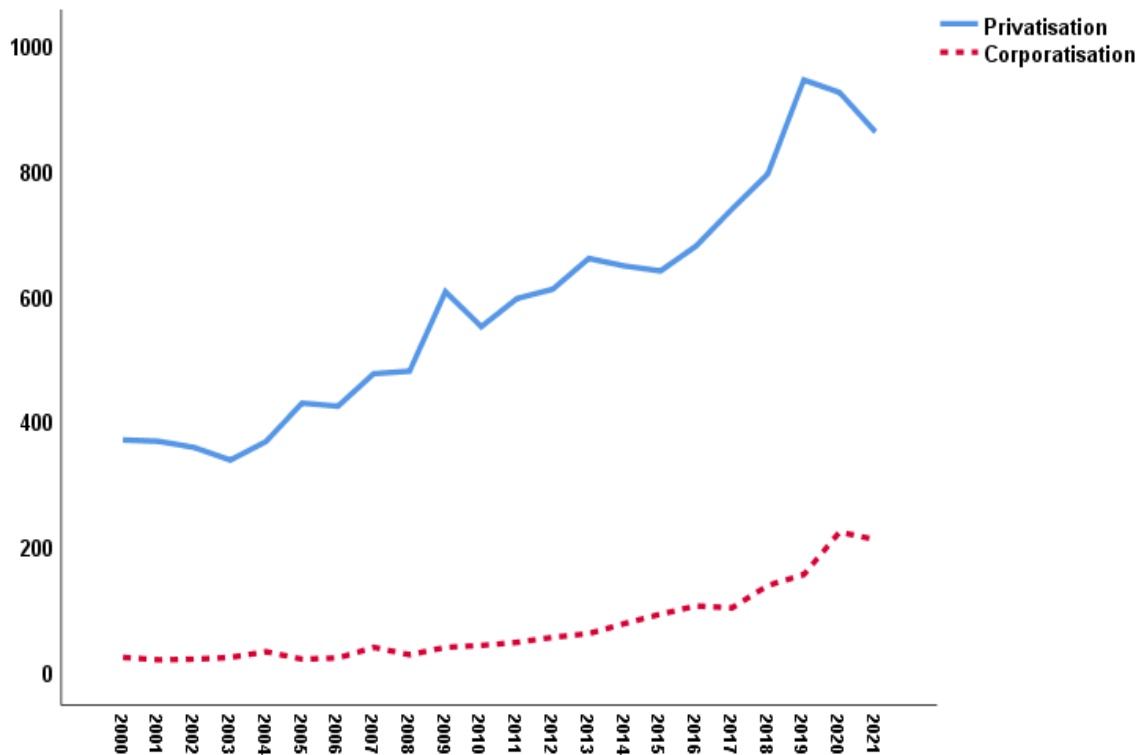
- Gradus, R. & Budding, T. (forthcoming). Political and institutional explanations for increasing re-municipalization. *Urban Affairs Review*.
- Gradus, R., Schoute, M. & Budding, T. (2019) Shifting modes of service delivery in Dutch local government. *Journal of Economic Policy Reform*, 1-14.
- Grossi, G., Papenfuß, U. & Tremblay, M. (2015) Corporate governance and accountability of State-Owned Enterprises: relevance for science and society and interdisciplinary research perspectives, *International Journal of Public Sector Management*, 28, 274-285.
- Grossi, G. & Thomasson, A. (2015) Bridging the accountability gap in hybrid organizations: the case of Copenhagen Malmö Port. *International Review of Administrative Sciences*, 81, 604-620.
- International Monetary Fund (2014) *Government Finance Statistics Manual*, Washington, DC: International Monetary Fund.
- Jeong S. (2020) Does the size of local government debt affect the level of debt of off-budget entities? The case of local government in Korea. *International Review of Administrative Sciences*;86, 333-348.
- Keppeler, F. & Papenfuß, U. (2021) Understanding vertical pay dispersion in the public sector: the role of publicness for manager-to-worker pay ratios and interdisciplinary agenda for future research. *Public Management Review*, 1-26.
- Kim, J. (2021) Extending upper echelon theory to top managers' characteristics, management practice, and quality of public service in local government. *Local Government Studies*, 1-22.
- Klausen, J. E. & Winsvold, M. (2021) Corporate governance and democratic accountability: local state-owned enterprises in Norway. *Journal of Public Policy*, 41, 161-184.
- Koppell, J. G. S. (2003) *The politics of quasi-government: hybrid organizations and the dynamics of bureaucratic control*. Cambridge: Cambridge University Press.

- Kornai, J., Maskin E. & Roland, G. (2003) Understanding the soft budget constraint. *Journal of Economic Literature*, 41, 1095–136.
- Krause, T. & Van Thiel, S. (2019) Perceived managerial autonomy in municipally owned corporations: disentangling the impact of output control, process control, and policy-profession conflict. *Public Management Review*, 21, 187-211.
- Leopold, E. & McDonald, D. A. (2012) Municipal socialism then and now: some lessons for the Global South. *Third World Quarterly*, 33, 1837-1853.
- Lindlbauer, I., Winter, V. & Schreyögg, J. (2016) Antecedents and consequences of corporatization: an empirical analysis of German public hospitals. *Journal of Public Administration Research and Theory*, 26, 309-326.
- Maine, J., Samuelsson, E. F. & Uman, T. (2021) Ambidextrous sustainability, organisational structure and performance in hybrid organisations. *Accounting, Auditing & Accountability Journal*.
- McDonald, D. A. (ed.) (2014), *Corporatization and public services in the Global South*, New York: Zed Books.
- McDonald, D. A. (2016) To corporatize or not to corporatize (and if so, how?). *Utilities Policy*, 40,107-114.
- McKinlay, P. (2013) The role of local authority-owned companies: lessons from the New Zealand experience. In: G. Sansom & P. McKinlay (Eds.), *New century local government: commonwealth perspectives* (pp.189-211). London: Commonwealth Secretariat, p.189.
- Menzio, A., Gutiérrez Urtiaga, M. & Vannoni, D. (2012) Board composition, political connections, and performance in state-owned enterprises. *Industrial and Corporate Change*, 21, 671-698.

- Papenfuß, U. & Keppeler, F. (2020) Does performance-related pay and public service motivation research treat state-owned enterprises like a neglected Cinderella? A systematic literature review and agenda for future research on performance effects. *Public Management Review*, 22, 1119-1145.
- Papenfuß, U. & Schmidt, C. A. 2020. Understanding self-regulation for political control and policymaking: effects of governance mechanisms on accountability. *Governance*.
- Rubin, I. 1988. Municipal enterprises: exploring budgetary and political implications. *Public Administration Review*, 48, 542–50.
- Schoute, M., Gradus, R. & Budding, T. (2020) Drivers of service delivery modes in Dutch local government: an analysis over time and across domains. *International Review of Administrative Sciences*.
- Skelcher, C. (2017) An enterprising municipality? Municipalisation, corporatisation and the political economy of Birmingham City Council in the nineteenth and twenty-first centuries. *Local Government Studies*, 43, 927-945.
- Smith, E. (2014) Entrepreneurship at the local government level: stimulating and restraining forces in the Swedish waste management industry. *Public Management Review*, 16, 708-732.
- Stiel, C. Forthcoming. Remunicipalization, corporatization, and outsourcing: the performance of public-sector firms after reorganization. *International Public Management Journal*.
- Stumm, T. J. (1996) Municipal enterprise activities as revenue generators: a different view. *American Review of Public Administration*, 26, 477-488.
- Tavares, A. F. (2017) Ten years after: revisiting the determinants of the adoption of municipal corporations for local service delivery. *Local Government Studies*, 43, 697-706.
- Tavares, A. F. & Camões, P. J. (2007) Local service delivery choices in Portugal: a political transaction costs framework. *Local Government Studies*, 33, 535-53.

- Tavares, A.F. & Camões, P. J. (2010) New forms of local governance: a theoretical and empirical analysis of municipal corporations in Portugal. *Public Management Review*, 12, 587-608.
- Thynne, I. (1994) The incorporated company as an instrument of government: A quest for a comparative understanding. *Governance*, 7, 59-82.
- Tonurist, P. & Karo, E. (2016) State owned enterprises as instruments of innovation policy. *Annals of Public and Cooperative Economics*, 87, 623-648.
- Tremml, T. (2021) Barriers to entrepreneurship in public enterprises: boards contributing to inertia. *Public Management Review*, 23, 1527-52.
- Tremml, T., Löbbe, S. & Kuckertz, A. (2021) Board behavior's impact on entrepreneurial orientation in public enterprises. *Journal of Management and Governance*, pp.1-29.
- Voorn, B., Borst, R. T. & Blom, R. (2020) Business techniques as an explanation of the autonomy-performance link in corporatized entities: evidence from Dutch Municipally owned corporations. *International Public Management Journal*, 1-17.
- Voorn, B., Van Genugten, M. & Thiel, S. van (2017) The efficiency and effectiveness of municipally-owned corporations: a systematic review. *Local Government Studies*, 43, 820-841.
- Voorn, B., van Thiel, S. & van Genugten, M. (2018) Debate: corporatization as more than a recent crisis-driven development. *Public Money & Management*, 38, 481-482.
- Voorn, B., Van Genugten, M. & Van Thiel, S. (2020) Performance of municipally owned corporations: determinants and mechanisms. *Annals of Public and Cooperative Economics*, 91, 191-212.
- Warner, M. E. & Hefetz, A. (2012) Insourcing and outsourcing. *Journal of the American Planning Association*, 78, 313-327.
- World Bank (2016) *Corporatization of public water utilities*, Washington, DC: World Bank.

Figure 1 **Number of publications published in social science journals (2000-2021)**



Web of Science (Social Sciences Citation Index) - search terms:

Search #1: Privatisation *or* contracting out.

Search #2: Corporatisation *or* municipal companies *or* municipal corporations *or* municipal enterprises.