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MANAGERIAL AUTONOMY OF STATE-OWNED ENTERPRISES: DETERMINING FACTORS*

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The present paper reports on managerial autonomy of state-owned enterprises (SOEs), or its reverse: the control which is exerted by government and supervising public authorities on SOEs. First, it examines the types of control applied. Using evidence from a sample of 110 Greek SOEs, the paper identifies certain distinct dimensions of control related to: strategic business-boundary issues, pricing decisions, resource acquisition and mobilisation issues. Second, environmental and organisational "determinants" of the control intensity are identified. Results broadly suggest that the intensity of control, as perceived by enterprise managers, is (i) positively related to dependence on the state for resources, to enterprise size, and to "political visibility," i.e., social orientation of product market strategy, and (ii) negatively related to market competition and demand unpredictability. An interpretation of the results is attempted drawing on wider organisational, social and economic theories. Policy implications are discussed.
(STATE ENTERPRISES; MANAGERIAL AUTONOMY; CONTROL; RESOURCE DEPENDENCE)

1. Introduction

Managerial autonomy of state-owned enterprises (SOEs) has been a focal point of public debate, in any country. Autonomy, to an extent, is explicitly or implicitly recognised when creating an SOE as an independent legal body. It is expected to relieve government of some of the burden of decision making and overload with technical and specialised issues. Placing enterprise decisions outside politics and ministerial bureaucracy is assumed to promote the efficiency of both enterprises and government. Some government direction and control, on the other hand is inevitable, for government is ultimately responsible for SOE performance. It is not at all certain that the many public policy aims pursued by government through SOEs can be secured by enterprise management alone without some direction and control from the state and its organs (Aharoni 1986, Garner 1983, Hafsi et al. 1987, Monsen and Walters 1983, Sexty 1980, Zif 1981).

Whatever the origins and intentions of state control, experience has shown that the state-SOE relationship is multifaceted, with considerable variations across SOEs and countries (Aharoni 1986, Beesley et al. 1986, Hafsi 1984, NEDO 1976, Saynor 1987, United Nations 1974). Multiple controls are usually applied, while the kind of issues and decisions controlled and the specific mechanisms and procedures through which controls are applied may vary substantially across SOEs. Irrespective of formal or informal mechanisms, however, the end result, i.e., the actual autonomy of SOEs,

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may be influenced by certain important economic and political factors acting behind the observed diversity of controls.

It would be interesting, therefore, to try to exploit the observed variability of control across a wide range of SOEs in order to identify important "determining" factors. Can the differences in control be explained on the basis of certain more general factors, environmental and contextual, or are they simply a result of various, nearly-random enterprise-specific arrangements and evolutions not amenable to generalisation? Identifying a few more general, stylised relationships which hold across a wide spectrum of SOEs would be useful for both policy making and theory development.

The variable to be explained—intensity of perceived control (i.e., the reverse of autonomy)—is measured on certain distinct dimensions related to strategic business-boundary issues, pricing decisions, and resource acquisition and mobilisation decisions. Determining factors considered refer to aspects of an SOE's resource dependence on the state, its political visibility, enterprise characteristics such as size and performance, competition and demand unpredictability.

Deriving quantitative relationships about the effect of these factors across a wide spectrum of SOEs would enhance our awareness of the control the state is exerting on this important sector of the economy. At present the SOE literature abounds with policy recommendations based on selective experience and untested generalisations. As Aharoni (1981a) commented, "much of the research in SOE is concerned with how the enterprises should behave.... Almost no research has been done on why SOEs function as they do." Some recent studies of SOEs have attempted to break this tradition (see Aharoni 1986, Hafsi et al. 1987, Hafsi and Koenig 1988, Ring and Perry 1985). However, systematic attempts to measure the intensity of control and its relationship to determining factors are scanty. Relationships assumed and, hence, policy prescriptions are seldom based on quantitative evidence.

2. Theoretical Framework

SOEs occupy an important sector of the economy where both political and market forces coexist and interact. Explanation of SOE autonomy would, therefore, require simultaneous consideration of theories and approaches from both political and market or economic perspectives.

First, from the political perspective, *power considerations* are important in this context because of the dominant position of the state. Weber suggests that there are two different types of domination: (i) "domination by virtue of authority, i.e., power to command and duty to obey," (ii) "domination by virtue of a constellation of interests" (Weber 1978, p. 943). The former focuses on formal authority stemming from SOE's duty to conform to statutory obligations and government directives. According to this view the government-SOE relationship effectively becomes hierarchical, with government at the apex of the hierarchy. The state is the sole or main owner of SOEs and possesses formal power to control their behaviour. Formal controls are explicitly or implicitly empowered by legislation and regulations, and are being supplemented with informal influence and controls.

The latter type of domination, i.e., "domination by virtue of a constellation of interests," suggests a political aspect of control. Various interests are expressed in the domain of SOEs, coalitions are formed and mobilisation of power takes place around specific demands or decisions. Actors in this political game are employees and unions, managers of SOEs, suppliers, consumers, the general public, politicians, professional bodies and other social groups. Government participates in this political process and may exercise its power in order to direct SOEs' decisions according to its interpreta-