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Received 29 April 2015
Revised 6 July 2015
14 August 2015
28 August 2015
Accepted 1 September 2015

Mission(s) impossible? Configuring values in the governance of state-owned enterprises

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Abstract

Purpose – The purpose of this paper is to contribute to theory of hybrid organizations, with particular regard to state-owned enterprises (SOEs) and their ability to contribute to sustaining value pluralism in the public sector.

Design/methodology/approach – The paper offers a qualitative case concerning ongoing performance management reforms in the corporate governance of SOEs in Sweden, which is analyzed using theory on valuation and evaluation.

Findings – It is found that the number of non-financial values is reduced with reference to categorization. Attempts are made to change the perception of the potential value conflict at hand between financial and non-financial missions by adding a number of neutralizing "meta values" such as transparency and efficiency to the performance language in use. There is a risk of mission drift as a clear hierarchization of values, prioritizing financial values, is created and sustained in "investment teams." Processes, standards and dialogues are all dominated by an economic logic despite formal aspirations to balance the values at stake. The few remaining non-financial values are translated into economic language aiming for a commensuration of the performance of the different missions. In addition, the ambition of the public policy assignment may be further reduced by de-coupling.

Originality/value – The paper suggests a novel approach to hybrid organizations in general and SOEs in particular when exploring how the values underlying complex missions are configured in "value work" performed by government officials in Swedish government offices. Such analyses of value work in the micro-practice of hybrids offer a more fine-grained understanding of organizational dilemmas that are commonly acknowledged, but more seldom explained in empirical detail.

Keywords Corporate governance, Investment management, Performance indicator, Public management, Public values, SOE

Paper type Research paper

> The overarching objective of the state-owned enterprises is to generate value to the state and the people (Swedish Ministry of Finance, Annual Report, 2014:1).

> It will be a little less "gooey" – at least that is the basic idea […] We will refine this "generating value" so that it will not be about jobs or market presence or security or any such thing, but that we actually […] clarify somewhere […] interpret the purpose of it and what to deliver and how to deliver things in terms of the public mission. And when we have targets we are able to measure the cost of how they are delivered […] and then no one can claim "no, we cannot meet

International Journal of Public Sector Management
Vol. 28 No. 4/5, 2015
pp. 286-306

0951-3558
DOI 10.1108/IJPSM-08-2015-0151

the financial targets because we had to carry out this mission too" (Interview quote by communication manager for the Investment management of State-owned enterprises, at the Swedish Ministry of Finance, August 2014).

Introduction

Since the emergence of states in sixteenth and seventeenth century Europe, the normative script regarding what states should do has expanded widely. From initially focussing on security, today many states have ambitions to engage in activities that promote a range of values such as democracy, freedom, equal rights, public health, culture, a sound economy and a clean environment (Lee *et al.*, 2014). As expressed by Tarschys and Lemne (2013, p. 14), today "the state wants both the one and the other, as well as the third." However, high ambitions are one thing; fulfillment is another. The expanding state engagement has spurred debate about the scope and reach of public commitment (Rothstein, 2010) and about how the public commitment and its underlying values are to be accomplished (Donahue, 1989; Millward, 2005).

The recent spread of market fundamentalism has put performance management on top of the public agenda. The introduction of the New Public Management (NPM) doctrine (Hood, 1991; Pollitt, 2007) is part of a global trend (Buduru and Pal, 2010). Auditing practices, performance standards, the systematization of comparison and evaluation and rankings are all part of a global trend of soft law development with the ultimate goal of internalizing common norms and standards (Cisneros Örnberg, 2008; Jacobsson, 2004). Furthermore, we see an increased focus on efficiency and "value for money" as well as a range of seemingly a-political tools which, in practice "are more statements of political faith than empirically demonstrated findings" (Parker and Gould, 1999, p. 114). This development has prompted many states to emphasize financial motives and targets in their governance (Tarschys, 2006; Fryer *et al.*, 2009), undertakings that have inspired researchers and practitioners to question to what degree states are actually willing and able to sustain value pluralism in the public sector (e.g. Lamont, 2012; Tarschys and Lemne, 2013).

A considerable part of the public commitment worldwide is organized in publicly owned enterprises, and our focus here is on the state-owned enterprises (SOEs): the legal form of limited companies where the state has significant control through full, majority or significant minority ownership (OECD, 2005; PWC, 2015). SOEs are prevalent in public services of general economic and social interest whose performance is perceived to be of great importance to broad segments of the population (Aharoni, 1986; Holmgren, 2009; SOU, 2012, p. 14). As a substantial percentage of public expenditure in many states goes toward SOEs (OECD, 2011; PWC, 2015), there is a general interest in their affairs. Following the corporatization and privatization trends in recent decades (Bozec and Breton, 2003; Taylor and Warrack, 1998), many SOEs face high expectations concerning their financial performance. Most of them must also, simultaneously, demonstrate a social performance of high standards (Whincop, 2004; Thomasson, 2009; Luke, 2010). As private enterprises have taken on social missions in the wake of the CSR and sustainability movements, and as the EU-competition legislation challenges national monopolies, states are constantly called to justify their corporate portfolios and explain the raison *d'être* of SOEs. In fact, the ability to sustain value pluralism – by simultaneously pursuing several different values, has become one of the more common official justifications at policy level (Alexius, 2014; PWC, 2015). However, as SOEs operate at the intersection between the public and the market sectors, they must attempt to reconcile two potentially conflicting institutional logics: the public and the commercial

(Aharoni, 1981, 1986, Radon and Thaler, 2005). It is a well-known fact that hybrid organizations such as SOEs create confusion and face pressure to end their hybridity and become more ideal-typically "pure," for example either a private enterprise or a public agency (Brunsson, 1994). As demonstrated by Ebrahim *et al.* (2014) and Denis *et al.* (2015), sustaining hybridity requires active management and corporate governance.

The purpose of this paper is to develop theory of hybrid organizations, with particular regard to SOEs and their ability to contribute to value pluralism in the public sector. We do so by analyzing how different values underlying complex SOE missions are configured in the micro-practices of the owner's performance management system. More specifically, we offer an analysis of how civil servants in the Swedish government offices handle potentially conflicting values underlying complex missions of SOEs with so-called "public policy assignments" (PPAs).

The paper is organized as follows: in the next section, the theoretical framework on value analysis of hybrid organizations is presented. Thereafter follows a design and methods section where the selection and analysis of the data consisting of key informant interviews and official and internal documents are discussed. The fourth section presents the empirical case followed by the findings summarized in Table I. Scrutinizing the micro-practices, we then conclude that the number of non-financial values is reduced by reference to a categorization schema and that the potential value conflict between financial and non-financial missions is neutralized by adding a number of "meta values," such as transparency and efficiency to the performance language in use. Furthermore, there is a hierarchization of values created and sustained in "investment teams," processes, standards and dialogues that are all dominated by economists and an economic logic despite formal aspirations to balance the values at stake. The few non-financial values are translated into economic language aiming for a commensuration of the performance of the different missions. In some cases, the ambition of the PPA is also reduced by organizational de-coupling.

Exploring SOE hybridity through the theoretical frame of value analysis

Hybridity in public organizations

The common notion of SOEs' perceived superior ability to contribute to value pluralism is typically expressed at policy level with direct or indirect reference to the structural and institutional hybridity of these public firms. However, as demonstrated in recent studies on hybridity in the public sector (Fossestøl *et al.*, 2015; Gulbrandsen *et al.*, 2015), and specifically on hybridity in SOEs (Grossi and Thomasson, 2015; Alexius, 2014), "situations of multiple institutional logics, competing national policy aims, and/or hybrid organizational structures do not necessarily lead to hybrid practices, roles and identities" (Denis *et al.*, 2015, p. 11). In practice, hybrids are no straight forward vehicles for the harmonious simultaneous creation of social and commercial value, but rather often sites of confusion and criticism for failing to do so (Aharoni, 1981, 1986; Radon and Thaler, 2005; Luke, 2010).

Hybridity, as in tensions between different organizing principles, is a common phenomenon in society, not least in the public sector (Aucoin, 1990; Dunsire, 1995; Gray and Jenkins, 1995). However, as the concept is still theoretically underdeveloped within public administration scholarship, this calls for input from organization studies to enable a broader approach for studying public values (Denis *et al.*, 2015). In particular, the limits of the dominating structural macro approach have been highlighted as problematic (Battilana and Lee, 2014; Thornton *et al.*, 2012), indicating a need for more research that acknowledges the duality of agency and structure aiming to relate

Table I. Central reform features and their influence on value pluralism

Reform features	Aspects supporting value pluralism	Aspects not supporting value pluralism
Professionalization	Corporate governance is perceived as effective, transparent, and based on apolitical, neutral knowledge and best practice. This in turn contributes to authority and legitimacy, both regarding the ambition to protect multiple values and for corporate governance and management of SOEs in general	Governing through professionalism, rather than politics, the civil servants in the division for corporate governance and analysis are able to downplay potential value conflicts by referring to science and best practice. An influential key assumption of financial theory holds that efficiency is achieved through specialization. However, when only one type of science and best practice is focussed, this clearly risks reducing the value pluralism at hand, no matter how professional the processes are
Investment teams	Work to develop and manage company holdings is mainly conducted in so called "investment teams," comprising analysts, legal counsels, board recruiters, communicators, and specialists in sustainable business, aiming for an integrated process of diversified competences	The diversification of the investment teams is reduced as a majority of its civil servants have an academic background in management or economics and experience from the private sector. In practice the team investment analyst bears the main responsibility for integrating the performance processes. There is a risk of hierarchization of competencies as those with economic competencies outnumber the others who, in addition, are described as "support" to the latter
Processes and standards	Resources are devoted to the development of novel processes and standards aimed to clarify SOE performance concerning PPA and sustainability and their relation to financial targets. The increased attention to transparency, accountability and efficiency opens up for a clarification of the SOEs and their complex missions	Processes and standards are based on an internally constructed categorization that helps reduce the number of non-financial values for a given company's PPA. There is also a financialization of non-economic values as the chosen non-financial value is translated into economic figures, which is justified with reference to an aim for commensuration and avoidance of goal conflicts. Goal conflicts are also solved by de-coupling, i.e. organizational separation
Dialogues	Following modern governance ideals, there are a large number of different dialogues related to the performance management system. These dialogues hold a valuable potential for increased understanding of the multiple values underlying complex missions. The dialogues are described as open, active and based on mutual benefit	The dialogues are sites of socialization where a shared economic language and mind-set deeply rooted in the efficiency ideals of NPM is fostered. There is a lack of reflexive reasoning on who is invited to participate in the PPA-project team, who has the opportunity to set the agenda and what it means to the outcome that not all of the invited participants actually understand the advanced economic language and calculations that dominate the agenda

different levels of analysis of public values, such as the macro level of institutions and formal policy to the micro level of organizational strategies, technologies and roles of public managers, and professionals (Denis *et al.*, 2015).

Hence, in order to better understand the conditions and abilities for SOEs to fulfill their performance expectations on contributing to sustain value pluralism in the public sector, we must look beyond formal structures and policies to scrutinize how the different objectives and their underlying values are interpreted and handled in the organizational micro-practices of corporate governance and SOE management. This is because the multiple objectives (and accountabilities) of SOEs open up for potential tradeoffs and value conflicts between financial and non-financial values (such as sustainability, enlightenment and public health), which may be differently interpreted and weighted at different levels in the chain of governance (Sikorski, 1993; Luke, 2010). In the following section, we argue for the fruitfulness of applying a values perspective derived from organization theory to the SOE governance dilemmas that are commonly acknowledged, but more seldom explained in empirical detail.

Value analysis

Values may be defined as criteria that direct our actions to that which we perceive as important, meaningful, desirable or worthwhile (Graeber, 2005). Neither the set of values at stake nor their relations are given (Helgesson and Muniesa, 2013). Rather, values are constructed and "configured," that is arranged, as a result of more or less strategic "value work" (Alexius and Tamm Hallström, 2014a, b). Value work frames and reconfigures values at stake in a certain time and context and engages a wide array of individuals and organizations and things, well beyond those primarily expected (Alexius and Tamm Hallström, 2014a, b; Doganova *et al.*, 2014).

The relation between values is central to a value analysis because generally, it is clusters of values rather than a single value that governs behavior (Liedtka, 1989; Helgesson and Muniesa, 2013). Values at stake may be configured in a number of different ways, each with its particular implications. In short: as it matters how the complexity is configured, the different strategies of value configurations offer vital insights. Attempts to add values to an existing complexity is an example of such a strategy that may act to neutralize value conflicts in some cases and revive them in others, depending on the values added, their relation, the social context, and the actors involved (Alexius *et al.*, 2014). Another additive strategy concerns an attempt to add what may be called "meta-values," values that are typically more about the process than content of the value complexity at hand and that are highly institutionalized, although abstract. Examples include the values transparency (Botzem and Dahl, 2014) and independence (Tamm Hallström and Gustafsson, 2014). Adding such meta values to the scene may act as a source of value work authority and legitimacy. On the other hand, processes of commensuration, as in categorization, quantification and commodification, may serve to omit or downplay certain values. For example, values hard to quantify and measure are commonly excluded from analysis (Espeland and Stevens, 1998; Tarschys, 2006). Tarschy's study of public governance in Sweden demonstrates how technologies of evaluation use different "performance languages" that give unequal weight to underlying values and how targets expressed in numbers are preferred over targets expressed in words, as the latter are associated with ambiguous concepts whose meaning is largely left to interpretation (Tarschys, 2006).

It matters no doubt whether values are balanced equally, perhaps following negotiation and compromise (Oliver, 1991; Boltanski and Thévenot, 2006) or whether they are configured in a hierarchy where one or more values are prioritized over the others (March and Simon, 1958; Cisneros Örnberg, 2014; Mennicken, 2014; Lamont, 2012). Value complexity may also be handled in organizational de-coupling, as when certain values are assigned to certain parts of an organization only, e.g. assigning social responsibility and sustainability as responsibilities of a separate subsidy or branch of operations (Meyer and Rowan, 1977; Fossestøl *et al.*, 2015; Skelcher and Smith, 2015). Value complexity may furthermore be responded to by applying the strategy of organizational hypocrisy, as when the talk, decisions and organizational actions each focusses on a different value or set of values, typically aiming to please as many different stakeholders as possible (Brunsson, 1989).

Value analysis acknowledges the pivotal role of more or less hidden political drivers and seemingly value-neutral technologies involved in value work. Drawing on a large number of case studies, Alexius and Tamm Hallström (2014a) demonstrate that processes of value work are never neutral, apolitical or merely "technical assessments." Rather, values at hand are arranged in more or less open and more or less politically tainted conflicts between values (e.g. freedom of choice vs public health), even though some of these arrangements may be perceived (by some at least) as harmonious, such as the case of the very popular win-win alignment rhetoric of economic and social/environmental values (Garsten and Sörbom, 2014; Nyqvist and Thedvall, 2014). Any categorization practice valorizes some points of view and silences others (Bowker and Star, 1999; Vatin, 2013). Espeland and Stevens (1998), for instance, argue that performance measurement and quantification offer "a rigorous method for democratizing decisions and sharing power," specifically in situations characterized by "disparate values, diverse forms of knowledge, and the wish to incorporate people's preferences" (Espeland and Stevens, 1998, p. 330). Similarly, Miller and O'Leary (2007) suggest that accounting may act as a "mediating instrument." Another example that emphasizes the role of technologies in value work include Lamont's (2012) suggestion that technologies of evaluation in use have a direct impact on the likelihood that a value heterarchy (equally weighted values), instead of a value hierarchy (unequally weighted values), prevails. Furthermore, while methods for assessing financial performance are typically well established, the assessment of social performance generally lacks standardization and comparability. This could result in a reduction of the number of non-financial values with reference to standard targets and measures, so-called mission drift (Ebrahim *et al.*, 2014). Methodological differences have proven to have considerable impact on value configurations, which in turn influence the ways organizations, markets and other social settings become perceived and organized (Thornton and Ocasio, 2008; Kraatz and Block, 2008; Alexius and Tamm Hallström, 2014a, b).

Design and method

The empirical focus of this paper is an ongoing reform in the governance arrangements of Swedish SOEs. Sweden was chosen based on its reputation both nationally and internationally as a leading country when it comes to the governance of SOEs and its ambition to influence the OECD guidelines and agenda that have a bearing on how some 70 countries govern their SOEs (Interview 5). The time period selected (2006-2015) shows a significant change regarding the view on state ownership and governance of SOEs, following a government resolution that clarified that the state should not own companies unless there are "particular reasons" for doing so (SOU, 2007, p. 78; Resolution 2006/2007, p. 57).

We have chosen to focus on the corporate governance of the SOEs with the largest level of hybridity/mission complexity: the firms with both financial targets and explicit or at least formally decided PPA(s). In 2015 the Swedish portfolio includes 49 SOEs, most of them fully state-owned, which is rare in international comparison and gives the owner (the Swedish state) a large mandate and responsibility. Of the Swedish SOEs, 51 percent have commercial purposes only and 22 percent have so-called specifically adopted PPAs (in the following: PPA). This means that there is one or several parliament decision(s) directing the company to carry out activities aimed at generating effects and values other than financial return to the owner. 27 percent of the Swedish SOEs have both commercial purposes and PPAs. Examples of these Swedish SOEs with such a formalized dual mission include the social employer Samhall, the gambling monopoly Svenska Spel, the Swedish Space Corporation (SSC) and the retail monopoly on alcohol, *Systembolaget*, only to mention a few. Further adding to the goal complexity, since 2013 all SOE boards are expected to establish targets for strategic sustainability.

Studying "value work" offers a more fine-grained understanding of an action and social setting than simply stating that it is one of "value complexity" (Alexius and Tamm Hallström, 2014a, b). We apply an abductive qualitative research approach (Alvesson and Sköldberg, 2009) that enables us to understand the ongoing governance reform's subtle arrangements of values. As emphasized by Doganova *et al.* (2014), it is analytically fruitful to focus on moments of innovation such as when valuation techniques and practices are contested and new ones proposed. In order to go beyond the formal policy level, our analysis focusses on everyday activities of the reform and shared meanings and understandings that shape and are shaped by these activities (Feldman and Orlikowski, 2011). The empirical material drawn on consists of about 1,200 pages of official and internal documents such as annual reports and PMs, and face-to-face semi-structured interviews with five key civil servants engaged in the reform (communication manager, investment analyst, two investment managers and a sustainability expert), all employed at the Swedish government offices. The interviewees were chosen based on their control of and insights into the everyday activities of the ongoing reform. The interviews lasted between one and two hours and have all been taped and transcribed verbatim. The interviews were then followed-up with e-mail conversations, a phone call and one longer meeting with one of the investment analysts, in which we had the chance to see and discuss some confidential internal material. While the official documents offer the structural and formal view on the process, the interviews and follow-up conversations offer knowledge on the less analyzed "micro," more informal dimension of the governance of SOEs (Bernier in Florio and Fecher, 2011), a dimension that is difficult to grasp from official texts (Esaiasson *et al.*, 2003).

The content analysis of documents and transcribed interviews has aimed to uncover how values are handled in the performance management micro-practice. We have coded the texts for common patterns and themes by means of thorough and repeated readings and author work-shops, searching for central reform features and for evidence on how these contribute to supporting or not supporting the hybridity and value pluralism of SOEs. In addition, the interviewees were given and have taken the possibility to give feedback on the text, which enabled a few clarifications.

Configuring values of Swedish SOEs

> The SOEs should deliver both financial value and public utility […] we call it public utility but it is a value too, and it is equally prioritized (Interview 3).

Professionalizing the political

In 2005, the OECD developed the first international non-binding guidelines on corporate governance of SOEs, including advice on how to make SOEs more competitive, efficient and transparent (OECD, 2005). The Swedish delegate at the time was a driving force in this work and acted as chairman of the working group 2004-2008 (Interview 5). About the same time, the recruitment process for the boards of the Swedish SOEs was, as one of our key informants says, professionalized (Interview 5). This professionalization was then followed by an increased focus on the accountability of SOEs, succeeding a few debated scandals in SOEs, such as the corruption scandals involving the monopoly on alcohol retail *Systembolaget* and the telecom company *Telia Sonera*. All in all, the ambition during the last decade has been to create what our informants describe as "professional," as in "knowledge-based" rather than "political," investment management processes for Swedish SOEs:

> We have professionalized our work. It is much more structured today than it has been before […] We have organized our business with such a high integrity so that the companies will be minimally affected by new politicians (Interview 1).

> If you mix up the ownership role with a political role, the companies become political instruments to a higher degree. Political instruments for, well, various non-economic activities […] What can be seen in recent years is that the content becomes more and more similar, whatever government there is. And that's also a good indication that the politicization has decreased (Interview 5).

Following a political decision in response to the earlier criticism from, among others, the Swedish national audit office, the corporate governance of SOEs is, since 2010, mainly organized into two divisions at the Ministry of Enterprise and Innovation (earlier at the Ministry of Finance): the division for SOEs and the division for corporate governance and analysis. The culture in the divisions is characterized by a belief in rationalization and professionalization as in objectivity, quantification, measurement and rules-based evaluation where the standards developed are claimed to be grounded in scientific economic research and best-practice from the private sector. This is a culture of clever wonks who are able to shape politics by way of their seemingly a-political expert practices.

The typical employee is a high achieving academic. Most have degrees in management, finance, economics or law with experience from private industry corporations such as banks, corporate finance firms, management consulting firms or law firms (Interview 3 and 5). The quest for efficiency is the glue that holds people together, and an influential key assumption of financial theory that underlies all of their work is that efficiency is best achieved through specialization and reduction of complexity.

The ideal investment manager is described as one operating at a healthy distance from both politics and higher SOE executives, a distance where objective knowledge and standard procedures, rather than "thick" knowledge of the specific conditions of the firm, govern their work. This, however, is a challenge as most investment managers also act as board-members in at least one of the companies they manage:

> If you sit too long [as an investment manager] you might be too tied to the company, rather than to the owner. Since you are also working as a board member, you become quite engaged in the business (Interview 5).

Aiming for what they call professionalization of their work, the civil servants hence attempt to neutralize potential value conflicts at stake by referring to science and best practice. On the one hand, this is likely to contribute to greater authority and legitimacy, both regarding the ambition to protect multiple values and for corporate governance and management of SOEs in general. However, on the other hand, the strive to achieve efficiency by way of a homogeneous culture of financial experts risks reducing the value pluralism at hand.

A pronounced processification

During the past decade, there has been what one of our informants calls "a pronounced processification" of the corporate governance of SOEs:

> Compared to investment management departments in other countries, during this decade, Sweden has often been far ahead with this processification that enables a greater transparency and accountability (Interview 5).

The reorganization of the Swedish SOE investment management into two divisions enabled an increased mandate to focus on the development of methodology (Interview 3) supported by a new head of division described as passionate for process-based work (Interview 5). A new process management friendly culture was soon established and the employees started to implement a process for setting and monitoring the financial targets of Swedish SOEs. The aim from the start was to ensure that clear, ambitious and realistic targets would be set and monitored regularly. Within the Ministry of Finance, developing methodologies to pursue an "active ownership" has since been a top priority (Annual Report, 2013, p. 4). A review of the financial targets of the state-owned companies was initiated in 2012. Since 2013, a new method has been developed for setting indicators that will be used to evaluate how well SOEs perform PPAs adopted by the Parliament. As established in the opening paragraph of the Ministry of Finance's Annual report of the Swedish SOEs 2013 (Annual Report, 2013, p. 2):

> The Government's overall objectives are for the companies to generate value and, where applicable, ensure that specifically adopted public policy assignments are performed well.

Today, there is an outspoken ambition in the Ministry of Enterprise and Innovation (responsible for the corporate governance of SOEs from January 1, 2015) to "integrate" the different missions of SOEs in the sense that the parallel performance management processes concerning the financial targets, public assignments and sustainability analysis should inform one another:

> We run these [financial, sustainability and public assignment analyses] in parallel but there is an interaction between them all the time, so I would say that the sustainability analysis, it is located quite far ahead, and that is when we begin by looking at what the risks and opportunities for the company are […] The outcome of that analysis goes right into the financial targets process. And at the same time we need to answer the question "what is the public assignment of this company?" We must ensure that we can deliver on that mission, and then see what economic implications that brings. That goes directly into the financial analysis as well. So there is an interaction there all the time, I would say, and then maybe we find that "okay, if the financial outcome looks like this, oh dear, we may have pushed the public assignment button too hard […]" Well, then arises the discussion of how to find a balance (Interview 3).

Although complex, there is a high level of trust in the processes themselves, and it seems that there is a belief that whatever comes out of these processes is for the better:

> I think we have a genuine interest in understanding each other […] I think it is a good climate of cooperation which I think is very important in order to integrate the issues […] When we

> did SEK [Svensk Exportkredit, one of the SOEs], we realized that all three [processes] are running at the same time […] both a sustainability analysis, financial targets and a public policy assignment. It was a very encompassing process indeed and we just: "Darn! How are we to finalize this?" But we did, and that was very interesting (Interview 2).

Setting the high ambition aside, the question is what this "integration ideal" does to the underlying values. At first it may seem promising that the sustainability and public assignment analyses are to precede and "feed into" the financial analysis. However, a quest for commensuration is notable in how these "input values" are then translated and quantified into the economic language that dominates the performance management processes.

Investment teams

For each SOE there is a so called "investment team" comprising analysts, legal counsels, board recruiters, communicators and specialists in sustainable business, which all cooperate in the owner administration and governance of the SOE. The choice of the word "investment" in their official English translation of the more neutral Swedish terminology "bolagsgrupp" (company team) is a telling illustration of the self-perception typical of a culture shaped by more than a few former investment bankers.

The purpose of the team's composition is to ensure that it possesses "good insight into the business environments of the companies and their markets, as well as an understanding of the challenges and risks facing the companies" (Annual Report, 2013, p. 12). However, as the number of employees working as legal counsels, board recruiters, sustainability experts and communications experts is far lower than the number of investment analysts and investment managers, there is a risk of hierarchization of competencies according to their relative numbers in the team. Although the interviewed civil servants claim that no such hierarchy prevails, we note not only a division of labor, but also a somewhat paradoxical terminology where the low number competencies are described as "experts" while they in fact are not able to carry out the analyses by themselves since they are rather expected to "support" the team members with the dominating economic competence; the "investment analysts" and "investment managers" who actually carry out and take on the main responsibility for the analyses:

> The idea is that in order for this to turn out well, we investment analysts need to have an integrated mind-set, so we will do the sustainability analysis, but we need support from our experts (Interview 3).

As an example, there are two sustainability experts and two board recruiters in the entire owner organization of the 49 SOEs, and this is seen as unproblematic by all our informants. Hierarchy or not, an implication of this staffing and the described division of labor is that the investment analysts and investment managers become relatively more influential in the daily work, including when it comes to sustainability issues:

> The idea is that this [sustainability issues] will be included in the work of the investment analyst […] In the investment teams, we have different roles where the investment analysts should take more and more a full analysis perspective (Interview 2).

Although the investment teams are officially organized to allow for an integrated process of diversified competencies, the staffing and division of labor brings practical implications for how work is carried out and responsibility is divided. We find that the investment analyst in particular plays a dominating role in integrating the performance management processes. A result of this organization may therefore be a financialization of other values. One example is seen in how one of the sustainability experts frames sustainability targets as economic risks and possibilities that should support economic targets:

> We want to understand the companies' sustainability risks and sustainability challenges when we decide the financial targets, so we do not create conflicting goals for the company. […] If we are to be able to sell the company when we're done, then of course we have to make a journey even when it comes to sustainability. Because no one wants to buy a company that has potential environmental liabilities (Interview 2).

Formally, having different competencies in the investment teams reflect high ambitions regarding value plurality. However, the uneven representation of civil servants, thought to represent the different values and their strikingly shared views on hierarchization and commensuration of financial issues, may be understood in light of their common denominators of a similar professional background and socialization.

Setting a standard for PPAs

In 2013, the Government offices started to establish a uniform methodology for setting and monitoring targets for SOEs with PPAs. Although many companies have had these assignments for decades, they had not previously been subject to systematic performance measurement. The ambition to set a PPA-standard was inspired by the earlier developed process for financial target setting which in turn was inspired by best practice of private corporations (Interviews 3-5):

> Financial targets are something that all companies are working with, so it is a process that is quite easy. You can copy best practice from private business (Interview 5).

> We talk about capital structure, profitability and dividend policy. There we have tried to streamline the process to the highest extent possible so that we have similar dimensions for the different companies, in order to be able to compare, and to make sure it will be simple and transparent (Interview 3).

A strength of standard-setting is its simplifications that allow for seemingly straightforward comparisons and chances of escaping prolonged "political" discussions about the purpose and results of the SOEs and their PPAs:

> Public policy assignments, they look so very different, there is no standard process for how to work with this, so we have had to develop the process ourselves. We do not really know if the capital allocated for public policy assignments is used effectively for example. Neither if the state gets what it wants […] So we have built such a process (Interview 5).

The general methodology to establish performance indicators is described as a "What-Why-How" process (Annual Report, 2013, p. 38). Elucidating the purpose of the PPA is the first step of the process as it is not always explained in the company's Articles of Association:

> If you look at the Articles of Association for example, where it is clear that a company has a public policy assignment, it usually says "the company is to do this and that", and then it says that it should be carried out in an efficient manner, taking good care of the taxpayers' money, and then it should also be done in a sustainable way. But there is nothing about how this should be balanced, that becomes our task […] Should you do it a lot, a little bit, and how much is it allowed to cost? (Interview 3).

As a first pilot case of the reform, the Ministry of Finance formed a project group to establish performance indicators for SSC in order to try out the new methodology. One of the first things the project group did was to create a categorization based on the purpose of the PPA. This categorization was based on an internal PM[1] where the PM-authors had the expressed purpose to develop standard targets that analysts and executive management teams can follow (Interview 3):

> When it comes to public policy assignments they are quite different [from financial missions] so it is much more difficult to find uniform indicators. But what we did then, was to try to group the companies that have assignments in different categories (Interview 3).

The seven categories used to shape the definition of the purpose of the SOEs with PPAs are the following: infrastructure, growth capital, community services, restraint, culture, environment, and other. Thus far, for four of these categories, performance indicators called standard targets have been developed, such as occupancy, customer satisfaction, control group and customer surveys, etc. (Interview 3, Annual Report, 2013). In the SSC pilot case, given that its public policy branch, launching rockets and balloons, may be viewed as "infrastructure," the starting point for the SSC project team was to assess whether the standard targets suggested for "infrastructure companies" (capacity utilization and quality index rating) were also relevant to SSC. The conclusion was that this was the case.

The next step was to do an historical analysis aimed to balance the different parliament resolutions concerning the purpose of the SOE's operations in general and the PPA in particular. This analysis resulted in two main sets of values that SSC was to foster: enlightenment values by way of research and commercial values related to space technology.

The PPA was then decoupled organizationally by clearly defining the interface between the two divisions of SSC and by describing one of them as purely commercial while the other, the Science Services division that performs research operations, was assigned the PPA (Interview 3, Annual Report, 2013).

Following the definition and organizational de-coupling of the PPA, it was time to identify performance indicators:

> And then the idea was that even if we cannot find standard indicators that work for all of the companies, perhaps we can still find indicators that can work for all companies within the category Infrastructure, Growth capital and so on. And then we thought; yes, let us make a huge think around this now, so that when the indicators should be set for an individual company, the analyst doesn't need to do it, but then there is something to start out from (Interview 3).

> There is no reason to invent your own indicators if there are good ones already, but here it wasn't quite so. […] So it took some time to come down to this, but we are there now (Interview 4).

In the SSC-case, it was proposed that the degree of utilization should be measured in the number of rocket and balloon launches (weighted by types) relative to maximum capacity. Based on historical outcomes, and on planned maintenance and investment, the degree of utilization target was set at a minimum of 70 percent. The other standard measure suggested for the category of "infrastructure companies," quality index, was motivated by infrastructure often being a natural monopoly and therefore lacking the competitive pressure that ensures efficient execution including products, services, delivery capacity and commitment. The target level for the quality index was set at 80 percent, which represents a benchmark in accordance with international praxis (Annual Report, 2013; Interview 3). An important reason for identifying the indicators was a wish to enable commensuration in order to reduce complexity and a belief that quantification and an economic performance language as most suitable to achieve this end:

> The easiest way is to make figures out of it, then you quantify the PPAs, making it possible to express them in crowns and pennies, and talk about them in terms of crowns and pennies. Sustainability as well. It's much more difficult to go the other way, I think, to "public policy-ify" the economic targets. That is why the economic targets have been given a unique position. We translate everything into it [...] It must be in the same cost estimate (Interview 5).

The Swedish retail monopoly on alcohol, *Systembolaget,* is another early case to try out the novel PPA-methodology. In this case, the company's public health assignment is clearly prioritized in the latest owner instruction. However, the interpretation and implementation is described as less straightforward:

> It becomes so clear that the owner believes that it is the assignment that comes first, because that's the whole raison d'être of the monopoly [...] I guess that the question we have asked ourselves is: "How much does it cost?" and then it turns out that certain things, such as research [funding] or information campaigns and so, they are quite easy to see the cost of. But then there is the entire work we do in the customer interaction, and it's just not [...] [possible to estimate]. I think we have just had to agree upon that, the Ministry, we [the board] and Systembolaget (Interview 4).

The development of standards and indicators for PPAs has been justified with reference to popular, highly institutionalized and thus seemingly irresistible values such as transparency, comparability and efficiency. However, the target setting for PPAs has proven to be notably harder than the economic target setting, which has resulted in prolonged processes. However, since not all PPAs are perceived as possible to translate into economic figures, other favored solutions have in practice been to decouple non-economic values to a certain part of the organization and to attempt to reduce the number of non-economic values at stake for an SOE, for example by an initial categorization. The effects of the agreed upon indicators concerning the delivery of PPA in this ongoing reform is still to be seen. Some of the indicators will not be possible to evaluate at all since they are not fully in the hands of the SOEs.

At the same time, as the process of introducing indicators of PPAs in a good way clarifies the real purpose of SOEs, one can question whether the indicators really change something in the way of working. Some of the indicators will also be very difficult to evaluate because they are not entirely in the SOEs' power to influence (e.g. *Systembolaget*'s goal of reducing the total consumption of alcohol).

Dialogues

The PPA-reform aligns with key features of a modern performance management system as it involves an increasingly institutionalized emphasis on learning and stakeholder involvement (Fryer *et al.*, 2009). There are a number of dialogues related to the performance management system such as internal dialogues in the investment teams, dialogues between the political owner representatives and the boards, and dialogues between the civil servants and higher executives (Annual Report, 2013). These dialogues hold a valuable potential for increased understanding of the multiple values underlying complex missions. The informants describe the dialogues as open, active and based on mutual benefit where the owner learns from the SOEs as much as the SOEs learn from the owner:

> It was very useful for me to learn, and it was very useful for those at the Ministry of Finance, and I think this discussion has contributed a lot to Systembolaget as well. […] It is good that state-owned companies have a common mind-set. […] That there is a common framework for these issues. That is where I think it feels safe and good for everyone involved (Interview 4).

What could be interpreted as a typically Scandinavian consensus-based approach could, however, also be interpreted as governing through socialization and spreading of a shared language and mind-set deeply rooted in the efficiency ideals of NPM:

> The discussions are very useful for the companies and for us, so that we have a common understanding of what is to apply. Otherwise these discussions arise in the daily work, and take a lot of energy from doing the right things (Interview 3).

The focus of the conversation is on knowledge sharing and learning rather than on political top-down control. The owner wants to highlight good examples of how to "do the right things," and the processes and methodologies applied seem to be perceived as trustworthy since they are considered "politically neutral." When it is difficult to make progress on content, this trust in the process and usefulness of performance management is a huge advantage:

> It was not that hard to get on with the discussions, and we agreed on very much, very early. But how to find a good indicator? […].
>
> You realize that when we now return to this matter for the third time in the annual general meeting, this is because we do not make progress so quickly, it's quite an effort, but there is no conflict behind […] we all agree that it's great that it is being done (Interview 4).

However, there seems to be a lack a reflexive reasoning about who is invited, or not invited, to participate in these dialogues and about who sets the agenda. The value of consensus and a "conflict-free dialogue" is frequently highlighted in the interviews and documents, but the room for resistance and criticism from a devil's advocate seems limited. For example, the CFO of the SOE is described as a "natural counterpart" in the PPA-dialogue with the firm. To justify this reasoning, reference is made to the advanced economic language and calculations that dominate the agenda (Interview 3).

Discussion and conclusions

SOEs are hybrid organizations under constant pressure, both nationally and internationally, to conform to today's modern ideals of the audit society. In order to justify their SOE portfolios, many states face the challenge of demonstrating that they are willing and able to use their SOEs to contribute to the realization of non-economic missions and their underlying values. As an example, the Swedish Ministries responsible for the governance of SOEs establish that respect by making the environment, human rights, working conditions, anti-corruption, business ethics, gender equality and diversity highly prioritized values in the corporate governance of their SOE portfolio (Ministry of Finance, 2014, p. 6). Adding to this complexity, for about 25 of the 50 Swedish SOEs, there is an elusive "PPA" to consider.

The purpose of this paper is to develop theory of hybrid organizations, with particular regard to the SOEs and their ability to contribute to value pluralism in the public sector. As the hybridity concept is still theoretically underdeveloped within public administration scholarship, this has prompted scholars to call for input from organization studies in order to enable a broader approach for studying public values, an approach that relates different levels of analysis of public values, such as the macro level of institutions and formal policy, to the micro level of organizational strategies, technologies and roles of public managers and professionals (Denis *et al.*, 2015). In this paper, we have answered these calls by analyzing the micro-practice value configurations in the governance of a classic hybrid, the SOE, as we have found these value configurations to affect not only the political and managerial steering of the SOEs but also the possibilities to contribute to value pluralism in the public sector. As previous research has highlighted the limits of the dominating structural macro approach to hybridity as problematic (Battilana and Lee, 2014; Thornton *et al.*, 2012), we have aimed to demonstrate that analyses of "value work" in the micro-practice of hybrids offer a more fine-grained understanding of organizational dilemmas that are commonly acknowledged, but more seldom explained in empirical detail (Alexius and Tamm Hallström, 2014a, b). Turning to the SOEs in particular, we suggest that the theoretical frame of value analysis is fruitful in further scrutiny of the gap between most politicians' and policy professionals' high hopes for SOEs abilities to contribute to sustaining value pluralism in the public sector, and most academics' equally high scepticism. The paper contributes to shedding light on these discrepancies between the macro level of institutions and formal policy and the micro level of organizational strategies and technologies.

In our ambition to analyze the everyday efforts of civil servants in the investment management of Swedish SOEs to govern toward fulfillment of complex missions, we have identified four reform features that our key informants describe as central to their work: professionalization, investment teams, processes and standards and dialogues (see Table I). At first glance, these features may seem straightforward and promising for the civil servants' outspoken ambition to support hybridity in the SOEs with PPAs and hence contribute to value pluralism in the public sector. The strive for professionalization of the work and the allocation of resources devoted to the development of processes and standards aimed to clarify the targets and measures of the PPA are both likely to contribute to greater attention, legitimacy, and in turn autonomy. The use of investment teams and the organization of and references to a large number of dialogues related to the performance management system, may be interpreted as a clear statement of a wish for an integrated process of a range of complementary interests and competencies. However, when looking closer and performing a value analysis of the value work involved in these central reform features, and of how they configure the values at stake, insights from the previous literature give us reason to be somewhat cautious to applaud this forerunner reform.

First, the value complexity at hand is configured as the number of non-financial values are reduced (Espeland and Stevens, 1998; Tarschys, 2006, Ebrahim *et al.*, 2014) with reference to an internally constructed categorization schema of seven different SOE categories, each with its particular characteristics and suggested contributions to the owners and society in general. The categorization that was created by the Swedish civil servants is justified with reference to it being anchored in scientifically grounded best practice.

Second, attempts are made to change the perception of the potential value conflict at hand between financial and non-financial missions by adding a number of neutralizing "meta values" to the performance language in use (Alexius *et al.*, 2014; Botzem and Dahl, 2014; Tamm Hallström and Gustafsson, 2014). Talk of transparency, professionalization, scientific knowledge and efficiency are examples of such "neutralizing" influential meta values that help shield the conflict and turn focus to the process rather than its content. Following calls for greater transparency, knowledge is particularly highlighted in the corporate governance of the Swedish SOEs. However, we find that this reference to knowledge and professionalism may – somewhat paradoxically – actually contribute to a less transparent political agenda concerning SOEs as there is no such thing as neutral, objective knowledge regarding social behavior. In short, value conflicts may be hidden behind a large amount of data that in itself inspires confidence but on closer inspection reveals only quantifiable aspects on economic factors. Simply put, and as demonstrated by the case in this paper, calls for transparency of the broader accounts and performance of hybrid organizations may in practice mean that we get an information overflow along the lines of some values and from the point of view of some interests, in addition to silence on other values and interests. In this way, a politically sensitive agenda may be hidden with reference to transparency without it attracting any greater attention.

Third, despite the formal ambitions to account for a high degree of value pluralism or even a value heterarchy of equally balanced values, there is a risk of mission drift in the corporate governance of SOEs as we find a clear hierarchization of values (March and Simon, 1958; Cisneros Örnberg, 2014; Mennicken, 2014; Lamont, 2012), prioritizing financial values. This value hierarchy is created and sustained in the investment teams, processes and standards and dialogues that are all, in practice, dominated by economists and a financial logic, despite the formal aspirations for integration and diversification. As another sign of hierarchization, the few chosen non-financial targets are financialized when translated into an economic performance language and presented in economic figures aiming for a commensuration of the different missions that all get price tags for their fulfillment.

Fourth, after having reduced and financialized the number of non-financial values, justifying these efforts with reference to the popular meta values, we find evidence that their impact on SOE performance could be further delimited by way of organizational de-coupling (Meyer and Rowan, 1977; Fossestøl *et al.*, 2015; Skelcher and Smith, 2015), as the PPA was designed for a particular branch as in the SSC case, one of the first SOEs to be subject to the ongoing reform.

In their earnest ambition to help SOEs understand and fulfill their complex missions, the investment analysts, investment managers and other experts in the government offices seem to find themselves in a dilemma when challenged with the task of somehow achieving a sustained complexity while simultaneously adhering to their professional ideals and methods of economic theory. This paper has contributed with empirical details to help further theorize an understanding of this dilemma, which is typical of the hybrid organization. We have done so by unpacking how underlying values of performance management systems are configured in micro-practices of corporate governance. As demonstrated in the case, if the officials prioritize the enhancement of SOE-performance efficiency, they run into the risks of mission drift and financialization (Ebrahim *et al.*, 2014) due to a tendency to choose organizational features that contribute to specialization and that reduce the complexity at hand (see Table I). If, on the other hand, they prioritize safeguarding the hybridity and value pluralism of SOEs, they face the risk of criticism for being inefficient, "political" and confusingly "gooey," to paraphrase one of the opening quotes. Value heterarchy as in genuine and simultaneous prioritization of all values at stake thus seems an unrealistic outcome of the micro-practices currently being developed.

However pessimistic this may sound, we do believe that the findings presented in this and other articles and volumes on hybridity, offer valuable lessons to practitioners in and around these organizations, for example lessons on factors to consider when recruiting civil servants and board members to govern SOEs and on central features of corporate governance operations that could be acknowledged and discussed in order to improve the chances of achieving value heterarchy or a more equal balance of values in cases whenever this is the ambition (see Table I for a summary of the identified central features).

Although challenging, governments that aim for an open and prestigeless internal and external discussion and evaluation of not only the performance of their SOEs, but also their own corporate governance of these hybrid organizations, will be one step ahead, that is able to learn from both the worst cases and the best practices of the wider international field of SOE governance. As a forerunner case in international comparison, we hope that this paper's account of the, at the time of writing, still ongoing Swedish reform will provide valuable input into such learning processes.

It is our ambition to follow the reform as it is further implemented in order to evaluate how it influences the value-pluralism and hybridity of the SOEs over time. Judging from the current findings, for better or for worse, we predict an even harsher streamlining of the SOE portfolios in the years to come. An apt topic for further research would therefore be an analysis of the intensified squeeze from two sides by demands to either sell out SOEs as commercial firms (only) or to "agencify" some SOEs, which then may focus entirely on their PPA. In a world where "one organization, one mission" is a defended ideal – or, as Milton Friedman put it: "the business of business is business" – it is indeed a complex mission to govern hybrid organizations with complex missions, if not a mission(s) impossible.

Acknowledgments
The authors are grateful to the informants for so generously sharing time for interviews and conversations during the field work in the Swedish government offices. The authors also wish to thank the reviewers and editors of *IJPSM* as well as the participants of the EURAM and EGOS conferences that the authors attended in 2015. The authors are grateful for the funding received from the Handelsbanken Research foundations (Project No. 2014-0115:1) and the Centre of Excellence program financed by the Swedish Research Council for Health, Working life and Welfare, Forte (Project No. 1295316).

Note

1. Despite several requests, the authors were not allowed to access this document on the grounds of it being an internal PM. This raises questions about the transparency ambition of the investment management divisions.

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Interviews

Interview 1: Katarina Green, Communication manager for the Investment management of State-owned enterprises, at the Swedish Ministry of Finance, August 14, 2014.

Interview 2: Helena Hagberg, Sustainability analyst at the Swedish Ministry of Industry, Employment and Communications, March 20, 2015 and follow-up interview by phone April 2, 2015.

Interview 3: Martin Janhäll, Investment analyst at the Swedish Ministry of Industry, Employment and Communications, March 2, 2015 and April 13, 2015. Follow-up interview, April 12, 2015.

Interview 4: Pia Fagerström, investment manager at the Ministry of Health and Social Affairs, April 2 2015.

Interview 5: Lars Erik Fredriksson, investment manager at the Swedish Ministry of Industry, Employment and Communications, April 10, 2015.

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