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Comparative Study of Managerial Effectiveness on the Principles of Public and Private Enterprises

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Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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ABSTRACT

In view of the abundant literature on the effective managerial practices in private and public enterprises, four main objectives emerged such as the configuration of power within firms, control, conflict prevention and the equitable distribution of created value. It is clear that the dysfunctions observed in the organisations which demonstrated that these objectives are not achieved; thus reinforcing the idea of analysing the effectiveness of companies' control structures. Because public and private firms pursue different objectives. Previous literature on ownership comparison and identify situations where the measurement bias grounded in comparative managerial effectiveness in Public and Private Organizations are deemed to be more critical. Methodologically, both qualitative and quantitative approaches were utilised in the excavation but more focus was paid to qualitative thereby making the analysis between the two apt. Further, the various indicators of the distinction between public and private enterprises are objectives, goals, control mechanisms, employees' acquisition, accountability, organisational level, managerial level, employees' level and the list proceeds. The differences in the objectives of public and private firms are essential to explain the differences in their effectiveness and efficiency.

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1. INTRODUCTION

Several literatures had tended to define effectiveness but there is a lack of consensus and considerable disagreement on the main idea in effectiveness definition. Effectiveness is usually defined and measured largely depending on the theoretical orientation of the researcher. Organisational theorists and researchers have commonly used employee satisfaction, effort, or commitment [1,2], as the key to enhancing effectiveness, whereas those in policy look to strategic planning and structure interactions as a solution to increasing efficiency [3]. Also, many with a financial perspective equate profit with effectiveness [4].

The recent economic situation shaped by the effects of the crisis led in the developing countries governments to implement new policies as strategic planning to achieve the target goals by increasing effectiveness to streamline their processes regarding collecting revenue from the state budget and redistributing it on the principle of performance and economic efficiency. According to some literature, the efficiency is achieved under the conditions of maximising the results of an action in relation to the resources used which is calculated by comparing the effects obtained in their efforts. Measuring the effectiveness requires: a) estimating the costs, the resources consumed or the effort in general frequently called in the literature as the input; b) estimating the results, or the outputs; c) comparing the two [5]. The comparative analysis of the efficiency in the public and private sector is the starting point for studying the role of efficiency, effectiveness and performance regarding the economic governance of resources utilisation by the public management for achieving medium and long-term objectives of economic recovery and sustainable development of national economies. While private organisation used to compete with other companies in the same field and aiming for profit purpose and public organisation are mainly seeking for the economic and social benefit. This research was undertaken so as to highlight the criteria of comparison of the two organisations.

2. EFFECTIVENESS IN PUBLIC SECTOR VERSUS PRIVATE SECTOR

Public sector organisations and private sector organisations have different goals and incentives and the system of governance are somehow different regarding principles. In both organisations, there are unique groups overseeing their actions and procedures commonly called managerial team. Private sector organisation have more freedom and flexible capacity and changeability to operate, while in public organisations are governed by laws, rules, traditions, and structural bureaucratic checks and balances as one of the characteristics of democracy. There are five significant distinctions between the public and private sectors as follows:

2.1 Their Goals are Fundamentally Different

The public sector is focused on serving the general public and looking after their interests, while the private sector's fundamental concern is creating markets to enable profits earning. In the private sector, organisations must answer to stakeholders and customers. In the private sector, companies must answer to their investors and board of directors. Public sector agencies can survive the inefficient operation, while poorly run private sector firms can go broke and end up no longer in business. While the public sector is focused on addressing public concerns, these organisations are also being watched by many interest groups and oversight agencies. This difference in goals and external forces affects the way organisations in both sectors operate.

2.2 Differences in the Way Employees are Hired

How employees are hired differs in both sectors. In the private sectors, managers have the ability to hire quickly depending on the business cycle and the need for more personnel. A longer process is involved in hiring employees in the public sector because it can take several years to create a new position and several months for an existing position to be filled. Similarly, the firing of employees in both sectors is subject to different time frames. Private sector managers can fire and offer severance packages to employees at any time while public sector managers encounter a good deal of bureaucratic red tape, requiring extensive documentation and making the removal process more complex and time-consuming.

2.3 The Procurement Process is Drawn out in the Public Sector

Since public organisations are owned by the government and are funded by tax revenue, which is generated by the public or through the issuance of public debt, the procurement process is something public organisations do not directly control. Adequate funding must be attained and disbursed, procurement practices need to be approved by several governing bodies and suppliers often undergo background checks and other investigations, all of which slows down the procurement process considerably. Companies in the private sector benefit from a quicker procurement process. Private organisations are able to use their revenue from sales and investments to buy things when they need them. They are also less encumbered by regulations dictating supplier relationships, allowing them to get better deals and renew existing contracts to speed up the process.

2.4 Public Organisations Face Unique Accountability

Government organisations are subject to a specific kind of scrutiny. This is mainly because they are funded by taxpayers who hold these agencies accountable for how their money is being spent and who view expenditures not only for their efficiency and effectiveness but also for the degree these address questions of social equity and fairness. The activities and accomplishments of these organisations hold a greater presence in the public eye. Leaders of private corporations are not accustomed to this level of scrutiny because they are accountable primarily to their board of directors and shareholders.

2.5 Public Organizations Often Can't Choose their Goals

In the private sector, businesses set their own goals and focus their resources on accomplishing them. The goals are set with the aim of achieving profits and capturing market share and are the result of company strategy. Public organisations continuously find themselves pressed by legislative mandates, facing outside forces, and often have to try to accommodate a host of other organisations or interest groups that can have conflicting goals. Public officials and political parties establish agendas on specific issues that advance their interests and keep them winning elections and in office. In this way, the goals of a public organisation can see big changes driven by electoral politics.

Public and private organisations face challenges that are unique to each sector. Leadership in both spheres requires specific abilities for achieving their goals. While private sector managers often benefit from analytical thinking, business savvy and creative marketing techniques, public administrators who wish to excel require a deep understanding of laws and strong communication and interpersonal skills in addition to the business-oriented skills of a private sector manager.

3. HOW TO EXPLAIN THE DIFFERENCES IN PUBLIC AND PRIVATE SECTORS ORGANISATION

Looking to understand the organisation and the individuals within the organisation both private and public, the researcher differentiated between managers and employees in organisation following some criteria among them:

3.1 The Criteria of Organizational Level

One of the main characteristics of the public sector is a large number of formal processes that appear to be essential to ensure that it functions. Furthermore, not only do these processes display more degrees of formalisation, they also involve more red tape. Red tape is defined in this study as the “rules, regulations and procedures that remain in force and entail a compliance burden for the organisation but have no efficacy for the rules’ functional object” [6]. According to Aphu [7], public organisations have higher levels of red tape, because authority is divided among three main branches: executive, legislative and judiciary. To prevent the abuse of power and to ensure the transparency of organisation "that belongs to everyone", the degree of formalisation of the public sector far exceeds that of the private sector. And none of the studies analysed shows any downward trend in these differences [8,9,10,11].

The second major subject analysed in many literatures is the specificity of the objectives of the organisation in both sectors. What perception do the managers have of the objectives that they have to meet? Although the results have sometimes differed, [12] concludes that public organisations have more ambiguous objectives and, therefore, as [13] point out, it is more difficult to calculate to what extent they are met.

3.2 The Criteria of the Managerial Level

One important factor that differentiates the managers of public organisations from those of private organisations in the decision-making process. For example, [14] analyses the way in which managers in each sector interpret the appearance of conflict over a strategic decision. The author suggests that the managers of private organisations see conflict as a negative sign because it indicates that some members of the organisation do not believe that the results of the strategic action are positive.

On the other hand, for managers in the public sector conflict in a strategic decision has a positive component, since it shows that different stakeholders are participating in the process, thereby ensuring that the final decision will represent their interests, or at least take them into account. Along these lines, the experiments carried out by Nutt [15] show that public sector managers value consultative practices far more highly when making decisions related to budgets. Private sector managers, on the other hand, prefer to use analytical practices.

The explanation for this may lie in the managers' social mission within their respective organisations. The ultimate goal of a public manager is to maximise the collective value. The manager of a private organisation, on the other hand, prefers to adopt the theory of rational choice, to maximise the company's shareholders' wishes (Mort et al., 2003) [16].

3.3 The Criteria of the Employees' Level

Whether in the public sector or the private sector, the collaboration between an employer and an employee can end in three forms including:

- The end of a contract or career, The purpose of a contract (fixed-term contracts are usually not exclusive to the private sector but the public sector often use them and does not hesitate to do so),
- The resignation or the dismissal: resignations are situations that are noticeable comparable regarding personnel management in both sectors. The gap between the two systems (resignation dismissal) is more evident in the very procedures of dismissal.
- The retirement

Many studies have focused on the differences between employees in the public and private sectors. In general terms, public sector employees place higher a value on carrying out tasks that are of use to society compared with their counterparts in the private sector. On the other hand, private sector employees place higher a value on the economic rewards they receive [17].

Graaf and van der Wal [17] results illustrate the notion of the public sector ethos, a concept that tries to define the characteristics that make public sector employees unique. Aldridge and Stoker [18] describe it in the following way: (1) a performance culture as a strong commitment to serve for individuals and the community; (2) a commitment to accountability: a great emphasis on open access to information; (3) a capacity to support universal access: recognition of the special responsibility to support the rights of all service users in an environment; (4) responsible employment practices; and finally, (5) a contribution to community well-being.

The main advantage of having an understanding of the differences between the public and private sectors is that it can facilitate the transfer of management practices from one sector to another. In the approach preferred by new public management, the public sector appears to be adopting practices that are often attributed to the private sector to achieve greater efficiency. Nevertheless, this affirmation should consider an approach that can be adopted by both sectors and thus reduce the differences between them. However many researchers had concluded that there is no rapprochement between the two sectors. Does this mean that private sector management practices have not really been implemented by public organisations? Not really thought so, and believe that the true reason is the way the studies, which analyse the differences between the two sectors, have been designed. The great majority of the studies analysed are based on the scientific relevance of the issue which justifies the idea that by defining the problems of effectiveness from globalisation and integration, some problematic analogies may be determined. It's essential to point out these problematic analogies in order to increase the efficiency and effectiveness of the activities in the public organisations. According to the results of the public administration research, certain

Table 1. Criteria summary table of the public organisation versus private Organization

Public Organisations	Private organisations
Are usually monopolies	**Operating on competitive markets**
Serve the citizens	Maximise the investment's profit
Are driven directly or indirectly by politicians, which should reflect the interests of the citizens	Leaders of companies are responsible to shareholders, to the boards; they seek profit maximisation
State organisations are more rigid due to the process of decision making and implementation	Are more flexible, easier to manage because the decision is taken by a single leader
Distribute, redistribute and regulate resources	Produce and distribute resources
Are sometimes poorly funded, more or less	Are financed under its productivity or if investment the decision is feasible
Citizens are often poorly informed and suspicious of government	Investors and shareholders are well informed and the ongoing activities of the company and the market evolve

Source: Kotler P., Lee N., 2008.

weaknesses in the management of the public sector may be found, as well as inflexibility, entrepreneurship, performance and other shortcomings [19,20,21,22].

4. QUALITIES OF THE MANAGER TO AN EFFECTIVE MANAGEMENT

The general views that surrounding the issue of managerial effectiveness have tended to be largely based on the assumptions about what managers do, and what they should do to lead the organisation goals successful according to [23]. These assumptions are challenged [24] in that rather than relying on an evaluation of managers' performance that is based on the activities traditionally prescribed for managerial success, a focus on the activities managers actually perform has emerged.

Many models in the literature tried to explain the ways of measuring the behaviour and knowledge of managers and provide a suitable basis to measure managerial effectiveness (competence in doing the job of management).

For example, [25] proposes the use of the [26] Managerial Competency Questionnaire (MCQ) as a reliable, valid set of scaled competencies that have sets of behavior ordered into levels of sophistication or complexity [27], as a suitable assessment tool to examine the extent to which the different programmes impact on the managerial competency of the individuals participating in the programmes. The Hay/McBer MCQ competencies found to be the most critical for effective managers include in the criteria as follows:

Criteria of Hay/McBer Competencies

- Achievement Orientation
- Developing Others
- Directedness
- Impact and Influence
- Interpersonal Understanding
- Organisational Awareness
- Team Leadership

Kenworthy [25], argued that the use of Hay/McBer MCQ provides a robust and reliable tool to consider as a basis of measuring managerial behaviour study. The use of a well-tested competency instrument to assess behaviour change on a 180° basis provides sufficient objectivity [28] without being overly burdensome to both the participants, the client organisation and the researchers.

Managerial effectiveness can be translated by developing a good management team which is a critical component of running a successful organisation. Managers not only supervise employees but must make important decisions that directly affect the company. Employers desiring to hire managers must understand the qualities that make up good management. Understanding these characteristics allows companies to make good hiring decisions and helps managers understand what is required of them.

4.1 Appreciation of Employees

Companies with good management teams understand the importance of respecting and appreciating their employees. Appreciation can come in many forms, such as saying thank you, monetary bonuses, paid-time-off and other valuable rewards. When managers appreciate their employees, it results in a boost in employee morale. Satisfied employees value their jobs, are rarely absent from work and perform their duties with enthusiasm. Completing employee evaluations and rewarding employees based on their performances is another way management can show their appreciation. It really gingers employees to work wholeheartedly to increase productivity.

4.2 Provide Necessary Resources

Good management provides employees with the resources necessary to accomplish their tasks. Employees can suffer from a lack of motivation when they are asked to complete duties and meet goals without receiving the proper resources. Companies with good management properly train their employees in the latest technology, ethical issues and teamwork. Good organisational management believes in equipping their employees with the necessary skills and knowledge needed to grow and maintain success for the business.

4.3 Knowledge

Management must possess the necessary knowledge to compete in their industry effectively. Knowledge managers possess comes from the ability to learn relevant information. Therefore, managers must stay current on issues regarding their industry and organisation. Managers must also know how to effectively deal with conflict stemming from employees and other managers.

4.4 Listens and Make(s) Good Decisions

Managers should take the time to listen to their employees. At times, management is willing to listen to the suggestions of valuable employees but can brush off employee complaints. Effective managers understand the importance of listening to its employees. One reason is that it causes employees to feel as if their opinion is valued. Another reason is that management can consider employee suggestions, concerns and complaints when making decisions. The decisions made within an organisation should benefit the company and its employees.

4.5 Lead Employees and Delegate Tasks

Good management knows how to develop employees by focusing on their strengths. In most cases, employees need to hear what they are doing right instead of constantly hearing what they are doing wrong or their weak areas. Also, an organisation with good managers employs professionals who know how to delegate tasks to subordinates. Successful organisations utilise teams and individual contributions. A manager that delegates duties to employees show that workers are perceived as responsible and capable of fulfilling duties. The delegation also allows managers to focus on more pressing issues that require greater expertise than what employees possess.

5. EFFECTIVE MANAGERIAL FRAMEWORK IMPLEMENTATION IN PUBLIC SECTOR ORGANISATION

Nowadays, contemporary reforms conjure up an image included with government adhocracy, decentralisation, and market orientation of the public sector, contracting out, and privatisation. These features signify a marked contrast with the state-led development process and the traditional model of administration. Public organisation had so far followed applied for bureaucracy in their managerial framework. However, the large bureaucracy and associated pitfalls in different spheres demonstrated significant weaknesses in many countries which have necessitated the need for overhauling the public sector management system called New Public Management (NPM). Low level of efficiency, effectiveness, accountability, transparency and dynamism, high degree of centralization in decision making, weak instruments of control and accountability, low level of compensation, inefficient public employment system and lack of linkage between rewards and performance, mounting corrupt practices by public officials, weak enforcement of laws and regulations and politicization of service delivery systems are many of the problems that have engulfed the public management system in the developing world [29,30,31].

The creation of autonomous organisations and the introduction of (private sector) management techniques “New Public Management (NPM)” is the paradigm for public management used by the government in many countries since the years 1980. The term describes the intensive reform processes and major changes in the public sector [32]. The main hypothesis in the NPM reform is that the public sector will perform better if it functions like the private sector. That is, by the application of new ideas and management techniques already used in the private sector [33]. An important aspect of NPM reform is the creation of agencies. The argumentation behind the creation of agencies is the belief that organisations that are placed at a distance from the central government are supposed to be more efficient than the earlier departmental units [34]. With the establishment of new types of autonomous organisations, public managers received more managerial autonomy and, at the same time, were held responsible for their results by the government (subject to result control system) [35]. In addition to the processes of decentralization within the public sector, NPM to perfect the public sector, emphasises the application of (private sector) management technique increase the efficiency and effectiveness of public services [36,37], and increase managers' room for manoeuvre so that they can better meet the expectations of citizens at the lowest cost. Citizens are now assimilated to customers (consumerist logic) while the directors become real managers. This conception of the public sector and more particularly of the administration, based on the 3E "Economy, Efficiency, and Effectiveness". Urio [38] in contrast with Weber to the "bureaucracy", the true ideal type is the very condition of efficiency by its rationalist dimension. The following table outlines the main differences between a Weberian type administration and an NPM based administration.

The decentralised design of the NPM allows agencies to gain autonomy, flexibility and responsiveness. The sharing of responsibilities is also gaining clarity. NPM enables guiding and steering reforms determines the accountability for implementation and ensures the professional administration needed for reform implementation.

NPM leadership requires active and ongoing participation at the highest ministerial and official levels to formulate, plan, implement, monitor and evaluate this policy area. As a horizontal policy, NPM touches all aspects of public management, including staffing levels, duplication of functions, performance measurement, efficiency and effectiveness. It is therefore essential that NPM implementation is driven from the top.

A clear and working structure for NPM is a prerequisite for successful implementation and robust mechanisms should be put in place to ensure a constant flow of analytical information between ministers and officials to inform decisions on further work. Also, ministers must inform citizens of the progress and achievements, in line with the NPM communication strategy plan. There should be a clear division of functions and responsibilities between different agencies concerning the elaboration, adoption, implementation, monitoring, reporting and evaluation of NPM. Also, people in charge of strategic and day-to-day management, co-ordination and implementation of NPM are key to its success. Their leadership, motivation, experience and knowledge are critical to preparing good quality planning documents and legal acts, carrying out analytical tasks and driving implementation.

Table 2. Comparison of Weberian and NPM administration

Elements type of administration	Weberian administration	NPM administration
Objectives	respect the rules and proceedings	achieve the results, to satisfy the client
Organisation	Centralised (functional hierarchy, pyramidal structure)	Decentralised (delegation of skills, structuring networking, governance)
Sharing of responsibilities politicians / administrators	Confused	Clear
Performing tasks	division, parcelling specialisation	Autonomy
Recruitment	Contest	Contract
Promotion	advancement to seniority, no favouritism	merit, responsibility and performance advancement
Control	monitoring indicators	performance indicators
Type of budget	focused on the means	goal-oriented

Source: The Author

Table 3. The different actions falling within the scope of the NPM

Function	Elements
Strategic function	• Results Management • Establishment of strategic planning • Privatisation of public companies, outsourcing *(faire-faire)* • Establishment of public/private partnerships • Separation of political (design) and administrative functions (Implementation) • Decentralisation • Use of new information technologies and the communication internally (the intranet makes it possible to departmentalise services) • A generalisation of evaluation (culture of performance) • Simplification of administrative formalities
Finance function	• Reduction of deficits • Budgeting by program • Greater transparency of accounting (for example by setting up an analytical accounting system to compare the forecast results)
Marketing function	• Development of public marketing (consultations, surveys, surveys, observatories, etc.) • Use of new information technologies and external communication (for better communication)
Human Resources Function	• Downsizing • Accountability and motivation of officials (individualisation of remuneration, performance bonuses, etc.) • Development of participation

Source: after Laufer and Burlaud, 1980; Hood, 1991; Pollitt and Bouckaert, 2000; Gruening, 2001.

Table 3 shows that the NPM is trans-disciplinary, affecting both the strategic, finance, marketing and human resources functions. The NPM encourages the state to question its role and its missions with those it must ensure and those it can delegate or entrust to agencies or private companies and those it can organise in partnership with the private sector.

5.1 The Advantages of the NPM

Many benefits may come from implementing NPM. Firstly, the NPM makes it possible to perfect and modernise public action, which is often considered as counterproductive, by introducing into it elements of managerial rationality. At this point, the specifics of a frequently demonised public sector compared to the private sector need to be briefly addressed. As in the private sector, the public sector produces goods and services, manages a budget, a treasury, its staff and pursues objectives. However, the objectives differ. In the public sector, the objective is the satisfaction of the general interest whereas, in the private sector, it is profitability and profit. Differences also exist regarding human resources.

Indeed, in the public sector, job security is widespread with the status of the civil servant, a symbol of neutrality and equal opportunities, while in the private sector, non-protection of employment is a reality (compensation pays more attention to personal involvement). Other specifications exist regarding legislation, means, location, etc. The fact that public officials are elected or appointed also has an impact.

The public sector is therefore essentially based on a legal rationality whereas the private sector is rather based on a managerial rationality [39]. The NPM then tends to substitute this last type of rationality for classical legal rationality. Thus, the adoption of NPM can help to improve the image, sometimes tarnished, of the public sector.

Another aspect is benchmarking and competition, on the one hand between public structures (via performance indicators), on the other hand between public structures and private structures (in the framework of calls for tenders) for the implementation of public policies is likely to create an emulation beneficial to all users and taxpayers. In this sense, competition is a guarantee of efficiency. An operational delegation of services to agencies allows greater transparency, clarity and reduction of information asymmetry between politicians and administrators [40]. The needs are then better identified and the control of the actions undertaken more reliable.

5.2 The Disadvantages of the NPM

Application of the NPM appear debatable in the fields as follow:

Regarding the status of the public servant (recruitment, remuneration, promotion, career, eg.), considered rigid and preventing the establishment of relevant management of human resources, the private sector should not be considered as being free from all constraints. In some cases, collective agreements can fulfil a similar or even more rigid function than the civil servant status. This is particularly the case for large and medium-sized enterprises. Only small businesses have real autonomy in managing their staff;

On the other hand, it is wrong to consider the public sector as devoid of flexibility. Indeed, the public sector employs many contractors. Consequently, the Human Resources Management (HRM) in the public sector has a degree of flexibility and gives managers a certain amount of leeway;

Finally, the status of the civil servant is not necessarily demotivating for public sector workers because of the existence of internal promotions, the nobility of the public service, etc. However, it can be improved on several points as mobility, a bridge between public functions, and so on. To avoid them, the standard of rating system should be arranged to make it more flexible (review of the rating system, individual negotiated objectives contracts, eg).

Henry [41] argued that the private sector is not always more effective than the public sector. Some policies are better able to be handled by the public sector, especially when they have a long-term temporal dimension or a social dimension. In addition, private sector management methods are not perfect. Indeed, they do not seem irreproachable and infallible as shown by many financial scandals of several years ago as Enron, Worldcom, Xerox, Tyco, Parmalat, Refco, or even railway disasters in Britain (especially of Paddington in 1999 with 31 dead and 250 wounded) accompanying the privatization of the rail network.

Other disadvantages are the environment as well as the degree of complexity of the public and private sectors which are not comparable. Public management is "different" and "more difficult" than private control [42]. It, therefore, requires responses that, while inspired by the private sector, must be consistent with the foundations and values of the public sector.

Finally, the assessment which is of great importance in the NPM does not always lead to improved policies. Indeed, the measurement of performance is difficult in the public sector because of the multiplicity of objectives and actors. If before we asked the question "why evaluate?, Especially in African countries, where the only evaluation deemed relevant has long been limited to citizens' choices via general elections, we now ask ourselves the question" how to evaluate? "To inform managers' about the decisions. The obsession with evaluation is still present, but the title of the question has changed. To grasp the degree of performance of a policy or an official remains delicate.

5.3 Malfunctions of the NPM

Malfunctions could also arise from transitional situations. Indeed, we do not go from a Weberian administration system to an NMP administration system overnight. The steps shall be gradual and do not necessarily affect all staff and services at the same time. Therefore, several types of management can coexist within the same organisation. This diversity can therefore then cause situations of doubt, misunderstanding, wait-and-see attitude and jealousy on the part of civil servants which can more or less well felt, can have an impact on the results of organisations.

6. CONCLUSION AND SUGGESTION OF FUTURE RESEARCH ARENA

On the theoretical level, three main currents support the manuscript of the superiority of the private form of property: the theory of property rights [43], the theory of public choice [44,45,46], and agency theory [47]. On the empirical level, however, the results of many studies carried out so far are, on the whole, are ambiguous and therefore do not allow us to conclude, unequivocally, that there is a relationship between the form of ownership and performance (for a review of the empirical literature on the subject, see, among others [48,49,50,51,52,53]. An analysis of some empirical studies in the field has allowed us to see that the objectives pursued by companies are never taken into account. Yet these objectives may differ significantly between public and private sector firms. Indeed, public enterprises, unlike private firms, are not founded with the ultimate goal of maximising profits [54,55,56]. Public companies are generally used as a vehicle to put forward government wishes. This is what constitutes their fundamental reason for being.

However, these so-called political, non-commercial or extra-corporate objectives are contrary to economic rationality and will have the effect of either reducing revenues or increasing the operating costs of public enterprises. As a result, some would argue that benchmarking of performance between the public organisation and private firms will inevitably be biased towards them [57,58]. The measurement problem posed by the differences in objectives between companies is then highlighted. Others will argue instead that the non-commercial objectives assigned to the public organisation are illegitimate in that they emanate from a system of patronage or corruption. This position is supported by the proponents of the school of public choices which conceive of political interference as a pernicious activity to the extent that they serve the personal interests of politicians and bureaucrats. The latter would not maximise the well-being of the community. From this point of view, the additional costs generally incumbent on public enterprises pursuing non-commercial objectives are simply regarded as costs of inefficiency. Disparities between the objectives of public enterprises and private companies, therefore, do not need to be checked in comparative performance or managerial effectiveness analyses.

To sum up, it appears that the disparities in the objectives of companies explain in part their differences in performance. To monitor the potential bias that the measurement problem is likely to introduce in the analyses, the researcher should favour the use of measures other than profitability and select companies preferably in a competitive environment or in a context of privatisation. Although the policy objectives pursued by the public organisation are viewed negatively by the proponents of the public choice school, the potential influence of this factor on outcomes is important enough to warrant consideration more seriously. As such, several lines of research can be proposed. Firstly, it would be appropriate, to the extent possible, to repeat some of the previous analyses to see if the differences in mandate between public enterprises and private firms can explain the performance gaps between these firms. Second, analyses comparing pre- and post-privatisation performance merit review in the light of mandate revisions that take place either before or after the transfer of ownership. Thirdly, it would be possible to consider attenuating the measurement problem if the comparative analysis were carried out with so-called publicised or corporatised public enterprises, that is to say, companies with similar objectives to those of the private enterprises.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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