Public Control and Strategic Governance in State-Owned Public Utilities: Empirical Evidence from Italian Listed Firms

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Public control and strategic governance in state-owned public utilities: empirical evidence from Italian listed firms

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Abstract

Purpose of the paper: *The present research investigates the governance of Italian public utilities whose top management is engaged in balancing the conflicting pressures of the business model and the social functions. In this regard, public control appears to influence only the form of ownership structure. Conversely, the nature of the public management mechanisms does appear to substantially affect the management side of these organisations.*

Methodology: *The research performed an empirical quantitative evaluation of the 13 public utilities listed on the Italian Stock Exchange. In line with mainstream literature methodology, the ownership and governance structures are provided for each company, in the context of the government's intention to maintain its central role in the management and control of the business activities.*

Findings: *With reference to and in line with the best practices, as acknowledged by international literature on corporate governance, interesting predictions emerge, in relation to the degree of ownership concentration and dominance exercised by the government within the company. Corporate governance and board composition are further found to represent good proxies of the level of public management discretion in the decision-making process.*

Research limitations/implications: *The specificity of the research's geographic focus (i.e. Italy) de facto implies that there are some country-specific conditions that affect the industrial behaviour and financial performance of the observed firms in a different way than they would in other countries; thus, prohibiting generalisations in the international context. Additionally, the analysis does not adequately take into account the interference effects between industries (e.g. cross-sectorial learning). Finally, the research is largely interpretative and exploratory. And while this provides a solid scientific foundation for further research it does not, itself, subject any hypothesis to statistical testing and validation.*

Originality of the paper: *The research sheds light on the subject of managing conflicting demands, top management's autonomy and the preservation of the significant role of the public as well, in relation to public utilities organisations. It is an original study with Italy in its focus, but with international significance, which reframes managerial debates concerning privatization and public utilities functioning.*

Key words: corporate governance; state ownership; italian public utilities; conflicting pressure; social mandate

1. Introduction

Public utilities generally constitute privatistic organisations which otherwise maintain the infrastructure on behalf of public services and are subject to public control and regulation ranging from local community-based groups to state-wide government monopolies.

The Italian public utilities' sector has undergone significant changes both in regulation policies as well as in terms of managerial practices in the course of the last two decades. Rising pressures to decrease public expenditures have led governments to reduce the resources devoted to public-owned firms. Moreover, the presence of multiple stakeholders made it necessary to find a balance between lowering costs, serving social needs and improving services (Martinez *et al.*, 2013).

At the end of the '90s such process of liberalization was initiated leading to the privatization and, in some cases, to quotation of various municipal enterprises. Another element of change was a deep merger and acquisition process that further effected important strategic transformations (Gilardoni *et al.*, 2009a; 2009b; Cristofoli and Valotti, 2008). The most essential ramification was the modification of the governance structure and operating rules, both at strategic and managerial levels. The incorporation of private capital into public firms further enhanced the need to operate akin to private firms' embracing of profit orientation, value maximisation and acting in a competitive mode within the public and private sector (Calabrò *et al.*, 2013; Cambini and Rondi, 2011; Gilardoni, 2007; Garlatti, 2000, 2001; Elefanti, 2003).

Recently, a new culture of local public services has been evolving in Italy. This novel development entails growing attempts to overtake the utility model as a city service (formerly municipalized) to a different approach stemming from the cooperation between public enterprises (owned by municipalities) and private firms; with the ambition to export locally developed skills into new domestic and non-domestic markets (Menozzi *et al.*, 2014; Ricci and Landi, 2009; Dezi *et al.*, 2005).

In light of these transformations, this research aims to investigate the manner in which upper echelon management deals with the conflicting pressures between the business model and the social functions. The article consists of two parts: the first part presents a conceptual framework based on a literature review. It focuses on the latest national and international research on Italian public utilities governance, particularly the impact of liberalization on ownership structure and corporate governance, and the need to protect the public interest while simultaneously managing private companies. The second part provides an empirical analysis on company structure and corporate governance of Italian public utilities listed on the Milan Stock Exchange. The analysis sheds light on the patterns of handling the conflicting demands; specifically, elucidating models of governance that reconcile the conflicting pressures by retaining top management's autonomy and in parallel preserving the significant role of the public.

2. Literature Review

2.1 The case of Italian public utilities

In many European countries, the state ownership of public utilities is being abandoned in favour of private ownership with public regulation in order to prevent market abuse. The phenomenon has been particularly felt in UK which first of all privatised its major utilities and introduced a form of regulation that, in a short term, has become a model of best practice to succeed in this market (Parker, 2006).

Public utilities in Italy, conversely, have always functioned as companies under public control provided by state-owned organisations. In fact, since 1900 the Italian public utilities have been operating under a rigid public control in the context of monopoly, devoid of competition. In practice, the governments and political agents have had an exclusive authority over the nominations of managers and/or board of directors whom were solely responsible for the management of the service, absolved of competing market forces.

In order to prevent monopoly market-dominance, this situation has been modified in the course of the '90s whereabouts state ownership of public utilities is being switched in favour of private ownership with a state regulation control. Legislative changes have introduced and promoted competition in parts of the utilities industry where it has been feasible. Furthermore, special purpose companies have been created for essential public utilities such as telecommunication, gas, electricity and water and sewerage sectors. At the same time, a structure of independent governance regulators has been created ad-hoc in order to stimulate competition in the market as well as to forestall inefficiencies by mismanagement. Thus, a process of liberalization that led various municipal enterprises to privatization and, in some cases, to quotation, characterized the Italian public utilities sector. Moreover, there was a series of mergers and acquisitions that caused structural strategic changes, such as turnovers and prices policy (Hansen, 2014; Gilardoni *et al.*, 2009a; 2009b; Cristofoli and Valotti, 2008). Consequently, public utilities are nowadays compelled to compete in the new context of market liberalization (Abatecola and Poggesi, 2010). The most important consequence of these transformations, indicated above, was the separation between the public local government and the company, which in turn fostered the ambition, and actual attempts to export locally developed skills into new domestic and non-domestic markets (Ricci and Landi, 2009; Dezi *et al.*, 2005).

At the same time, private investors have been invited to participate financially in public utilities to boost competition and to improve performance. Furthermore, a change in the legal framework of public utility has been introduced. Specifically, new legislation has been issued in order to distinguish the political aspects from the managerial ones. Prior to such reforms, public utilities enjoyed the status of a municipal company, an autonomous organisation created by a governmental decree, while the owner (often the municipality) had the authority to appoint the board of directors.

Differently from the UK, we have also to consider the important role of regulation and country-specific government conditions. These depend, otherwise, on the institutional context of entrepreneurship, which makes the Italian context very singular for the dominance of family and state-controlled businesses. This highlights that one country's corporate governance system cannot be successfully adapted by another country - sic est - without considering a set of very different institutional and economic constraints. In this regard, the Italian financial market presents systemic singularities that make it difficult to produce a benchmark internationally and, reasonably, becomes less replicable from an empirical standpoint.

In particular, the "Italian affair" context has exacerbated the economic and social problems, reflected in conflicting demands posed on the public utilities firms: on the one hand they are charged with providing services to citizens, assuring quality and satisfying public interests (Tardivo and Quaglia, 2014; Bresciani and Ferraris, 2014; Ferraris, 2014; Bresciani *et al.*, 2013; Baccarani, 1995); and on the other hand they have to maximize shareholders value thus acting contrary to social logics and orientation (Calabrò and Torchia, 2011; Elefanti and Cerrato, 2009; Dallocchio *et al.*, 2001). Moreover, Asquer (2011) suggests that the difficulty to implement liberalization and regulatory reforms to the network industries in Italy may be explained by various concurrent mechanisms, which have to do with the rent-seeking behaviour of the actors in the industry's community, the rise of barriers to entry against competitors, and the risk of collusive practices between the regulators and the regulated. At the same time, Mangia *et al.* (2013) contend that organizational change processes in the Italian public utilities are carried out with the purpose of obtaining institutional legitimacy, deploying behavioural control mechanisms, such as incentives and empowerment.

How can the public utilities firms engage such discordant concomitant pressures? In order to explicate this query, we draw on the organizational behaviour literature in the social conflict domain, and specifically the Dual Concern Model originally proposed by Blake and Mouton (1964), later adopted with some modifications by several scholars (Pruitt and Rubin, 1986; Rahim, 1983; Thomas and Schimdt, 1976). The fundamental premise of this conceptual framework maintains the conflict-management strategy adopted by an individual or organizational entity stems from two underlying motives: concern for self or one's organization and concern for the other side.

Furthermore, the model postulates that the level of these two motives depends on the specific contextual features of the conflict, which in turn shape the strategic choice of the parties: (a) Dominating (high concern for self and low concern for the other), manifested in attempts to persuade the other side to accept one's position; (b) Obliging (low concern for self and high concern for the other), reflected in compliance with the other; (c) Avoiding (low concern for self and low concern for the other) that is refraining from confrontation with the conflict issues; (d) Integrating (high concern for self and high concern for the other), that is seeking mutually beneficial alternatives for resolving the conflict; (e) Compromising (moderate concern for self and moderate concern for the other), evident in actions designed to identify middle-ground agreements (Syna Desivilya *et al.*, 2005).

Extrapolating from this conceptual framework to the current context of the Italian public utility firms, that are conceivably they are facing a strategic choice that depends on the strength of each of the two orientations: economic (free market) and social. Thus, from the strategic management point of view, one option would be to embrace the dominating strategy thereby increasing the autonomy of public utilities managers' autonomy (Kim and Prescott, 2005; Mulazzani, 1999; Ward, 1991). According to some authors, the problem is the influence on administration by public stakeholder, proposing to reduce the shares owned by public shareholders (Barzelay, 2001; Pedersen and Thomsen, 2003). Other studies focus on the typical features of private enterprises as capital structure, market value and investment decision of firms while attempting to maximize their interests (Bortolotti *et al.*, 2011; Cambini and Rondi 2009; 2010; Cafferata, 1993).

At the same time, in order to guarantee the social function of such firms and to preserve public interests, there are some instances of former Italian public owners that have continued to influence the management policies of firms currently privatized, by reinventing - sui generis - on a public management side typical situations of relationship conflicts between principals and agents, typically of the agency theory (Jensen and Meckling, 1976; Fama, 1980; Eisenhardt, 1989).

For these reasons, in order to facilitate public governance management through with check and balance mechanisms (Hongjun and Hui, 2004), good practices and specific management tools should be developed, such as the process of stakeholders' involvement (Gnan *et al.*, 2013), further attempting to enhance and maximize the social orientation of companies of public interest domain (Bresciani and Ferraris, 2012; Elefanti, 2006).

In light of such a complex scenario, it deems interesting to investigate whether it is possible to balance the need for autonomy of the public utilities' management and the need to protect their social function. In other words, drawing on the Dual Concern Model the query examined in this study revolves around the feasibility of embracing the integrating or compromising strategy.

2.2 Italian corporate governance on listed market

It should be assumed therefore that corporate governance system which exists in a country depends by a series of context variables, related to entrepreneurial and socio-political aspects as well (Del Giudice *et al.*, 2010). This assumption states a condition whereby we assume primarily that institutional regulatory system is country specific (Maggioni and Del Giudice, 2011); secondly that the application of a 'good corporate governance system' depends positively on the ability of central governments to remove a very different set of institutional constraints to free market best practices' adaption. In this regard, the Italian financial market since the 90s is marked by huge changes regarding legal and economic framework experienced by some major developments, such as a new Banking Law, the institutional investors' role, the stock market privatization, minorities' protection law, securities law enactment (Bianchi and Bianco, 2006).

Not least a corporate governance code (i.e. Codice di Autodisciplina delle Società Quotate) was introduced and subsequently twice revised in order to strengthen shareholders' protection while attracting the attention of foreign institutional and private equity investors to Italian stock market. Originally, in the intention of regulators, all these changes had deeply modified the governance's structure of Italian companies. However, the governance structure of Italian stock market nowadays suffers of several concerns about corporate and control structure of societies especially due to the abuse of Control Enhancing Mechanisms (CEMs) by the State and family entrepreneurs in order to guarantee control stability, reducing the transferability of majorities on primary market.

State ownership, pyramidal groups, shareholder agreements, family trusts and bank coalitions are only some of the most known CEMs used in the corporate governance of both large and small enterprises of Italian capitalism. As results, there is no substantial increase in the access to Italian stock market by public investors. Then, the control of companies is still in the hands of a "financial elite" composed by the most important Italian family entrepreneurs, both bankers and industrials.

From one side, these evidences highlight stability in the allocation of corporate control that allows larger Italian companies (e.g. public utilities) to escape from financial speculative games by enabling durable and long-term governance stability. On the other side, nevertheless, the opacity of governance mechanisms may reduce management efficiency, that is the capacity of senior management for reducing the use of resources through return value maximization (Jensen, 2001). The main issue for both state and family controlled companies in the Italian market is linked to the phenomenon of separation between ownership and control that would enable top managers to pursue opportunistic and misleading behaviours. In this regard, to evaluate the efficiency and good practice of top management, corporate governance architecture seems to be a good proxy.

Leaving to future research development on listed family business, this survey aims to offer a critical analysis on state ownership and control structure of public utilities listed firms, by analysing the dominance of state control on public utilities governance structure.

In effect, by analysing ownership and control assets, we emphasize that a fully or majority state ownership control in the public utilities corporations can be effective in ensuring management autonomy, by assuring - at the same time - that critical decisions fall outside from speculative market influence. In this regard, State-centrality in corporate control of listed public utilities seems to be the main tools used for aligning requirements of efficiency-performance behaviours imposed to public management from market competition with special social objectives - borne by the State - to guarantee collective interests in sectors of public general interest.

We conclude that should not be forgotten that the "galassia" of state-owned enterprises meets a political culture that - *de facto* - influences board composition, nominees, committees, roles and management objectives. Without this the function of public managers and public governance would be eroded.

3. Methodology

The methodological approach incorporates the models of Cristofoli and Valotti (2008), Pedersen and Thomsen (2003), Boyd (1994) and Hoskisson *et al.* (1994). The empirical analysis concerns the 13 public utilities listed on the Milan Stock Exchange in September 1, 2011. For each company details about the ownership structure and corporate governance are provided, based on the analysis of the statutes, constitutive acts, financial statements and reports of corporate governance. The goals of the analysis are twofold: 1) to gain an understanding with regard to the level of concentration of ownership, i.e. how much the public ownership is relevant to influence and determine strategic decisions within the company; 2) to explicate the level of management discretion in decision-making.

Thus, following Pedersen and Thomsen (2003), the ownership structure is analysed through three variables: percentage % of capital share owned by public shareholders; the presence of minimum thresholds of number of stocks with voting rights that can be owned by private partners; public property constraints in the statute. According to the authors, the three variables provide clear evidence about the intention to maintain the power to direct and control the business activities. Then, following Boyd (1994) and Hoskisson *et al.* (1994), the corporate governance structure is analysed through four variables: (a) number of executive board members; (b) presence of a Chief Executive Officer; (c) the overlap between the roles of Chairman and Chief Executive Officer; (d) the number of active members within the Board of Directors. According to the authors the number of operative members is a clear sign of important managerial skills.

4. Findings and discussion

The comparison between ownership structure and corporate governance structure indicates the choices made by each firm. Thus, some of them reveal an imbalance toward public control or toward management independency. Other firms exhibit intermediate solutions attempting to balance between public control and managerial autonomy. By revoking Dual Concern Theory, the interconnection within corporate and control assets suggests that the management of public utilities requires balancing between the corporate's own goal, namely the concern of meeting economics and financial objectives turned to stock's value maximisation to the social stakeholder's goal, namely the concern for stakeholders and consumers in maintaining a servicing utility (Jensen, 2001).

The analysis also highlights the following issues: the connection between the results obtained by the companies, their ownership and governance structure; the influence of the public player, and thus of policy, upon firms strategic choices; the presence or absence of internal control mechanisms; and the level of business orientation towards social development policies. In this regard, public utilities governance issues are highly multidimensional for both principals (municipalities and government) and agents (executive directors). In this way, even though the five conflict styles of Dual Concern

View can be subsumed, we assume that it is hard to generalize the on-going approach pursued by the public utilities *galassia* because the specificity of corporate and management structures from any two-dimensional typology of public utilities envisages different covenants and statements, as well. *Dominating*, for sure, is the only leadership style which we can interpret similarly to the management rules of the peer group of utilities. Empirical future researches could be considered in order to provide an analysis on implementation of integrating or compromising strategy by managers.

Ownership structure

The analysis of the ownership structure is based on three variables (see Table 1): (a) percentage % of capital share owned by public shareholders; (b) the presence of a public property constraint in the statute; (c) the presence of minimum thresholds of number of stocks with voting rights that can be owned by private partners. According to the authors, the three variables provide clear evidences about the intention to maintain the power to direct and control the business activities.

Tab. 1: Ownership structure of the Italian listed public utilities

PUBLIC UTILITY	(a)	(b)	(c)
A2A	Municipality of Brescia (27.50%); Municipality of Milano (27.50%)	No reference	Max 5% if different from Municipalities of Brescia and Milano
ACEA	Municipality of Roma (51.00%)	No reference	Max 5% if different from Municipality of Roma
ACEGAS- APS	Aceagas-Aps Holding (62.70%) *	At least 50%+1 share	Max 5%
ACQUE POTABILI	Iren Acqua Gas spa (30.86%); Smat spa (30.86%)	No reference	No reference
ACSM-AGAM	Municipality of Monza (29.12%); Municipality of Como (24.76%); A2A (21.94%)	No reference	Max 4% if different from Municipality of Como
ALERION	No reference	No reference	No reference
ASCOPIAVE	Asco Holding spa (61.56%)	No reference	No reference
EDISON	Transalpina di Energia	No reference	No reference
ENEL	Cassa Depositi e Prestiti (17.40%); Ministry of Economy (13.90%)	No reference	Max 3%
ENEL GREEN POWER	Enel spa (69.17%)	No reference	No reference
HERA	Municipality of Bologna (14.99%); Municipality of Ravenna (7.39%); Municipality of Imola (5.32%); Municipalities of Ferrara, Rimini, Cesena e Forlì (2%-3%)	At least 51%	Max 2%
IREN	Municipality of Reggio Emilia (8.38%); Municipality of Parma (6.60%)	At least 51%	Max 5%
SNAM RETE GAS	Eni spa (52.54%)	No reference	No reference
TERNA	Cassa Depositi e Prestiti (29.85%)	No reference	Max 5%

(*) Aceagas-Aps Holding is a public company (Municipality of Trieste 50.10% and Municipality of Padova 49.90%); Asco Holding spa is a public company (93 Municipalities); Transalpina di Energia is a public company (A2A, Iren, and others)

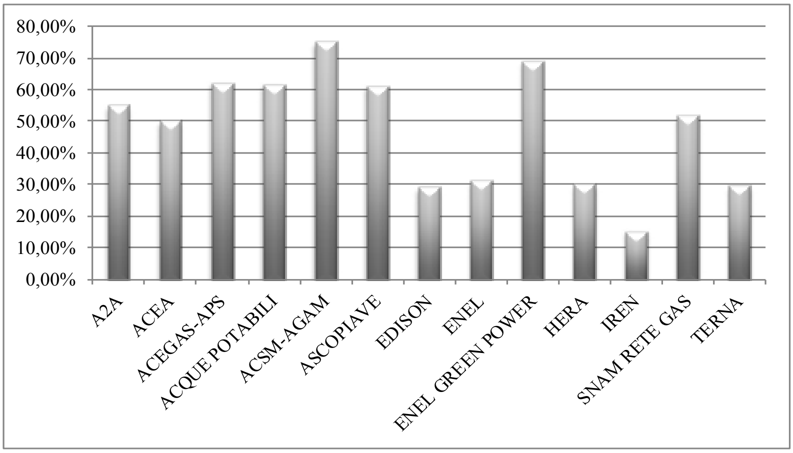
Source: personal elaboration from statutes and reports of corporate governance

In eight (8) out of thirteen (13) cases the public partner has the majority of capital and in the other five (5) cases there is an important public share (i.e. from Iren - 14.98% to Enel - 31.30%) (see Figure 1).

Moreover, in three cases (Acegas-Aps, Hera and Iren) there is a public property constraint in the statute; namely a clear intention of the owner to maintain the public control. Finally, in eight (8) cases there is a presence of minimum thresholds of numbers of stocks with voting rights that cannot be owned by public partners (i.e. from Hera - 2% to A2a, Acea, Iren and Terna - 5%).

The analysis of the three variables clearly shows that the ownership structure is characterized by a significant presence of public ownership and control. Even though there are only three (3) cases of a public property constraint, in fact, in eight (8) cases there is a constraint in the numbers of shares available by no public owner.

Fig. 1: Share of public ownership of the Italian listed public utilities



Source: personal elaboration from statutes and reports of corporate governance

Corporate Governance Architecture

The analysis of the corporate governance structure is based on four variables (see Table 2): (a) number of Board of Directors members; (b) presence of a Chief Executive Officer (CEO); (c) the overlap of Chairman and Chief Executive Officer roles, otherwise namely *CEO duality*; and (d) the number of executive members within the Board of Directors.

The number of Board of Directors members ranges from four (Ascopiave) to eighteen (Hera). A2A is the only company with a unique corporate governance structure, based on two boards: the supervisory board, composed of fifteen members and the board of management, composed of eight members.

As can be seen in Table 2, the number of executive members within the Board of Directors is very low, by and large limited to the President and the CEO. The presence of the CEO, in almost all the listed Italian public companies, provides a clear evidence that the corporate governance structure emphasizes a managerial orientation.

Tab. 2: Corporate governance structure of the Italian listed public utilities

PUBLIC UTILITY	(a)	(b)	(c)	(d)
A2A (*)	15+8	No	No	0
ACEA	9	Yes	No	2/9
ACEGAS- APS	13	Yes	No	2/13
ACQUE POTABILI	9	Yes	No	4/9
ACSM-AGAM	10	Yes	No	2/10
ASCOPIAVE	4	No	No	2/4
EDISON	13	Yes	No	4/13
ENEL	11	Yes	No	4/11
ENEL GREEN POWER	10	Yes	No	2/10
HERA	18	Yes	No	2/18
IREN	13	Yes	No	2/13
SNAM RETE GAS	5	Yes	No	2/5
TERNA	9	Yes	No	2/9

(*) A2A is structured in a Supervisory Board (15 members) plus a Board of Management (8 members)

Source: personal elaboration from statutes and reports of corporate governance

5. Conclusions, limitations and future research perspectives

The research has combined empirical data with an extensive literature review to investigate whether it is possible to balance the necessities of autonomy of the management of public utilities with the need to protect their social function. Inescapably, this primary step to scientifically substantiate a theorem and to give it form and essence has produced results of a strongly conceptual disposition. The concept and model, nonetheless, carry in parallel significant practical value as well.

Firstly, as emerged from the literature review, the relationship between public ownership and management of public utilities figures prominently on the research agenda. The dynamics characterizing the industry of public utilities for nearly a decade emphasize the need for the public owner to rethink its role in relation to companies operating in increasingly liberalized environments. The current study shows that it is possible to concurrently maintain strong public ownership structures and to achieve excellent results from the management point of view. In line with this logic, the findings suggest the opportunity to reframe the managerial debate concerning privatization of public utilities: rather than focusing solely on the need to privatize public utilities to reflect on how to promote the functioning of public utilities (including the ones which are strictly public) in the liberalized market.

Secondly, the analysis of governance systems in the Italian listed public utilities implies the importance of the corporate governance framework as a tool for balancing between the need to protect public interests and the need to secure the autonomy of the enterprise. Specifically, the analysis emphasizes the key significance of corporate governance systems in contrast with the minor importance of ownership structures. Generally speaking, Italian listed public utilities are characterized by a strong influence of the public actor owner, against systems of governance that recognize a management's autonomy.

The current study provides some preliminary answers in that regard. Corporate governance systems that relay tasks of ordinary and extraordinary management to the top governing boards seem to be able to guarantee the autonomy of enterprises, even within the limitations placed by the public shareholder to protect the collective interests. In fact, they stretch the chain of command by moving away decision making from policy. Along these lines, one of the solutions is the introduction of the two-tier system; namely, splitting the Board of Directors into a Supervisory Board and into a Management Board (i.e. the A2A corporate governance structure), thereby creating a filter between public ownership and the management of the company.

Additional insights emerge from the analysis of the entire system of government, including the incentive mechanisms, monitoring boards and mechanisms of accountability (Valotti, 2006). First, mechanisms that encourage accountability of the management in achieving the goals set by the public shareholder can ensure public control and at the same time largely retain the firm's autonomy. Second, advanced supervisory boards can monitor the progress of management. Finally, reporting systems that make management accountable not only about the financial results but also about social and economic results obtained, may be useful tools for accountability with respect to the protection of public interests. Altogether, applying advanced tools of corporate governance should boost the awareness and more open attitude of local government authorities (including owners) and of citizens (including members and shareholders in some cases towards public utilities.

Finally, we stand just a few words concerning the limitations of the study. The empirical focus on Italy implies that some country-specific institutions affect the industrial behaviour and performance of the observed firms in a more significant way than any of the industry-specific context conditions. Also, the analysis does not take adequately into account interference effects between industries (e.g., cross-sectorial learning), which may be relevant to explain the pattern of interaction and outcome in some industries because of complementarity and substitution effects or because of synergies between firms' business areas. Furthermore, the analysis conducted here is largely interpretative and exploratory, rather than subjecting any hypothesis to statistical test.

While our research is a significant step forward in the path to understanding the Italian public utilities sector, this area of knowledge is still underdeveloped. Our experience on the subject suggests that further research is required to define, refine, validate and interrelate the various elements involved. More specifically, it is suggested that further research should concentrate on other countries as well and compare the results internationally. More importantly, further researches must determine more specifically the generated values of privatizations, both in terms of performance and social utility.

This study may lead the way to a new and interesting line of research in discipline of corporate governance at the international level. In particular, public control often influences the link between the strengthening of the control mechanisms and the inefficiency of the service provided, by assuming a negative role. In contrast, the present study tries to bring out the aspects of exquisitely managerial and typical administration peculiarities, both at a business and organizational level, which can have a state-control conduction, in order to ensure a goal of Pareto optimum allocation of essential public services, thus assuming a positive will. This research effort would help better the understanding of whether countries sharing homogeneous institutional traits exhibit similar problems in implementing liberalization and re-regulation processes.

Unavoidably, this calls for further research on both sides. From the past research's point of view, to test the projections; and from the present research's point of view, to further verify the findings. Regarding the latter, it is recommended that further researches perform similar work (a) in other geographical contexts, possibly also in less-developed countries; (b) which is sector-specific; (c) which is also size-focused.

On a catalectic note, this research calls for a re-evaluation or at least reinterpretation of some commonly held beliefs on public utilities sector, not just in relation to performance, but other aspects as well. They are firms whose performance aspect affects many of its other traits, but most of all those of a social nature. This entails that their differences are not only deep, but also of a less tangible and less visible nature. In other words, managers implement change processes to sustain legitimacy goals, more than looking for technical efficiency or qualitative performances to meet community expectations. Moreover, changes in managerial approach were also in evidence, even if not tangible. For example, the success of organizational change in public utilities is correlated with a participative management style. In other words, we found a possible balance between the two conflicting pressures in the use of compromising or integrating approach like a shift from "management control" to "commitment management" aimed at aligning the interests of employees with those of managers, through the appropriate selection of incentives.

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