

“Choice of Organizational Form Makes a Real Difference”: The Impact of Corporatization on Government Agencies in Canada

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ABSTRACT

The new public management includes a portfolio of prescriptions that involve reconfiguring the boundaries of government agencies. One form of reconfiguration is corporatization. Corporatization creates separate agencies that have a contractlike relationship with a ministry or oversight agencies. Corporatization usually comprises a portfolio of changes that attempt to make agencies more “businesslike.” Although corporatization is now popular with governments around the world, there is little empirical evidence on its performance impact. This article analyzes 11 corporatizations in Canada by the federal and Québec governments. We first present hypotheses based on principal-agent theory concerning the potential impact of corporatization. For each agency, we compare the behavior and performance for 3 years prior to corporatization to the 3 years subsequent to corporatization. The aggregate results suggest that the introduction of corporatization did alter behavior on a number of dimensions. The results show that output and revenues increased, the revenues-to-expenditures coverage gap narrowed, and cost-efficiency and employee productivity improved following corporatization. Most of these changes were statistically significant.

New public management (NPM) ideas concerning the scope of government have influenced governments around the world (Hood 1991; Ridley 1996; Scott 2001). NPM has been most dramatically summed up as “reinventing government” (Osborne and Gaebler 1993). The most fundamental aspect of this reform agenda involves reconfiguring the boundaries of

We acknowledge support from the Research Alliance in Governance and Forensic Accounting program and the Initiative on the New Economy program, both from the Social Sciences and Humanities Research Council of Canada. We also wish to thank Anthony Boardman, Nicole Thibodeau-Morin, Johanne Turbide, David Weimer, and three anonymous reviewers for their helpful comments. We also thank participants in 2004 EAA Conference where an earlier version of this article was presented. Remaining errors are our responsibility alone. Address correspondence to Claude Laurin at claude.laurin@hec.ca.

doi:10.1093/jopart/mul014

Advance Access publication on September 25, 2006

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