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great by
deeds, not by
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**Institutional traction: how state owned enterprises can harness
their position from their institutional context?**

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**Institutional traction: how state owned enterprises can harness
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State owned enterprises (SOEs) have been conceived of across economies as commercial enterprises with liability of redistribution. They also have legitimacy as organizations as a “carrier of many concerns”, whose owners are the citizens of the state. In this paper, we try to address the question of how SOEs can derive and harness legitimacy in a way that makes redistribution less costly. We put forward the concept of institutional traction and define it thus: Institutional traction is the *position* that a state owned enterprise (SOE) derives from its institutional context, because of its historical as well as current standing. This position is associated with *potential advantages*. We develop the antecedents of institutional traction in this paper. We also explore how top management teams of SOEs can utilize institutional traction to create resources and advantages for SOEs.

Keywords: Redistribution; Legitimacy, State Owned Enterprise, Institutional Traction

Introduction

A state owned enterprise (SOE) is a type of commercial organization, in which government owns the majority stake. It is usually created as a legal entity that partakes in commercial activities on behalf of the government. SOEs grew as institutions (old institutional theory: Selznick, 1957) in economies across the globe to fulfil redistribution objectives. For example, Indian Railways (IR) provides affordable travel to millions (about 1 in 10 Indians depend on IR directly or indirectly for their livelihood). One way that IR achieves redistribution is through two-tier cross-subsidization: freight subsidizes passenger segment at the first level, while high cost passenger segment subsidizes the low cost passenger segment at the second level. This type of in-built models of redistribution has been a central point of criticisms of SOEs like IR (Rakesh Mohan Committee Report, 2001). SOEs, like IR, assist citizens at the base of the pyramid (BOP) in two ways, viz. a) as customers, who get low cost products and services (Prahlad, 2004) b) as producers, who need low cost infrastructure for their micro-entrepreneurship (Karnani, 2007).

However, redistribution, one of the core reasons for existence of SOEs, is also a significant liability (Aharoni, 1981; Vernon, 1979), especially in the new world order¹. This liability is exacerbated by high dependence of SOEs on their influential stakeholders, who have ownership rights over SOEs as citizens and government (Monsen & Walters, 1979). Another feature of SOEs is their legitimacy as a “carrier of many concerns” (Ring & Perry, 1985). We believe that the liability of redistribution can be attenuated by harnessing legitimacy. Therefore, in this paper we address related questions like: Can redistribution provide legitimacy? What mechanisms grants legitimacy to SOEs and how can SOEs harness legitimacy?

¹ Institutional transitions across the world in the past few decades presented a new period of history before SOEs. This new period evidenced dramatic changes in the thought of the world with respect to SOEs. The term “new world order” has traditionally been used at many times in the last century to refer to new periods of history evidencing dramatic changes in the world political thought and the balance of power. With reference to SOEs, the institutional transitions due to convergence to market capitalism across the world that unfolded before them represented “a new world order” to them.

Redistribution entails vertical relationships between the redistributors (government and its agencies) and producers (SOEs), where bureaucracy allocates resources (Kornai, 1979; Nee, 1989). Resource dependence theory (Pfeffer & Salancik, 2003) conceives of government and its agencies as one of most difficult component in the environment (environment as institution: Zucker, 1987) of all organizations as regulators, facilitators and energizers. For SOEs, they are also the owners and therefore constitute their organization (organization as institution: Zucker, 1987). Therefore, we conceive of government and its various agencies as the quasi-environment² of SOEs.

Further, legitimacy of an organization is described as “a perception that the venture is desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995: 574). Governments are responsible for redistribution in various economies across the world and wish to be seen as welfare government. Also, citizens are largely the beneficiaries of redistribution. Therefore, redistribution can generate legitimacy for SOEs in the eyes of government and citizens. Organizations undergo legitimization to signal legitimacy to get necessary support. SOEs can therefore utilize legitimization in their interdependent relationships with their quasi- environment and environment for gaining necessary support or a position of vantage. Therefore, redistribution can provide legitimacy to SOEs.

SOEs have asymmetric interdependencies with quasi-environmental actors, where asymmetry exists due to 1) higher placement of quasi-environmental actors vis-à-vis SOEs (Nee, 1989), and 2) exchange in the interdependent relationships is not equally important to both sides (Pfeffer and Salancik, 2003). However, in the new world order economies are embracing capitalism and creating enabling structures, which are in turn creating newer

² Government (and its formal and informal agencies) constitute a part of the external environment in SOEs, just as they do in other business organizations. However, they are also insiders (controllers) to SOEs as their owners, but with non-unitary and constrained controls, which have diffused further with public sector reforms in the new world order. *So, not truly external or internal to the environment of the SOEs, I conceptualize government and its formal and informal agencies of control, as “quasi-environment” of SOE institution.*

sources of resources in the economy. Therefore, these vertical relationships tend to flatten in the new world order. Under such conditions, SOEs can fulfil two conditions. First, they can reduce their dependence on the state for important resources while sometimes creating other alternatives. Second, they can offer more contributions in their interdependent relationships, for example good dividends, reputation for government etc. (Pfeffer & Salancik, 2003). Thus, SOEs can afford to bring in countervailing power in their asymmetric relationships with their quasi-environment. Further, environmental actors (e.g., stakeholders in the task environment) also have influence on SOEs by virtue of public ownership. They may not be directly coupled to SOEs; yet, they are the real owners of all public assets like SOEs (Walters & Monsen, 1979). By the same logic, SOEs can also afford to bring power in relationship with their environmental actors.

We conceive of a construct in this proposal – the construct of *institutional traction*. We define it thus: Institutional traction is the *position* that a state owned enterprise (SOE) derives from its institutional context, because of its historical as well as current standing. This position is associated with *potential advantages*. A top management actor, with requisite attributes, can act in a manner to nurture and leverage these potential advantages and convert them into *resources or advantages* for fulfilling the demands of the new world order.

So far we have argued that SOEs have interdependent relationships with their quasi-environmental and environmental actors, who are influential. In these interdependent relationships, an SOE possesses a *position* that it derives from its being important to the state in various ways viz. economic, political and social. An SOE might be a good dividend payer, a foreign exchange earner or an investment engine for the government (Internal and Extra Budgetary Resources of Public Sector constitutes about two-third of Capital Plan Outlay in India). It might have high forward and backward linkages in the national industry and might therefore be very important for the multiplier effect on the economy. Such an SOE might

have a strong *position* in its interdependent relationship with the government for economic reasons. This *position* can be understood as an *economic potential* of the SOE with respect to their quasi-environment. Another SOE may be a political ally for the government in that it fulfills certain political agendas like creating and sustaining important relationships viz. bilateral relationships in international arena, federal relationships with state and relationships with a large section of people or a community. Further, an SOE might have important *political position* by virtue of its huge geographical dispersion or size. This *position* with respect to its quasi-environment can then be understood as a *political potential* of the SOE. Also, some other SOE may exist for important social goals like those of regional development, development of some sections of the society, or promotion of arts, crafts or other activities in the economy, with special emphasis on products or skills of artisans rather than economic returns. Their *position* with respect to their quasi-environment can be understood as a *social potential* of SOEs.

This *position* of SOEs with respect to their quasi-environment might vary for different SOEs depending on their institutional contexts³ viz. firm, industry or sector and country contexts. This *position* grants a *potential advantage* to SOEs in their dealings with the government (and its agencies) on various matters.

Further, the onus to derive benefits from this position is on the management of SOEs. Joyce (2000) states that the managerial leadership is a key element in implementing any change in the public sector, “*If strategic management is divorced from its managerial leadership aspect in the public sector – if it is reductively seen as a set of analytical planning and implementing change – it is an impoverished model of strategic management.*” Further,

³ In this paper, we describe institutional context on the basis of old institutional theory. Therefore, it covers the external environmental contexts like country, sector and industry contexts as well as internal environmental context like firm context. Old institutional theory is substantially different from the new institutional theory in the way it perceives institutionalization in an organization. Under the new institutional theory, organizations are influenced by their external environment or “environment as institution” view of Zucker (1987). Here models of isomorphism through coercive, mimetic or normative forces of the environment (DiMaggio & Powell, 1983; Hannan & Freeman, 1977) govern the process of institutionalization. Old institutional theory, on the other hand, looks within the organization. Proponents of old institutional theory (Merton, Selznick, Stichcombe) built on early institutional thinkers (Veblen, Parsons, Durkhiem) to describe institutional processes within an organization, where multiple forces of bureaucratization produce normative order.

SOEs are machine bureaucratic hierarchical organizations (Mintzberg,). Top management, therefore, can generate a supportive organizational context (Gibson & Birkinshaw, 2004) for accommodating contradictory requirements within such an organization. Therefore, *attributes of actors* are important dimensions that determine whether an SOE can nurture and leverage its institutional traction. Actors at the strategic level, who comprise of the top management of SOEs, are important elements for *nurturing and leveraging* institutional traction. These *actors' attributes*, specially their cognitive and behavioral complexity (Denison, Hoojiberg & Quinn, 1995), are important determinants of their ability to undertake requisite actions. The construct of cognitive complexity has been recognized in psychology literature as a psychological capability or characteristic that indicates how complex (or simple) the frame and perceptual skill of a person is. A person, who is measured high on cognitive complexity, tends to perceive nuances and subtle differences, which a person with a lower measure, indicating a less complex cognitive structure for the task or activity, does not. On the same lines, behavioural complexity is the capacity of a given leader to engage in wide repertoire of behaviours (Hoojiberg and Quinn 1992). Therefore, behavioural complexity and cognitive complexity are determinants of effective leadership in SOEs, where leaders have the “ability to perform multiple roles and behaviours that circumscribe the requisite variety implied by an organizational or environmental context” (Denison et al. 1995: 526; Smith & Tushman, 2005).

We explore the antecedents of institutional traction and how top management can utilize institutional traction to create advantages and resources for SOEs. This research is an exploratory study using qualitative research methodology. The data were obtained from prolonged immersion in the research contexts and from multiple case studies. We stayed at the Department of Public Enterprises (DPE) and some SOEs in India and interacted with the bureaucrats at the ministries, top management and employees of SOEs and other important

stakeholders. We also attended several meetings, went through various files that were active during our stay and collected several archival records, which helped in triangulation of data. Triangulation, persistent observation, prolonged engagement, member checks, audit trail and referential adequacy were done to address trustworthiness requirements of this research as a requisite for naturalistic inquiry (Lincoln & Guba, 1985). We focussed on data collection at the strategic apex level of SOEs. Data analysis was done using grounded theory methods (Strauss & Corbin, 1990). The top management of any enterprise can be referred to as its strategic apex (Mintzberg, 1998). However, Hafsi, Kiggundu and Jorgensen (1987) describe the strategic apex in SOEs as an internal coalition of two contrasting executive groups viz. commissars (or bureaucrats) and engineers (chief executive officer, top-level managers, and their direct support staffs). They describe different strategic apex configurations based on certain antecedents in SOEs and bring out various idiosyncrasies in the strategic apex of SOEs.

ANTECEDENTS OF INSTITUTIONAL TRACTION

We highlight important elements of SOEs country (including sector and industry) and firm contexts, which determine how an SOE possesses various potential advantages with respect to its quasi-environment and also with respect to its external environment.

Country, Sector and Industry Institutional Context

Both the factors - government and people prowess - are dependent on the institutional contexts of the country where an SOE is located. The degree of redistribution in the economy, the sensitivity in the economy for democracy or democratic awareness, the socio- cultural and political characteristics of the economy, which determine the kinds of institutions present in a country, and the government intent in an economy, are all indicators of what kind of interdependent relationships would be present between SOEs and their quasi-environment.

Context of Redistribution, Democratic Awareness and Institutional Voids

In redistributive economies, governments have considerable control rights over prices, licenses, information, policies etc (Nee, 1996). There are sectors in economies, which get decontrolled and deregulated over time, but certain sectors like energy or mineral resources (especially in energy deficient economies like India) remain under a lot of government clout. In some sectors like food or education or health and social security, depending upon the political economy of the state, the state may keep licensing requirements or monopoly controls or price and distribution controls. A CEO of a large SOE explained how coal or oil sector in India was not free from government controls even after twenty years of economic liberalization, while steel had become largely a deregulated sector. He said that SOEs in coal or oil sectors in India enjoy a lot of benefits of positional advantage from the government, which SOEs in steel sector don't. Therefore, he opined that SOEs varied in their abilities to generate supportive interactions with the government based on sector or industry contexts: **CEO C:** *We (steel SOEs) are in a free sector. We do not get any special treatment from the government...However, in coal, ST is still a monopoly. It is very much controlled by the government even though it has become a Navratna. Price decision is still controlled by the government. Even in the petroleum sector, oil companies are not free to determine their price or distribution...Government of India supports these companies. After all, they are directly fulfilling government requirements...A steel SOE like us is different.*

In redistributive economies, SOEs may be treated as mechanisms to keep competition and prices under check. Fraja (1991) shows how the consumer surplus gained in an economy by having an SOE in any industry more than compensates for the losses, which the economy would have otherwise incurred due to monopolising behaviours of the private sector. Government might keep quite some controls, formal and informal, in their hands, by keeping an SOE operating in competition with the private sector (even in competitive sectors, government owns an SOE to keep practices like collusion or concentration).

In countries with high democratic awareness or in highly institutionalised democracies, people have a larger influence in government matters (Lee, 2005). The democratic systems grant rights to all wings of government, political and interest groups and people in general to have a voice in the matters of SOEs and to monitor them. However, this factor also grants legitimacy to SOEs as carriers of many concerns. This perceived legitimacy of SOEs might bring in reputation advantages in interactions. The officer on special duty to a large SOE (akin to CEO) explained why it would not be easy to close down some SOEs, who did not make profits. He further stated that SOEs, who dealt directly with consumers, especially the poorer people, had to be careful about prices and distribution. People might not be interested about how a particular SOE functioned. However, increasing prices or altering products and services or their distribution on any pretext like maintaining the viability of business was a non-starter with such SOEs. Such moves would not be tolerated by people in a “vibrant democracy” like India.

OSD, Mr. H: *Rational business decision-making has worked very well in many places. But there is another angle to the whole problem. That we are a democracy- a vibrant democracy. This fact will not let you withdraw from your tiedness with the conditionality. You can't shed off the fact that we have some of lowest earnings per capita in the world. To the poor it doesn't matter, how you ran the business...(Pause!!) but to them it does matter how their already burdened life is not burdened further by raising fares or by closing down of certain routes which were seemingly unprofitable. This is a question on which governments are toppled.*

Direct public dealing has implications for such SOEs. These implications are higher, when SOEs serve those segments of the society, who have a large voting power. Increasing prices, altering service or product distribution and so on, may not be allowable to these SOEs. Therefore, SOEs ask for external resources from the government. Such SOEs have a

positional advantage with their quasi-environment. A context of high democratic awareness of citizenship rights in the sector served by an SOE, grants a high potential to the SOE vis-a-vis its quasi-environment, to bargain for additional resources and benefits.

Additionally, institutional pillars of a country comprises of its governance structures, its rules of exchange, its legal and social enabling and control mechanisms, conferred rights to its citizens like property rights and their guaranteeing mechanisms etc. These are heavily dependent on the political, social, and economic conditions existing in a country. The lack of strength in these pillars creates institutional voids in the economy. The institutional voids in an economy determine the intermediary roles that SOEs need to play. For example, in economies, where legal and social mechanisms aren't enforcing enough, illegal or immoral practices develop. During data collection in a business unit in an SOE it was revealed that unfair practices like under-invoicing, profiteering from scrap (by having cash transactions in scrap without paying any duties), compromising on quality of raw materials and bribing inspection agencies were rampant in the industry. There were numerous instances where competition was unfair due to rampant corruption. SOEs have to find ways out of these illegal or immoral practices. Accountability concerns for use of public money dominate their systems and processes. In a discussion with a marketing officer at SBU-1, a very important dimension of "feeling comfortable" was revealed. This officer discussed how he felt very "comfortable" to be dealing with another SOE staff as he knew that the deal would be a fair one. The incentives SOE staffs were not tied to their marketing or purchasing outputs, unlike those in the private sector.

Marketing Officer, T, at SBU-1: *In these private sector companies, even in some MNCs...things are not so straight cut. There are side payments...many things...they go on to influence even the inspection agencies ...unfortunately this is the reality of our country. But, we have to find a way to work...You see, when we deal with people from other SOEs we have*

a factor of comfortability with them...we identify with them. We know them, their families....we go to the same club...same ministry... so what happens, here we are sure that things are right. No one will be sceptical with a deal between an SOE and another SOE. Our salaries don't depend on sales...both sides know that there is nothing to gain for the other by going into this deal....in a way it restores confidence...so we are comfortable working with each other....”

This is one way in which SOE-SOE ties helps in working in an environment of dominated by corruption. Further, in economies with institutional voids, these SOE-SOE ties serve as mechanisms for assured supply of capital, talent pool, information, technologies, suppliers and buyers as well. They serve as a support system for each other, as and when required.

Therefore, the presence and extent of institutional voids in a country or sector at any given point in time, in an economy also determines the amount of such positional power that an SOE possesses. Thus, these dimensions viz. *the contexts of redistribution, democratic awareness and institutional voids*, of the country and sector (or industry), grants it a *position* to bargain with its quasi-environment on various matters. In the next section we discuss about some of the firm-specific contextual features that add to these antecedents of the construct of institutional traction.

Firm Institutional Context: Firm Context of Welfare Focus, Performance Focus, High Market Share & Corporatization and Listing

The dimensions of institutional traction available to any SOE include the *position* that the SOE enjoys by virtue of its idiosyncratic firm context, as well. Some SOEs have focus on a nationalist agenda like energy security or national defence or regional or community development or trade promotion central to their organizational mission. Such SOEs have a *position* with quasi-environmental actors in showcasing the latter's objectives as their

primary purpose of existence. Similarly, SOEs high on performance or efficiency aid the quasi-environmental actors in signalling the government's or the minister's effectiveness. Some SOEs are large in size or are geographically diversified. These SOEs have high stakes involved with large sections of people or powerful stakeholders. Some SOEs have used the benefits of autonomy rights conferred to them in the new world order. They have utilized the processes of reforms like that corporatization (professional boards, corporate planning etc.) or of annual MOU process between ministry and SOEs, in a manner such that they wrest in positional power with respect to their quasi-environment. Thus, firm-specific contextual factors also provide institutional traction to SOEs.

CEO C: *We got lot of government support at that time because they all knew that if they did not help us we would sink. Also, the market was going down. We have a legacy of a very large chunk of employment. At that time it was two lacs. We were in many states and symbols of growth for them. Nobody wanted us to go down. This would not be digestible to any stakeholder states.*

Further, a good national presence (projecting into many states or regions) also ensures that the SOE has a better potential to receive support from quasi-environment. A good market share also ensures good support.

Bureaucrat on Deputation to DPE from an SOE, Mr. F: *Then they (Government) would see the company market share. Also, they see if the market share is regionally focused or nationally focused. In the case, if they are in only a small region or a state, they would be asked to become a bigger player with market share over larger regions. Actually, being present only in some small region is not such a good thing.*

Also, powerful and influential board members are also reported to be key assets to SOEs to draw quasi-environmental and environmental support. Very often independent directors bring in a lot of resources, networking and a different vision within the organization

(Dewan, 2006). Government nominees, generally two in number are on these SOE boards in Indian central public sector enterprises (CPSEs). They are often conduits from SOEs to the ministry.

Expert in SOEs, Mr. I: *Government nominees (on the PSU Board of Directors) have put on 2 caps. He is a Joint Secretary in the ministry and a member of board of BP... So, what happens if he is a member of BPL board...Say, he has agreed to the proposal (in the board) and there is a liability on him. This proposal shall go to the ministry."*

LEVERAGING AND NURTURING INSTITUTIONAL TRACTION

Managerial cognitive frames, mental templates that provide a lens to managers to comprehend a situation, provide means of recognizing and embracing contradictions in organizations (Smith & Tushman, 2005). The leaders at the helm of affairs in the various SOEs might realize that because of their position in government-ministry-SOEs-Parliament- monitoring agencies-interest groups-citizens network they have unique benefits, losses or obligations. On the one hand, their position allows them a positional advantage to leverage their existing realities, for which they can utilize strategies of harnessing goodwill with environmental and quasi-environmental actors. On the other hand, they also realize that they have to use avoidance strategies at times, to get away from their unique liabilities or obligations, which might make it very difficult for them to compete, survive and grow with the private sector.

Compliance to quasi-external or external actors' demands endows gains from goodwill. Social capital accounts for the goodwill available to individuals or groups, where the benefits of social capital like that of information, influence (influence, control and power) and solidarity are available to actors by virtue of the structure and content of actors' social relations (Adler & Kwon, 2002). It has been found that the kind of external ties the top management has, is a determinant of majority of its information that it uses towards problem

solving, resource selection, building legitimacy, building communication channels and securing preferential access (Hillman & Dalziel, 2003; Geletkanycz & Hambrick, 1997). Social capital has been found to be helpful in creating intellectual capital towards organizational advantage (Nahapiet & Ghoshal, 1998). Similarly, social capital led network strategy of growth has been the preferred mode of growth of firms in transitional economies (Peng, 1997). The question therefore to ask is - who are the actors who are able to enjoy the benefits of social capital?

During transitions from redistribution to market, the hierarchical relationship between the redistributors to producers tends to flatten as mode of allocation and distribution of resources from state to producers changes (Nee, 1989). Institutional voids in economies shrink and alternate sources of resources like capital markets, financial institutions or labour markets increase. Further, as transitions proceed governments take on arm-length role as owner of SOEs. Therefore, these actors also realize that the institutional transitions have allowed them certain flexibilities. They could sometimes use avoidance strategies against pressure from their environmental and quasi-environmental actors. The changes in the institutional contexts create enabling conditions for using avoidance strategies, intermittently, in between leveraging strategies.

Top Management Attributes and Requirements

The position of a CEO or a TMT member of an SOE in the new world order is not an enviable position. In the words of the CEO of a large SOE, it requires a “whole lot of attributes and yet may not be enough to lead an SOE effectively:

***CEO D:** Unlike in private companies, in PSUs it is a hurdle race, where hurdles are intermittent and many, still speed is required. Sometimes a whole lot of attributes in a capable person otherwise, may not suffice to be a CEO of a large PSU like YZ.*

Quasi-environmental actors are generally very particular about accountability of processes in SOEs. This transcends to essentially *being on the right side* while expecting a supportive interaction with these actors. Due diligence of top management is reflected in the phrase “doing one’s homework well”, in the various statements listed below. Therefore, top management’s due diligence in their projects and proposals is a feature necessary to get support from the government.

Expert in SOEs, Mr. I: *But who are those who are able to influence the ministry?...They are those people who have done their homework well.*

Turnaround CEO, Mr. G: One should first do his homework well and should be convinced thoroughly before trying to convince the other party. These people who work for the government from ministry side...taking a decision against them is a very tough job....

A top management actor, who believed in autonomy in management, used performance to wrest in more autonomy from his quasi-environment. He shared his experience about how he proved himself through his performance in turning around difficult situations:

Turnaround CEO, Mr. G: *I try to comply by those (rules, documentation etc.), but if they are hindrances, I tell them that – See, I’m here to run the show, so if I am unsuccessful then punish me, but let me do what I am convinced is right...Like in a particular project (Bareilly project), which was having a time overrun of over 30 years---I was given an appointment letter subject to first the condition that the completion of the project was to be by October of that year while the date of issue of letter was January and second the transfer of power etc. took one month or two month...Mind it the project had been running on a time overrun of 30 years...I took up the responsibility and delivered what was required...of course by my ways.*

The integrity of the top management actors is also a very important signalling factor to the quasi-environmental actors that the management would deliver the desired results, if given a chance.

Bureaucrat at Ministry, Mr. Z1: *People in ministry also recognize that this man delivers.... At times, he went ahead with many projects and came to ministry for approvals or regularization later. Ministry people also understood....*

On similar lines, diplomacy, negotiation skills, humility and perseverance for achieving what one thinks would be right for the organization are some key desirable traits in the top management at the strategic levels.

CEO C:*...And obviously when I am in the persuasion because the minister on the slightly higher position, because the appointment and everything depends on them. If I were in such a position, then you would listen to me..... But then..... Why not?...And then we got some duty concessions...Bargain!!!*

On similar lines, ongoing communication between the interacting actors is understood to be an important predictor of supportive quasi-environmental interaction.

Bureaucrat at Ministry, Mr. E: *Sometimes, on this account of how the TMT members have kept the conversation going and how it has taken care of the concern of the ministry is very important. If a person is not a good communicator it is very difficult to put his point across in the ministry. Conversation, that too an on-going communications between the ministry & TMT is also a very important factor towards getting support from ministry in their proposals.*

There are numerous such desirable attributes of SOE leaders at the level of strategic apex. These attributes when employed in their interactions with actors in their quasi-environment helps in building a supportive context for their organization.

CONCLUSION

In this paper, we have made an attempt to demonstrate how an SOE possesses a position or institutional traction due to its standing in the institutional context. This position is associated with potential advantages. We also demonstrated how top management, with requisite attributes, can act in a manner to nurture and leverage these positions and associated potential advantages and convert them into resources for fulfilling newer demands like those of increasing efficiency, productivity, market orientation and performance.

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<p>Abstract: State owned enterprises (SOEs) have been conceived of across economies as commercial enterprises with liability of redistribution. They also have legitimacy as organizations as a “carrier of many concerns”, whose owners are the citizens of the state. In this paper, we try to address the question of how SOEs can derive and harness legitimacy in a way that makes redistribution less costly. We put forward the concept of institutional traction and define it thus: Institutional traction is the <i>position</i> that a state owned enterprise (SOE) derives from its institutional context, because of its historical as well as current standing. This position is associated with <i>potential advantages</i>. We develop the antecedents of institutional traction in this paper. We also explore how top management teams of SOEs can utilize institutional traction to create resources and advantages for SOEs.</p>	
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