STATE-OWNED ENTERPRISES' EXISTENCE, ORGANIZATION, PERFORMANCE CHALLENGES AND SOCIAL-ECONOMIC RELEVANCE: AN ENIGMATIC OVERVIEW

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ABSTRACT

State-Owned enterprises contribute significantly to global GDP. They, however, remain relatively unexplored in terms of context by management researchers. Typically, research output is monolithic, devoid of awareness of its complexity, transdisciplinary and multisectoral character. SOEs have frequently been categorized as state-owned or privately-held, social, political, or economic organizations. This study examines the fundamental variables that contribute to understanding where the State-Owned Enterprise (SOE) emanates from and the general difficulties associated with SOEs organization while recognizing where limits begin, expand, and terminate. Thereby contextually valuing and commenting on firm challenges from theoretical, practical, and operational permutations of the SOE while centrally initiating a conversation in research and practice about the challenges SOEs face. As a final goal, the study believes that interdisciplinary actors may begin addressing the difficulties of improving SOE performance, practicality, and implications of government ownership of Social-political-Economic Vehicles (SOEs).

Keywords: State-Owned-Enterprise, Organization, Performance, Economic, Social-Political, Social-Economic, Management, Soft-Budget, Managerial-Performance, Relevance.

INTRODUCTION

The case of State-Owned Enterprises remains prominent in every social-political and economic dispensation across the world. Their historical and future significance is almost indelible yet overly contested by academics and researchers, global and local think tanks, and practitioners. This paper aims to situate and appreciate the motivation for the creation and existence of the SOE and use it as a basis to reveal the nature of the SOE firm. These challenges plague it and impact its performance and eventual relevance.

Beginning with the Pharaohs' government in ancient Egypt and extending to the echelons of the Chinese dynasty and mineral-rich African mining conglomerates owned by governments from the late 1960s to the late 1990s, State-Owned Enterprises have been a way for governments to get involved in commercial activity for economic and social-political reasons.

In 2018, global State-Owned Enterprise assets were worth $45 trillion, or equivalent to approximately half of global GDP, accounting for the significant growth of +$13 trillion recorded earlier in the year 2000, states an IMF fiscal monitor report (IMF, 2020). Additionally, according to a 2015 survey of 40 nations, SOEs were valued at USD 2.4 trillion and employed

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over 9.2 million people (excluding China) (OECD, 2017).

Another estimate reports that in 2018, State-Owned Enterprises (SOEs) were directly responsible for contributing 20% of global investments, posting a 5% of global employment, and up to 40% of the global domestic production; SOEs boast of being significant market contributors in both high- and low-income nations. Nevertheless, their economic influence is most notable in transition economies, where they have been reported to contribute +30% of GDP (Bird, 2020; Buege et al., 2013; Buge, 2013; OECD, 2017).

Principally, State-Owned Enterprises (SOEs) began to rise out of the need to deliver social-economic dividends using public or government resources. That is, government-funded organizations set up to deliver social-economic agendas as doctored by the political controllers and administrators of the day. SOEs remain, however, relatively unexplored in terms of context by management researchers. Typically, research output is monolithic, devoid of awareness of its complexity, transdisciplinary and multisectoral character.

From motivation for existence to their functionality and relevance, SOEs are overly complex with a nexus of conflicting objectives, direction, and often leadership. Unpacking and painstakingly segmenting each SOE contextual characteristic for descriptive analysis may be necessary, yet it must be done audaciously yet cautiously.

An archetypal SOE is a government-owned organization committed to a public mission that managers internalize and have their own budget and management autonomy. The SOE is, in some ways, compete with private enterprises in particular market situations as seen fit by governments on behalf of the owners (citizenry).

The analysis for State-Owned-Enterprises (SOE) is very contextual. They usually follow the legalities of the country within which they find existence and legal mandate while pursuing an array of agendas in the economic social-political arena for a government, despite the differences existing primarily along almost superficial lines of incorporation, control and jurisdiction. SOEs are no longer limited to country-specific operations. They now are very ambitious organizations, and, in some instances, they have free will to become multinational and global corporations, except all depends on the controllers. From a historical and theoretical standpoint, SEOs share common history but may serve different purposes (Shleifer & Vishny, 1994).

Conclusively, this study takes economics and management and organizational studies perspective on the SOEs to understand why they exist as a body corporate (organization and enterprise) separate from the mainstream government and the issues that afflict it or support their existence.

Purpose

To gain an understanding of the reasons behind the establishment and continued operation of the SOE, as well as to make use of this understanding as a foundation upon which to shed light on certain aspects of the nature of the SOE firm, as well as the significant problems that plague it and have an effect on its performance and eventual relevance.

Design, Methodology and Approach

The structure of this work is that of a theoretical and case study review. It analyzes the

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existing literature in organizational and economic theory and practice, then applies that knowledge to comprehend the difficulties that are associated with SOE performance, existence, and relevance, as well as the potential solutions to those difficulties.

STATE-OWNED ENTERPRISES: HIGH-LEVEL DEFINITIONS, INDUSTRIES OF OPERATIONS AND SCOPE

State influence over a business can take a variety of forms. It can manifest in the form of exclusive rights granted to private firms, shared ownership, or direct government agencies' manufacturing or service provision duties. Certain State-Owned Enterprises may be corporatized[1] corporate structures accessible to private actors and investors, while others may exist in SOE-specific organizations with sole ownership under the state (Bai et al., 2000; Prabowo et al., 2018).

Alternatively, the phrase may refer to aspects and operations that a government agency directly performs or participates in, most notably in the utilities and public services sectors. At the same time, their economic involvement varies by the format of incorporation or nation. It is undeniable that SOE behaviour may raise similar competition issues as those of private actors in the market. Indeed, the potential for anticompetitive consequences may be considerably more prominent in the case of SOEs, owing to the numerous advantages placed on them by government supervision (Bai et al., 2000).

SOE Broad Definitions

It does not matter whether it is a coincidence or by design; a state firm pursuing an economic agenda is considered commercial or profit-seeking. State-owned enterprises (SOEs) are owned or controlled by governments (at varying levels) and are envisioned to achieve financial objectives through commercial and economic means. They are sometimes referred to as instruments and parastatals (OECD, 2009). SOEs are by design profit seeking deriving part of their name from the word '*enterprise*'

According to (Witker, 1979) public or State-Owned Enterprise is defined as an organization that possesses three crucial components;

i. The Existence of the Administration
ii. Individuality and
iii. Economic Activity

On the other hand, (Muchlinski, 2012) argues that *"There is not a unanimously accepted definition of State-owned enterprise. Therefore, an SOE is frequently defined as "any commercial enterprise that is primarily owned or managed by the State or State institutions, with or without a distinct legal identity."*

Irrefutably SOEs are considered legal entities in which government or State has a full or partial proprietorship, control or part controlling interests, which facilitates the government to use commercial means to participate in economic and social activities without infringing on their public administration responsibility.

Even though legal permutations must be considered during SOE sector formation. Conversely, due to the repercussions of defining the function of the owner, this definition reacts more to economic than to legislative criteria. However, the economic definition does not entirely

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guarantee existence for economic purposes alone. SOEs take a format of duality, combining economic and social-political dimensions.

Further, regardless of the reasons cited to justify their establishment or a country's level of economic development, the spectrum of areas in which SOEs have traditionally operated is extensive and continues.

SOEs have classically been present in public or national social-economic services, natural resources, mining and oil (exploration and rigging). For instance, food, drinks, and cigarettes (in developed nations such as Italy, France, Japan, Germany, Ireland, and Australia), Scandinavian countries, and some developing countries; Specialized Fabrics, Fashion and Textile (in India, France, Denmark, and Italy, among developed countries, as well as in some South American and Caribbean Sea Islands (LAC) countries); ceramics (in China, Austria, and Germany, as well as in some developing Asian and African nations); and transportation equipment; mineral wealth and natural resource-based products and services (tourism, mineral mining and explorations) for the majority of Africa.

Establishment, Organizing and Organization of SOES: A Positivist View

Numerous socio-economic, political, and ideological arguments exist for establishing and retaining State-Owned Enterprises. These are accompanied by organizational and operational frameworks.

Cazurra et al. (2014) and Levy (1988) classified socio-economic and political responses to creating and preserving SOEs into the following categories: ideological predispositions, political or economic power acquisition or consolidation, historical legacies and inertia, and rational reactions to economic challenges.

Friedmann & Garner in (Brown, 1971) added four more contestable categories: economic development promotion and acceleration, defensive motives, monopolistic industry control, and political ideology.

According to Balbekova (2017), SOEs are founded to achieve national objectives, economic efficiency and political ideology. There is a similarity in the three propositions, with the most pronounced economic and political motivations. In terms of organization, the argument is whether to own wholly or to own partially, which presents different opportunities, returns and challenges.

Having established the SOE, the organization’s challenge emerges as the quest for an identity that begs for effective and efficient ways to be structured. Overall, the crux of organizing the SOE was born out of the need to create workflows, develop efficiencies, and find a system or format to produce results from different entities, constituencies, and sectorial dispositions driven by social-political and or economic motives.

Except when the enterprise owner is a government or its department, the question of balancing social, political and economic good for all citizens, be it private or business comes into question. Essentially, the balancing act becomes discretionary or demanded based on governmental leadership's political philosophy or integrity.

It is observed that it is the government's discretion to establish SOEs through selected legislative and executive Acts[2]; after that, develop the organization's mission, design and distribution of roles, responsibilities, and decision power within a ministerial structure or sub-

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structure referred to as Central Controlling Agencies.

The staged arrangement of responsibility commonly exercised through central SOE controlling units such as the Industrial Development Corporation (IDC) in Zambia; the Department of Public Enterprise (DPE) in India; Government Companies Authority (GCA) in Israel. All the mentioned are strategic and largely run by professional executives, except for the arm of state interference which still lingers closer to the SOE through leadership appointments among other salient government practices (OECD, 2018).

On the contrary, some governments exercise direct control through a government ministry or department for oversight reasons; this move is the breeding ground for unprofessional and corrupt official and organizational behavior controversies. It lacks a clear delineation of the state and the enterprise. Ministers or those with oversight responsibility find themselves in the earlier mentioned quagmire of being politically neutral while delivering the social-political and economic commitments of the SOE.

Regardless of the centrality of control or lack of it, the departments and agencies responsible for SOE operations are designed to deliver disciplined and coordinated instructions and actions that speak to the government's overarching vision and missions. These are executed through SOE companies (existing as business units or enterprises) acting on government goals and objectives (social, political and or economic) for their establishment and subsequent organization.

The author recognizes the salient technicalities in organizing the SOEs as body corporates, primarily to read the government from being branded as being too possessive. Yet, the consistency of the '*corporate'* nature is nearly at the risk of not having a clear mandate. That matter becomes somewhat contentious as most of the organizing is characterized by policy consistency or inconsistency of the ruling political party, political sponsors and their governments. For example, in China, home of the biggest SOEs, the United States, and Brazil, the goal for organizing SOEs is not limited to social-political-economic outcomes but rather multipurpose, spreading to globalization and global dominance in political and economic terms.

However, because the government wants to become more involved in the market, maintain social stability, and engage in industry, SOEs have been established to accomplish these and other goals. Necessarily, government intervention in the markets can benefit the economy by increasing resource mobility in order to foster the development of capital-intensive sectors, sectors with the slightest investor interest despite economic relevance or social significance and overall contribution to furthering industrial development and efficiency in the long run.

Whereas the mentioned sector or reasons are critical to the economy, investing in them involves a lengthy gestation period, investment promotion, imported equipment, and significant lump-sum expenditures that the market may not afford or purely for more extended industry Return on Investment, which may not be attractive to the private sector (Lin et al., 1998; Lin & Tan, 1999).

In other words, government interventions enable these capital-intensive companies to function and propel the economy forward by funding and deliberately furthering structural and infrastructure construction. In the long-run economic ecosystems promoting investments in a particular sector are born. The other important factor is the resource mobility by the government in one specific industry elicits a level of interest from the private sector.

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The government views SOEs as a secondary means of ensuring social stability, which is necessary for social economics to be implemented efficiently. It is further demonstrated that the value of SOEs is not exclusively profit maximization. When social stability is poor, SOEs are advantageous for hiring extra workers and paying retiree benefits, notwithstanding their lower incentive to produce (Prabowo et al., 2018).

Finally, the government used SOEs to maintain control over important sectors of the society, the so-called *"commanding heights"* of state control espoused by Vladimir Lenin. Controlling a select group of enterprises and associated outputs is consistent with the government's social-political and performance objectives.

THE PROBLEMS THAT PLAGUE STATE-OWNED ENTERPRISES

The diverse aims of SOEs provide several governance and management problems. Uncertain objectives and insufficient supervision conceal responsibility, increase principal-agent difficulties, and reduce agent and organizational performance incentives. In retrospect, SOEs face a variety of challenges, which may be classed as:

i. Social-Political
ii. Financial And Economic
iii. Management
iv. Regulatory
v. Performance

Further detail below demonstrates that some come from creating goods and services or market inefficiencies that do not conform to the enterprise's original vision or citizen demands. It has been observed in many SOEs across the world.

In any case, the issues mentioned above have the potential to disrupt any economic or production system, for example, when locations are chosen for politically motivated reasons, as was the circumstance with Airbus of the USA or when they promote political nepotism and dishonesty, as was the case with Petrobras in Brazil.

Additionally, these are inextricably linked. It is sometimes difficult to determine when they are a cause and a consequence; empirical evidence points to not one single motivation for SOE existence by aligning with government agendas as sometimes being overwhelmingly influential in everything relating to SOEs.

The fact that the SOEs' owner is the public (government) may result in the challenges described in this paper. In this organization model, the owners' public nature, mainly political, dramatically affects how the enterprise operates.

For example, the political orientation of the custodians has an immediate impact on their readiness to embrace or reject an appropriate regulatory framework. There is a tendency to be self-selecting regarding what applies to them and what does not and the results they demand from the SOE. These factors influence the hurdles that management must overcome, which finally manifest as financial, efficiency and performance difficulties, which in the longrun may inevitably damage the SOE's efficiency, integrity and socio-economic relevance (Gillis, 1980; Szarzec et al., 2021). The challenges witnesses as follows:

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Political

Because the owner is political, the following ownership issues are utterly political regarding SOEs. These issues manifest themselves in various ways: direct or indirect subsidies, rent-seeking, or favorable regulatory and financial treatment.

First and foremost, there is a convergence of numerous economic and social aims (there could not be a clear relationship between the subsidies received and social purposes), which may be in conflict or incorrect.

Inadequate definition and reward for socio-economic purposes may have unfavorable consequences, including but not limited to increased deficits and borrowing, increased gaps in services delivery due to a lack of investment, erroneous investment decisions caused by a lack of incentives, and resource waste or wrong usage, thus incoherent objective(s).

The term *"objective"* can be defined differently. These might be described in performance contracts between the government and firms, or they can be determined by the board of directors or the owning company or entities. Financial and societal objectives are still to be pursued by SOEs.

The manner in which social aims are pursued (through grants, for example) can clog the economy. Additionally, suppose the service users are massive institutions or corporations. In that case, the desired impact of access and benefit-sharing is lost, and even more significant inequities develop from a regressive tax structure, especially for underdeveloped and developing nations, i.e. Africa. Managing the diversity and incompatibility of these aims is a substantial problem for SOE, which need consistent attention and reworking (World Bank, 2014).

Social costs are covered differently in each country or SOE jurisdiction. In Israel, for example, state monopolies bargain with authorities to establish pricing structures that pay their running expenses (Bahar, 2016; Haucap et al., 2001). In most nations, the regulatory authorities decide most pricing for socially and inclined public services.

Furthermore, Millward (2005a & 2005b) contends chief, among many motivations, the primary reason for the deregulation and denationalization period of the 80s and 90s was the complexity and diversity of the objectives specified for some SOEs. This resulted in many of them failing to maintain financial equilibrium, which had a negative effect on borrowing and deficits for the national governments; as a result, a current of thinking emerged to advocate for fixing the issue by enabling the private sector to assume control of particular areas of administration. Another problem is the hinging on the third agency dilemma in which the government's aims are significantly different from those of the owners (i.e., the citizen) (Ang et al., 2000; Brickley et al., 1997; Huu Nguyen et al., 2020; Penfold et al., 2015).

The second is the ownership issue. One recurrent political issue is several owners with distinct strategies, dubbed the common agency dilemma. This is a classic example of decentralized, typically due to the owners' inability to coordinate their plans. For example, the treasury's objectives regularly clash with those of controlling or supervising ministries and government departments.

Though the principal-agent dilemma directly affects management, it is caused by the owner's poor management or inability to fulfill their job and or commitments. These results in a goal misalignment, with the executive arm of government pursuing its aims that conflict with the owners. When an SOE's or broadly business objectives are unclear, contradictory or inconsistent,

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its leaders and managers frequently steer the enterprise in their direction. Additional political issues are the failure to distinguish the regulator's position from the owner's, resulting in conflicts over roles, prices and industry-specific structure.

Finally, corruption is the most apparent and sensitive political issue for the public to see and hear about. Corruption is still a major source of worry for people all around the world. This issue is growing at an unprecedented rate, and the unpleasant truth is that cancer is systemic in developing nations, where it is present everywhere.

Lastly, the OECD (OECD, 2014) examined +400 examples of foreign bribery in its first study. The report concluded that managers of SOEs received the majority of bribes, closely followed by customs officials.

Regulatory & Supervision

To ensure that SOEs run effectively, the regulatory framework must consider the enterprises and their relationships with the owners and other players. On the one hand, there may be a deficiency in responsibility regulation.

The preferential treatment accorded to certain SOEs in terms of compliance with specific regulations, the coexistence of the private and public market segments, protection of minority shareholder privileges, or even how to counteract government authorities from using SOEs to circumvent particular rules comes up as a challenge. In addition to that, many SOEs are unregulated at the same level as their industry peers, and regulatory structures or regulator autonomy are lacking in many developing economies.

Financial

In general, SOEs lack discipline and control, which results in a lack of adequacy and responsibility allocation. Could the lack of control be inspired by an endless supply of capital from the State regardless of SOE performance? The answer could be - most likely but debatable.

A strange but fundamental concept is referred to as 'soft budget'[3] within SEOs (Lin et al., 1998; Lin & Tan, 1999). The term soft budget constraint syndrome" which refers to situations in which a funding source such as a lender or the government, finds it impossible to keep an enterprise within a strict budget, i.e., when the enterprise can extract an ex-post more significant subsidy or loan than would have been considered or judged efficient ex-ante (Kornai, 1979; Lin & Tan, 1999; Maskin, 1996).

Because the State owns the funding budget, the so-called *"soft"* budget does not pose a genuine risk of bankruptcy because the State is viewed or expected to perennially aid SOEs in the case of financial difficulties. However, the problem of the so *"soft budget"* is universally acknowledged despite its un-business-like nature. SOEs have historically benefited from privileged access to government grants or loans and low or even no-cost financing (Kornai et al., 2003).

This condition has a plethora of implications for SOE management but can be narrowed down to imprudent firm behaviour. First, it eliminates appropriate incentives, overstaffs the workforce, creates friction in the division of tasks, makes business choices without considering efficiency standards, and increases fiscal risks, either through explicit or implicit government

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guarantees or through unnecessarily borrowing.

Management

There are two types of issues that commonly arise in this situation. To begin with, most SOEs have weakened their obligations, making them less demanding. Due to the absence of specified objectives, defined owners, and organized information, the responsible parties remain unknown, and chaos prevails.

Furthermore, the incentive and motivation policy are insufficient at every level, beginning with the owners and progressing through the non-executive directors and executive management teams to the general workforce. Additionally, there is a shortage of training programs and oversight mechanisms for CEOs, who are less accustomed to the discipline and learning progression in the private sector, where almost all measures are rigorous. Whenever discipline is dropped, risk fault-lines are quickly revealed.

As a result, SOEs face colossal competition in attracting the best talent in several cases. Common instances in SOEs include firms having more employees than necessary, with low- and high-paid employees earning more than their private-sector counterparts with guaranteed pensions and perks and at the owners' expense. This has a secondary consequence, as SOEs are constrained in personnel reductions regardless of their productivity. Budget constraints restrict the use of enticing monetary incentives to inspire individuals.

Simultaneously, the soft budget has the unintended consequence of demotivating employees and executives to enhance their performance.

Finally, there is little focus training on critical individuals needing critical skills. The training opportunities often go to the underserving or political stooges, mainly due to political meddling, especially where executive appointments are made inside the political party administrative machinery with little regard for talent, experience, or the expertise necessary to execute commercial, technical, and social-economic duties.

Performance

SOEs' Performance has been a concern since their visible inception into economic and management literature. Many reforms as nictitated by the poor performance of SOEs have been experienced over the past thirty years. In the case of Africa, almost all ailing or misaligned SOEs faced either privatization or some form of restructuring, the reason; to capture some positive dividends of their performance. Even after the privatization and establishment of SEO central management agencies, performance issues have persisted.

Conclusively, a lack of economically driven support for SOE reforms, together with the pervasive government participation, if not middling, in SOE management and vague performance targets, continue to offer substantial hurdles for enhancing the performance of SOE.

A Dialogue on '*Easing*' the Challenges: The Long-Walk to SOE Efficiency and Relevance

SOEs begin the long walk to performance and relevance freedom by balancing and aligning economic, social and political motivations for their existence. This might be

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accomplished by striking a compromise between a state's ownership responsibilities (appointing boards and providing supervision) and SOE competitiveness (Hanusch et al., 2018). Simultaneously, SOEs must indicate the way forward by building a clear legal and regulatory framework backed up by a robust oversight system and structure, a request that has been around for more than fifty years (World Bank Group, 2014).

Further, government's level control should explicitly set realistic, time-bound, and quantifiable goals for better guidance and assessment of SOE performance. However, these goals cannot be silent contracts between boards and ministers or between ministers and management teams of SOEs. They have to be published and have the power to compel SOEs to make public their results. This also entails creating a comprehensive scorecard that examines SOEs' financial viability and strengths and their progress toward economic, social and political goals such as contribution to National GDP, performance comparison *versus* industry peers, job creation, and public benefit.

Essentially, governments should institute regular monitoring and evaluation of SOEs and take and take it as a significant responsibility of the entities that own them. These entities monitor SOE performance through yearly performance reviews, reporting, regular board meetings, and international audits to identify and remedy underperformance as early as possible and encourage a *"continuous cycle of improvement."*

Finally, Talented and high performing individuals should be recruited into SOEs. Incentives for the performance at leadership and operational and organizational levels should also be implemented. Thus SOEs must attract and retain qualified personnel by all means.

The perception that SOEs are hierarchical and bureaucratic, with career promotion decided more by personal relationships and seniority than performance may dissuade talented individuals from joining their ranks. Thus mirroring private sector organizational performance models could be prudent in this case. As a result, to recruit outstanding workers, attractive compensation and benefits packages based on performance must be devised while assuring meritorious career development and progression opportunities.

FINDINGS AND DISCUSSIONS

SEOs are born out of organizations with social, political and economic permutations. Understanding SOEs from a purely '*economic*,' '*social*' or '*political*' standpoint is not robust enough to appreciate the nature of the SOE firm; what needs to be done to have them perform better and or become better enterprises in any form or shape.

SOEs are relevant in social-political and economic contexts, but the political nature of the owners overshadows their role. Government and governance performance, directly and indirectly, affect SOE performance and relevance.

Regardless, will always be a role for SOEs in a country's growth. Using them to improve the quality and coverage of public services is a unique opportunity for efficiency, advancement, and innovation.

Could this be when academic and multilateral organizations cease generalizing SOE challenges and condemning them without insight? SOEs frequently serve a clear, required, and desired purpose, despite being held at ransom by the powers that be and some of their lieutenants called management and board of directors. For SOEs to fulfil their mandates transparently,

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effectively and with the desired impacts, the owners must supply the management structure and essential resources, processes, and procedures.

Since their inception, State-Owned Enterprises (SOEs) have gone through several phases of social-political and economic evolution, from the establishment to nationalization, joint ventures to shared ownership (Cazurra et al., 2014; OECD, 2018). There is a degree of social creativeness when it comes to defining and approaching the function of the State as owner in light of the above developments. Regardless, what is typical for the state is to react rather than plan ahead for either evolution of their organizations. This might be one of the reasons why some of the issues with SOEs remain consistent over a lengthy period.

For the most part, these issues stem from the fact that the owner has a particular public and political characteristic, a nature that is rather difficult to balance in the face of social, economic, and political performance expectations.

There is a significant difficulty with SOEs and their management because of their political nature and continual political meddling. It is not just the government that exerts its influence on State-Owned Enterprises (SOEs) but the entire ecosystem of governance and incoherent missions and objectives.

As a shareholder, the State can influence the activities of SOE corporations, even in fully privatized enterprises or private but existing in regulated industries, except for visible double standards, which seem unavoidable mainly because they seem to be rooted in politics and playing double standards.

Partial measures have been implemented to address these issues. Political resistance from management and trade unions that lack institutionalism, capacity, coordination, and a lack of comprehensive and long-term planning have repeatedly thwarted these efforts, which were just partial solutions. Because of this, there has been no meaningful rethinking of the function of SOEs in the state apparatus, regardless of economic or political conditions. As a result, long-term planning would be necessary to deal with the reality that the SOE sector is more reactive than proactive; consequently, it would require scenarios that take macroeconomic conditions into account.

Political, regulatory, management and financial issues remain in SOEs to the detriment of efficiency. The answer - is a deliberate move to put a stop to it by the owner and shareholder - the State (Hanusch et al., 2018; Weiner et al., 2015; World Bank Group, 2014; Adner, 2006; O'Neill, 2021).

On the other hand, SOEs' contribution to GDP or economic performance deficiencies are not the only factor to consider when it comes to the efficiency of SOEs. In addition, as globalization reshapes global geopolitical-economic landscapes, a lot needs to be done to justify the rationale for relevance. Essentially, SOEs will need to change their methodologies, training, processes, and management models. They need to play a game of industry, social and economic relevance and invest in areas that deliver on all governments' motivation for their creation while consistently revisiting the rationale for existence or participation in particular industries.

CONCLUSION

In conclusion, to continuously innovate and solve these problems, there is a need for a new strategy that considers all of the sector's pillars (regulation, economic performance,

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operational efficiency, social-political and governance, e.t.c), as well as the players who engage with SOEs, to address all of these issues at once. That is a multi-specialization approach, having key outcomes with measurable deliverables by all parties to report to the citizenry over time. Several possible actions may be determined using this method, which can then be prioritized to each case's requirements, resources, and possibilities with a critical consideration of the SOE ecosystem.

The word ecosystem comes from biology and is defined as *"the collaborative arrangements through which enterprises integrate their distinct offers into a cohesive, customer-facing solution"*. Ecosystems are based on business and organization interdependence and complementarity within a specific market, regulatory framework, or environment.

Consequently, there is a wide range of stakeholders in the SOE ecosystem whose actions directly impact the SOE's future. The SOE ecosystem cannot be limited to just the SOEs and the people who own them; several actors whose existence and behaviour directly or indirectly influence the SOE should be included.

Lastly, corporate governance must encompass all stakeholders, not just SOEs, to be genuinely effective. This includes the government as well as all other shareholders and stakeholders.

Overall, the State's governance (political, social, and economic) must be improved as part of the formula for enhancing the SOE sector and solving the perennial anomalies and challenges that plague these enterprises. The mandate starts and ends with the Presidents and the leadership at responsible ministries and SOE bodies.

Practical Implications

The government, in its role as owner or custodian on behalf of nations' citizenry, needs to come to terms with the fact that a realignment between the owner, regulatory, and shareholder, as well as between that shareholder and their social-political character, has a detrimental effect on SOE performance but could be managed.

In addition, the function, performance, and significance of SOEs are positively impacted by the quality of the nation's government. More specifically this is seen in terms of its government processes, elevation of independence, structure, strategy, and integrity.

Originality and Value

The paper takes an unorthodox analytical view of unpacking the systemic challenges SOEs face through multidisciplinary lenses (social-political, economic, and management), rendering the topic complex yet compartmentalized for manageable research and contextual analysis for innovative solution generation.

This approach creates a strategy to isolate the conundrum of SOE theories of the firm, their relevance and performance. Therefore, positioning the study of SOEs as a multidimensional multisectoral approach to finding an appropriate way to improve and valorize their creation, strategic value, social-political and economic permutations.

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LIMITATIONS

This paper may have limitations of contextual interpretation as SOEs, and their owners differ in each country despite facing universal challenges. Further, the number of reforms being undertaken consistently by governments as a shareholder or absolute owners of SOE and the establishment of centralized or decentralized enterprises may already have or be in a position to fix some of the persistent problems addressed in the paper. In addition, the papers' research methodology depends on secondary sources of data which may be biased in some cases, thus rendering some reliability, validity and generalizability concerns in the long run. Overall, this paper introduces a '*sequel article for publication*' and would attend to the majority of the limitation concerns as other research articles develop from this.

FUTURE RESEARCH

SOEs continue to form a large footprint of enterprises worldwide in national, social-political, and economic systems. Their appearance as a consistent feature in business, economics and management multidisciplinary research speaks to their importance. In the most recent past, the literature has begun to take a twist to focus on the expanse of SOE's internationalization, management through central agencies and global economic impact, concentrating on multinational SOEs in the BRICS[4] and the developed world. Still, little research is being done to address persistent issues in developing and underdeveloped countries or economies.

Further, the ideological preference, acquisition or consolidation of political or economic power, historical legacy and inertia, and pragmatic solutions to economic difficulties as the primary reasons for founding SOEs are far from being realized. For this reason, this contribution towards this literature is being set in the foundation and, hopefully, be able to contribute to the body of knowledge on SOEs.

Lastly, this paper introduces research under the umbrella topic SOE Firms' Social-Political-Economic Theories and Ideologies: Characterizing Enterprise Organization, Performance & Relevance. Further investigation under this umbrella is poised to investigate the theoretical permutations of SOE from a multidisciplinary angle grounded in business, strategy and economics. The study will further interrogate what shapes, influences, and characterizes their social-political relevance and relevance. That is by apricating the social-political, economic and behavioural dimensions of the SOE firm.

ENDNOTES

1. Corporatization makes clear that political considerations (like supporting groups that vote or give money to campaigns) are not the same as economic considerations (involving the financial sustainability of the SOE and performance improvements). It's fairly obvious that the separation will not be perfect, but in the long run, social and economic goals are more likely to be met if the company (SOE) in question has better governance and more accountability. Corporatization, on the other hand, is also the foundation for commercialization.
2. In Zambia, all SOE's are owned the Ministry of Finance under Act Cap 349 of the Laws of Zambia. The Act has also seen the formation of the central controlling arm of government which wholly owns SOE or holds a stake/share in commercial entities. On the other hand some of the semi-commercial entities such as utilities may be partly owned by other ministries i.e. Ministry of Local Government and Housing but still

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fall under the Ministry of Finance.

3. The effect manifests itself in mixed economies and is most pronounced in both socialist governments. The term "soft budget" is frequently used to refer to the state's paternalistic position toward economic organizations and private enterprises, non-profit organizations, and citizenary (households). Two critical characteristics of 'soft budgets' ought to be highlighted. To begin, the budget constraint is loosened when the rigid link between expenditure and incomes is eased, because the excess of expenditure over profits is borne by another institution, often the state. Another criterion for softening is that the decision maker anticipates such external financial aid with a high likelihood, and this expectation is ingrained in the organizations habit.
4. The BRICS countries, including Brazil, Russia, India, China, and South Africa, are regarded as the world's top five developing economies. The name BRIC was developed in 2001 by Goldman Sachs' head of global economics research, Jim O'Neill, and was expanded to include South Africa in 2010 at China's invitation (though O'Neill disagrees with its inclusion). Although the acronym BRIC was coined as an informal term for these emerging economies, BRICS countries have held annual summits since 2009, with comparable areas of interest and ambitions to the more established Group of Seven (G7) – of which Russia was also a member from 1997 until its expulsion in 2014 following the annexation of Crimea. According to the World Bank, the G7 and the original BRIC countries account for 11 of the world's 12 largest economies (with the other being South Korea).

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