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Stakeholder attributes and attitudes during privatisation: a New Zealand case study

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Abstract

Purpose – The purpose of this paper is to focus on understanding of stakeholder attributes and attitudes towards privatisation. It examines the stakeholder attributes through the framework provided by Mitchell *et al.* (1997). By combining it with the concept of issue salience proposed by Bundy *et al.* (2013), it addresses the current gap in research on how stakeholders influence the process of privatisation.

Design/methodology/approach – This research uses a process research approach to examine the privatisation process in New Zealand's electricity industry in order to explore contexts, content and process of change. By collecting real-time data during the period of privatisation, utilising a process approach provided the authors a view of the historical path and associated events which lead to identification of stakeholder attributes and attitudes towards privatisation.

Findings – The research offers a unique insight into stakeholder attributes exhibited by different groups during privatisation. The authors identified that during privatisation the government is the ultimate stakeholder who sets the rules of the game of privatisation by exhibiting the attributes of power, legitimacy and urgency. The attributes exhibited by other stakeholders were transitory and were impacted by issue salience. The authors also identified that stakeholders exhibiting all three attributes (the government) chose a non-response approach to deal with any conflicting issues raised by other stakeholders.

Originality/value – The research examined the new public management emphasis on the privatisation of state-owned enterprises (SOEs) *vis-à-vis* stakeholder groups, utilising the complementary concepts of stakeholder salience and issue salience. This research makes a contribution to stakeholder management theory in the public sector by identifying how various stakeholders influence the process of privatisation of SOEs.

Keywords New Zealand, Privatization, Stakeholder analysis, New public management, Public sector reform, Electricity industry

Paper type Research paper

Introduction

Since the early 1980s, privatisation of public enterprises has been a significant part of the political agenda for many nations, both developing and developed (Arocena and Oliveros, 2012). Often included as a component of the new public management (NPM) orientation towards governance, privatisation of state-owned enterprises (SOEs) has been put into practice in many nations across the industrialised West, including the UK, Europe, the USA, Canada, Australia and New Zealand (Diefenbach, 2009). The motivation for governments to undertake privatisation have varied, but these tend to emphasise economic, political and financial goals (Arocena and Oliveros, 2012; Megginson and Netter, 2001). However, the approach is controversial, with argument between proponents and detractors now a common feature of public discourse in those countries attempting to privatise its SOEs.

As a reflection of its controversial nature, researchers have extensively examined privatisation to assess the financial and efficiency gains or losses that may result from it. However, improvement in the efficiency of SOEs that presumably results from privatisation may not be the ultimate goal of these efforts. It is becoming clear that "it is less about the

genuine application of the economic theory of efficiency, [and] more about winning a political and ideological struggle" (Letza *et al.*, 2004, p. 160). Other important questions generated over the years about privatisation relate to the management of stakeholders; who are the key stakeholders for a government to consider when they decide to privatise an SOE? Is the general public the principal owner of SOEs? Which stakeholder groups are critical to engage with in order to ensure the success of privatisation?

Our research makes a contribution towards the concept of stakeholder engagement and management during the process of privatisation of SOEs. We concur with researchers who have suggested that management's acknowledgement of its responsibilities towards these stakeholders is essential to develop appropriate responses in order to maximise outputs with minimal disruption (Freeman, 1984; Preston *et al.*, 1991; Mitchell *et al.*, 1997; Oudman *et al.*, 1998; Wheeler and Sillanpää, 1997). This mandates the need to incorporate a view of how different stakeholders might influence the process and contribute to an organisation's activities. It also raises the question of who the stakeholders might be for SOEs, and which of these stakeholders are more critical to consider in making divestment decisions. The circumstance of governments operating SOEs, what are essentially businesses, is unique because the government also determines the institutional context for SOEs. Through our review of the literature, we note that Mitchell *et al*'s (1997) argument to examine three stakeholder attributes—power, legitimacy and urgency helps determine stakeholder salience. Additionally, the notion of issue salience suggested by Bundy *et al.* (2013) also have great bearing on the question of privatisation and the role stakeholders play in the process. Hence, this paper aims to understand how these three attributes influence attitudes towards privatisation alongside issue salience.

Our research examined the partial privatisation of the SOEs comprising New Zealand's electricity industry. This industry has undergone dramatic change since the advent of NPM, and most significantly so in the past few years due to the government prioritisation of pursuing a Mixed-Ownership Model (MOM). The process of partial privatisation of three SOEs began in 2011 (see Ahmed *et al.*, 2014, 2015 for details). This research focuses on events from 2013 onwards to the end of 2014, a period marked by substantial activity due to pursuit of the MOM which helped us address our research question (Yin, 2009). By focussing on these key events during the privatisation process, we were able to identify the key stakeholder groups, their attributes and attitudes towards the government bid to privatise the electricity industry. As suggested by Poole *et al.* (2000), we collected real time data during periods of change to allow researchers to experience the process with key actors, gauge its emotional tenor and what impact change has on participants. We used a process-based research approach as it provided a view of the historical path and the associated incidents or events leading to change in the industry (Poole *et al.*, 2000; Van de Ven and Poole, 1995).

With an explicit focus on stakeholder management in the public sector, this research makes a contribution by presenting an understanding of how government responds to competing and conflicting stakeholder needs and claims (Bundy *et al.*, 2013). We also contribute to a better understanding of the link between strategic decisions related to SOEs vs policy preferences, as our research examines the institutional context and identifies who sets the rules of the game during the privatisation of SOEs.

Our paper continues in the next section with an outline of the literature focusing on NPM which leads to an argument for retaining SOEs. As the key aspects of our paper are stakeholders, we offer a summary of the stakeholder literature and provide an argument for further investigation of stakeholder management during the privatisation of SOEs. We follow this with a case for using the process research method and summarise our findings from the data analysis by way of a narrative. Our discussion section points out how far we have gone in our exploration of stakeholder management by identifying stakeholder attributes and attitudes during the privatisation of SOEs in New Zealand, and then provide directions for future research and indicate the limitations of our research.

The era of new public management (NPM)
The early twentieth century witnessed direct government ownership and involvement in business enterprises. This phenomenon was influenced by Marxist theories (from both economics and politics) and was justified by governments as a means for controlling natural monopolies for national security reasons (De Castro *et al.*, 1996). However, the last three decades of the century witnessed a significant shift in this approach and a period of transition with regard to government involvement (De Castro *et al.*, 1996). Change initiatives have since motivated government organisations in numerous countries to "reinvent, transform, or reform government agencies" (Fernandez and Rainey 2006, p. 168). These initiatives were described with terms such as "privatisation" and "corporatisation". With the focus of our research on privatisation, we use Shirley's (1999, p. 115) definition for this research; privatisation is simply defined as "the sale of state-owned assets".

Whilst the motivations for privatisation have been different across countries, they can be placed into three categories—economic, political and financial (Arocena and Oliveros, 2012). Often the key argument has been to realise efficiency gains. Referred to as NPM, these initiatives are driven by the basic idea of making public sector organisations more business-like (Diefenbach, 2009). One of the strategies utilised under the NPM mind-set is to privatise components under government control. It is argued that this strategy will lead to improved efficiency and, thus, enhance the financial performance of public sector organisations (Diefenbach, 2009). The belief in the superiority of the private sector and "market discipline" has been insinuated into the minds of government decision makers in many places around the world, even those of differing political persuasions (Funnell *et al.*, 2009). This is exemplified by the UK's reformation of many of its public sector institutions in 1980s led by the Conservative party. This perspective was adopted by the Labour government in New Zealand around the same time.

Economists in particular have spoken in favour of privatisation by putting forward the argument that state ownership objectives are badly defined due to lack of clear ownership (Coase, 1988; Boycko *et al.*, 1996; Ramamurti, 2000). Furthermore, pro-privatisation theorists argue that the existence of vague objectives for SOEs makes it harder for citizens of the country to hold managers and ministers in-charge accountable for their performance (Morison, 1998). Thus, privatisation has become a phenomenon for removing at least some of the opaqueness associated with public ownership as well as reallocating resources, and has been used increasingly by governments (Megginson and Netter, 2001). While economists continue to debate the pros and cons of privatisation, the fact remains that privatisation is one of the key strategies employed as a part of the NPM orientation aiming to improve efficiency of the public sector organisations. As Diefenbach (2009) points out, NPM emphasises that public sector organisations face immense pressure from their operating business environment. Challenging and changing business environments consequential to globalisation and neo-liberalism make it necessary for public sector organisations to change in order to fit to "the new spirit of capitalism" (Chiapello and Fairclough, 2002, p. 186). Therefore, NPM's key objective for privatisation is to provide public sector organisations with a new orientation by changing the way they operate (Diefenbach, 2009). However, critics of privatisation argue that this economic development comes at a high price (Bond, 2003; Diokno-Pascual, 2003; Ellwood, 2003; Letza *et al.*, 2004). Some have described it as "selling off the family silver" (Ernst and Young, 1992) and "loss of state wealth" (Cowan, 1990).

An argument for SOEs
Popular thought since the early 1980s appeared to be that SOEs were "destined to become relics of history" (Spicer *et al.*, 2000 cited in Bruton *et al.*, 2015). Nonetheless, SOEs have represented a large proportion of world gross domestic product (approximately 10 per cent

after the first decade of the century) and global equity market value (about 20 per cent during the same period) (Economist, 2010, 2012a cited in Bruton *et al.*, 2015). It is, therefore, not surprising that in certain parts of the world SOEs play a key role in the economy, particularly the regions of Africa, Asia and Latin America, often in strategic industries (Bruton *et al.*, 2015). The presence of SOEs was credited with helping France navigate through the 2008 economic crises. An additional set of developed nations such as the USA and the UK nationalised major firms after the 2008 economic crises (Bruton *et al.*, 2015), documenting that privatisation is not always thought to be the most prudent response to economic turmoil.

The lengthy, ongoing debate on the virtues and perils of state ownership is, at its root, an ideological one (Bruton *et al.*, 2015). One persistent element of this debate on SOEs over the years is the question regarding their function. Typically, the main thrust of the function argument is not tightly focussed on profit maximisation. Rather, it tends to be one focussed on either increasing market share or employment levels (Bruton *et al.*, 2015). There is also ongoing debate about the extent of efficiency gains of SOEs post-privatisation (Arocena and Oliveros, 2012), implying that privatisation is merely the distribution of public welfare amongst various private entities (Castro *et al.*, 1996). More studies are beginning to provide evidence that changing ownership from public to private does not necessarily lead to efficiency (Arocena and Oliveros, 2012; Oum *et al.*, 2006).

Bruton *et al.*'s (2015) review of 39 articles relating to SOEs highlighted that studies examining SOEs did not agree on the effects of state ownership on firm performance. Bruton *et al.* (2015) also suggested that the lack of attention given to SOEs research in top-tier journals can be attributed to the absence of original theory building and testing about the performance of SOEs. They emphasise that there is a need to further build understanding of this major organisational form (Bruton *et al.*, 2015). The present paper reports on our effort to address the question of SOE performance in the context of stakeholders.

The problem with stakeholders

NPM proponents strongly suggest that public sector organisations must change in order to fit with changing business environments and also "accept that they need to cope with the reality of change in order to be successful" (Karp, 2005, p. 88). However, change in public sector organisations is different to that in private sector ones, as changes in public sector organisations involves resolving the often conflicting interests of stakeholders (Cunningham and Kempling, 2009) and where government involvement plays a central role. Therefore, stakeholder management during privatisation of SOEs is of particular interest (Ogden and Watson, 1999). Diefenbach (2009) states that NPM often utilises a stakeholder orientation where it identifies internal and external stakeholders and aims to address their interests equally; however, this is far from reality. An argument by Cunningham and Kempling (2009) highlights that making changes in the public sector is not just about convincing all stakeholders to get on side—it is also about negotiating with stakeholders of different interests by responding to conflicts, these invariably will require some degree of compromise amongst the groups. Our analysis of the wealth of literature available on stakeholder engagement strongly suggests that the most effective ways of determining stakeholder relevance are based on both stakeholder salience and issue salience.

Stakeholder salience

Stakeholders, at its rudimentary level, have been defined in Freeman's (2010, p. 46) seminal work as: "any group or individual who can affect or is affected by the achievement of the organisation's objectives". We focus on the three important questions provided by Frooman (1999, p. 191) to analyse stakeholders—Who are they? What do they want? And how are

they trying to get what they need? These questions point to the issue of group relevance and salience, as discussed above. We suggest that the most effective way of determining stakeholder salience is according to the typology of the stakeholder attributes of power, legitimacy and urgency as identified by Mitchell *et al.* (1997). By identifying stakeholders based on these attributes there is improved possibility of managing them by determining stakeholder salience, i.e. helping managers to identify "to whom" or "to what" they should pay attention (Mitchell *et al.*, 1997, p. 854). Thus, the more critical need for organisations is to understand who and of what type its stakeholders are and how they can influence them has been emphasised throughout the literature on stakeholders (Rowley, 1997). Our research has chosen to focus on the three attributes only and we define these attributes in line with relevance to the scope of our current paper in Table I. Magness (2008) indicates that a comprehensive review of the framework proposed by Mitchell *et al.* (1997) is yet to be done. This is surprising, as their three coordinates of salience appear to have great potential for explaining the nature of stakeholder influence on organisations. Consequently, we have chosen to include these as part of the analytic focus of the present effort.

The concept of stakeholder salience based on Mitchell, Agle and Wood (1997)
Stakeholder salience: how are stakeholders trying to get what they need?

Power
   Salancik and Pfeffer (1974, p. 3): "the ability [of a person or group of people] [...] to bring about the outcomes they desire"
   Stakeholders can exercise influence in their relationship with the organisation through gaining access to coercive, utilitarian or normative means (Mitchell *et al.*, 1997)
   Power, thus, is a critical indicator of the salience of the group, central to achieving their goals, and is in essence a measure of their potential to initiate change in organisations
   Another indication of a stakeholder's power is the degree to which the organisation "pushes back" on the group, that is, how strongly it resists or rejects the influence of the group on its activities or structure

Legitimacy
   Suchman (1995, p. 574) "proper or appropriate within some socially constructed systems of norms, values, beliefs and definitions"
   Legitimacy relates to socially accepted and expected structures or behaviours in an organisation.
   In the context of stakeholder groups, legitimacy also means "justified"
   The right of the stakeholder groups to influence the organisation can thus described in terms of shared values, common organisationally normative behaviours and understandings of policies and procedures, and belief in the right to express a collective desire for change

Urgency
   Derived from the word "urgent", the Merriam-Webster online dictionary "very important and needing immediate attention"
   In the organisational change context, urgency exists only when a relationship is of a time-sensitive nature and when a relationship or claim is critical to the stakeholder
   It can become an expression of the group's belief that a situation carries a more immediate threat to the health and well-being of the organisation
The concept of issue salience based on Bundy, Shropshire and Buchholtz (2015)
Issue salience: how much a stakeholder issue resonates with and is prioritised by management?

Type of issue	Responses
Consistent: it aligns or has an impact on the organisation's value and helps it in achieving its strategic goals	
	Accommodation, defence, negotiation, non-response
Conflicting: it challenges or threatens the organisation's strategic goals and identity	
Unrelated: it is irrelevant to the organisation's goals or identity	

Table I.
Stakeholder salience and issue salience

Issue salience

We argue that the notion of stakeholder salience is incomplete, and of itself is not enough to provide a full explanation of stakeholder activity and impact. A more holistic view should also include some notion of how important or pressing a particular problem or situation is for the organisation as well as those most interested in the organisation's response to these. Bundy *et al.* (2013, p. 353) offered insight into how this might be construed by introducing the concept of issue salience into the organisational management literature. Whilst a focus on the group and its relevance to the operation of a business is critical for understanding the influence of stakeholders, such influence is not likely to be considered fully legitimate without also acknowledging that the issue stimulating stakeholder interest—social, political or organisational—also has undeniable relevance. This is reflected in Bundy *et al.*'s description of issue salience—"the degree to which a stakeholder issue resonates with and is prioritised by management". Such an emphasis highlights that responses by firms and managers are often directed towards "issues and concerns advocated by stakeholders", and thereby confirms the importance of stakeholders to managerial activities and decisions. This makes issue salience a potentially dominant driver for action that is often based on the management's interpretation of the issue as well as management's implicit recognition of the views of stakeholder groups (Bundy *et al.*, 2013). We have used Bundy *et al*'s (2013) approach to issue salience as a fundamental concept for our research, particularly their strategic cognition framework which focuses on issue salience with regard to an organisation's strategic frame and identity based on cognitive logics of consistency and conflicting. Bundy *et al.* (2013) suggest that by determining the issue type, an appropriate response can be implemented by organisations which are captured in Table I. By establishing a new research agenda for exploring organisational responsiveness to stakeholder concerns, Bundy *et al.* (2013) have identified the need for future research to test this model. They have also suggested that a current gap in research exists in relation to how organisations manage competing stakeholder claims and how external decision makers impact organisational responses to competing claims. These concerns are ones that can be addressed using the issue salience model. Our research takes this as its starting point, examining the relevance of the model together with that of stakeholder salience in order to find out—how different stakeholders influence the privatisation process?

Research method—process research

Research examining changes in organisations including privatisation or ownership changes has traditionally used a variance approach, i.e., have examined relationships between dependent and independent variables (Arocena and Oliveros, 2012; Magness, 2008; Oum *et al.*, 2008; Shirley, 1999). However, by using dependent and independent variables in the variance approach, often it is difficult to study how the process unfolded and ignore influences caused by other factors (Poole and Van de Ven, 2004). Moreover, through the variance approach it is indeed difficult to examine the influence of critical factors and multiple causes acting at the same time (Poole and Van de Ven, 2004) during an event. This drawback is overcome by utilising process research, which explains how a sequence of events lead to an outcome (Poole and Van de Ven, 2004). Process research is useful as it provides an understanding of how entities adapt, change and evolve (Hernes and Weik, 2007; Van de Ven, 2007) by focusing on the series of events that unfolded over time (Poole and Van de Ven, 2004).

Using a process research approach for examining organisations is advantageous because it shifts attention to "organising" where ongoing and independent actions are assembled to make sense and generate outcomes (Langley and Tsoukas, 2010). Explanations derived by utilising a process approach are more detailed and complex as they account for temporal connections between events (Poole and Van de Ven, 2004).

Process research is also a flexible mode of inquiry which offers insight into unexplained causal relationships while acknowledging the human hand during any change (Poole *et al.*, 2000). Based on the Huberman and Miles (2002) suggestion to choose cases which can be observed clearly and contribute to extending emergent theory, this research chose the New Zealand electricity industry as it has a history of significant changes and is a critical component of the nation's infrastructure.

Focus of this research—the New Zealand electricity industry
New Zealand faced several economic crises in the early 1980s which forced the country to pursue significant reforms. The SOE sector in New Zealand comprises of companies created under the SOE Act 1986 which had combined total assets of $53bn with revenues over $13bn as of 2011; however, these figures follow the significant sale of SOEs when the government in power pursued economic reforms (Laking, 2015). These reforms had significant impact on the electricity industry (Funnell *et al.*, 2009). Ahmed *et al.* (2014, 2015) and Bertram (2006) offer a detailed summary of changes over the past three decades in the New Zealand electricity industry. Figure 1 provides a snapshot of the New Zealand electricity sector and it indicates the ownership changes after the government embarked on any changes. The New Zealand electricity industry has continuously evolved over the past four decades (Ahmed *et al.*, 2015) and corporatisation of the SOEs was part of initial changes. However, the wave of change did not stop there and privatisation continues to be a major part of reforms. The government announced its decision in 2011 to pursue an MOM by partial privatisation of the three electricity SOEs—Mighty River Power, Meridian Energy and Genesis Energy. They argued that this provide investment opportunity for all New Zealanders as they can invest in purchasing shares in the SOEs slated for sale (Ahmed *et al.*, 2014) by linking it to the idea of wealth redistribution (De Castro *et al.*, 1996). However, opposition to this proposal by key stakeholders (opposition parties and groups of concerned citizens) proved powerful in disrupting the proposed course of action and had significant impacts on key turning points and outcomes. This setting provided the context in which to examine the implementation of privatisation in the public sector by taking into account attributes and attitudes of different stakeholders while it was occurring.

Data collection and analysis
As Poole *et al.* (2000, p. 91) state, the most stringent requirement for undertaking process research is utilising "event sequence data". Therefore, when formulating a research plan researchers thus should focus on collecting longitudinal data (Langley *et al.* 2013) to
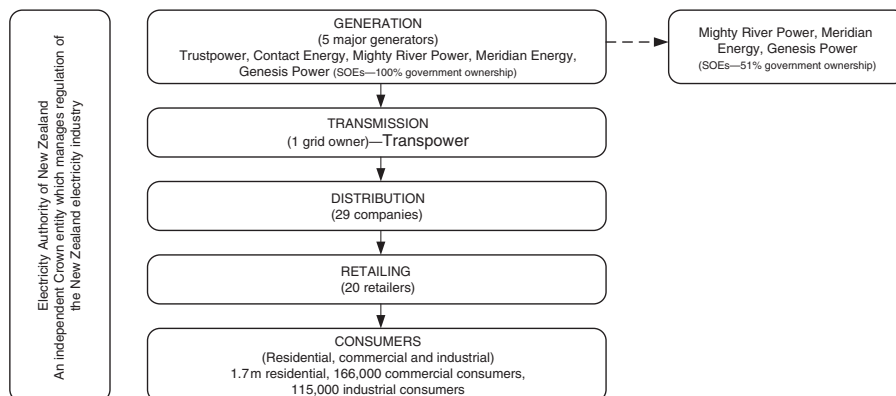
Figure 1.
Structure of
New Zealand
electricity industry—
pre- and post-pursuit
of MOM

evaluate and develop a narrative (Poole *et al.*, 2000). Poole *et al.* (2000) suggest that gathering and examining real time data presents the opportunity to judge the relevance of data and provides the advantage of examining how the process of change unfolded. Moreover, Poole *et al.* (2000) point out that collecting real time data during periods of change allows researchers to experience the process with key actors, gauge its emotional tenor and what impact change has on participants. Figure 2 outlines details of the research method we adopted from Van de Ven (2007). The focus of this research was examining stakeholder attributes and attitudes exhibited; hence, data for the present research was collected in real time. This was done by examining various local and national newspaper reports, government reports and media coverage of the whole privatisation process. In total, 93 different documents were utilised for collecting the relevant data from 2013 to end of 2014. This period had significant relevance as major change initiatives were undertaken in the electricity industry.

As the research aimed to identify stakeholder attributes and attitudes whilst the government pursued privatisation of the three electricity SOEs, we utilised content analysis as our method. In order to identify reports relevant to the key themes of different stakeholder attributes, we focussed on thematic analysis (Rice and Ezzy, 1999). In order to get a timeline of each event, we created a date for each incident which included defining the datum (Ahmed, 2014; Poole *et al.*, 2000) in order to then identify events using template matching strategy (Langley, 1999). We followed this with the narrative strategy (Langley, 1999) by organising data in the form of a narrative, which is presented in the next section. This follows recommendations from Pettigrew *et al.* (2001) and Pentland (1999) for acknowledgement of the context, content, process and outcome during change processes (Kuipers *et al.*, 2014). The narrative aims to highlight how different stakeholders influenced the process of privatisation in New Zealand in order to address our research question.
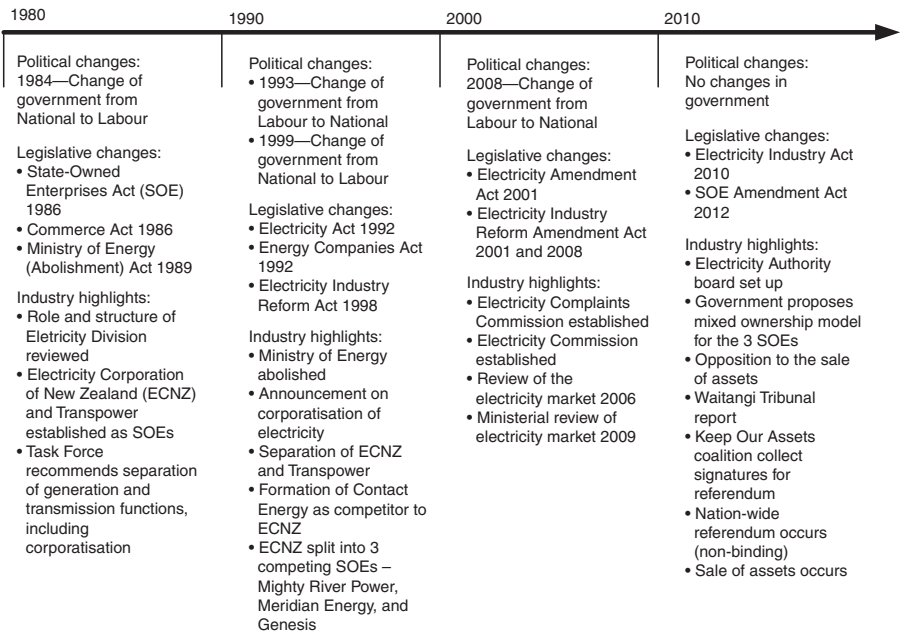

Figure 2.
Timeline of major events in the New Zealand electricity industry

The narrative
With over four decades of change behind them resulting from various economic and political events, the electricity industry in New Zealand still presents a significant issue for the general public and, thus, for the national political agenda. A timeline of major events impacting the electricity industry in New Zealand is presented in Figure 2. The New Zealand government's decision in May 2011 to pursue an MOM through partial privatisation by selling 49 per cent shares in three of the electricity SOEs—Meridian, Mighty River Power and Genesis Energy—was met by substantial opposition (Table II).

Kaitiakitanga—the history of Māori in New Zealand
As caretakers (kaitiaki) of the land and waters, ten claimants approached the Waitangi Tribunal and lodged a claim to halt the asset sales of the SOEs in response to the government's proposal. It was argued that the MOM approach fails to protect Māori rights in the water resources used by these companies. Māori argued that the government's decision fails to recognise the authority Māori held over water as kaitiaki (caretakers). Māori believe that there is deep kinship between humans and the natural world, which is expressed through kaitiakitanga, in effect, the cultural obligation of guardianship and protection in managing the environment. While the claimants accepted the rights of Pakeha (non-Māori) to receive the benefits of water, they argued that the government's decision was a breach of residual proprietary rights which they asserted were guaranteed under the Treaty of Waitangi. The British formalised their settlement of New Zealand by signing the Treaty of Waitangi in 1840 with the indigenous people of New Zealand. The Treaty is a broad set of principles which provided the Crown with governing rights over Māori land and waters. However, the Treaty conveys very different meanings in the two versions—English and Māori. These different understandings have been a matter of debate since 1960s and have been marked with a growing number of protests in recent years. The government set up the Waitangi Tribunal (the Tribunal) under the Treaty of Waitangi Act 1975 to address Māori grievances which now has substantial public and political significance.

Through privatisation of SOEs, the Māori argued that the Crown was in breach of the principles of the Treaty by not allowing recognition of their guardianship (kaitiakitanga) and authority (tino rangatiranga). Following an inquiry into the latest claim—National Freshwater and Geothermal Resources—the Tribunal recommended halting the relevant asset sales until the matter is resolved. This recommendation forced the government to

Mode of inquiry	Deductive
Data collection	Unit of analysis: New Zealand Electricity Industry
	Observation method: Real time (January 2013–December 2014) from newspapers, media reports, government reports and briefings
	Sample size: 107 incidents
Data measurement and analysis	Process concepts:
	Attributes of power, legitimacy and urgency; issue salience
	Incidents and events:
	Coding rules developed to identify
	1. Stakeholder groups
	2. The attributes exhibited by stakeholder groups
	3. Determining issue salience
	Tabulating and organising data
	MS Excel

Source: Adopted from Van de Ven (2007)

delay the sale of assets until March of 2013, therefore, indicating the significance of Māori as key stakeholders.

After a failed bid in the High Court in December, 2012, the Māori Council approached the Supreme Court in January 2013, who also rejected the Maori Council's claim to halt the government's partial asset sales (Cunningham and Anderson, 2013). However, the Supreme Court noted that although the Maori Council failed in its appeal, it was successful in reminding the Crown that it was bound to comply with "principles of the Treaty" before selling any shares (Cunningham and Anderson, 2013). The Supreme Court's decision allowed the government to go ahead with the Initial Public Offering of Mighty River Power.

The opposition and people of New Zealand

The government also faced opposition from the Labour and Green parties via their Keep Our Assets Coalition which was launched in May, 2012. The effort aimed at collecting 310,000 valid signatures in order to trigger a citizen's initiated referendum on the sale of state-owned assets. The Coalition successfully collected 393,000 signatures and submitted its petition to the Clerk of the Parliament in 2013 and was successful in initiating a referendum. The share prices of Mighty River Power (the first SOE) were sabotaged when the opposition parties also released an alternative plan for the electricity industry. The announcement came a day before the sale of shares of Mighty River Power and suggested that they would return to a centrally planned electricity system if the coalition formed a government in the next 2014 general elections (Smellie, 2013). This demonstrates the significance of two groups of stakeholders—the opposition and people of New Zealand as critical stakeholders during the privatisation process of SOEs.

The Prime Minister announced that a Citizens' Initiated Referendum would take place in late 2013. However, the referendum was not binding on the government. All the commotion did not deter the government from selling shares in the second generating company—Meridian Energy—in October, 2013. However, Meridian share prices continued to trend downwards from the initial public offering and the referendum was due to take place in November and December 2013. On 17 December 2013, the results of the referendum were released and the people of New Zealand had spoken. A 67.3 per cent majority of votes were against the sale of the SOEs. However, the government chose to ignore the results of the referendum and continued with the sale of the third SOE in April 2014—Genesis Energy. However, this time events favoured the government with share prices listed at a premium, jumping more than 16 per cent the next day when trading opened on the NZX (Rutherford, 2014). The sale of Genesis Energy brought a symbolic end to the asset sales programme of the government.

In 2014, the government released its final estimate of the costs of pursuing the partial privatisation programme of SOE share sales: NZD85.5m. The opposition's Green party co-leader Russell Norman noted that the sales generated less interest than forgone dividends which is "plain bad economics". The National-led government secured another victory in the September 2014 general elections which highlighted that apart from the relatively unpopular asset sales programme, the National party had avoided "doing anything to antagonise middle-ground voters" (Davison, 2014). The Budget in 2015 documented that although the government proceeded with asset sales, there was still a shortfall of $424m. Information obtained under the Official Information Act by media in 2016 indicated that only third of the funds had been utilised and there is ongoing speculation whether the funds have gone to schools and hospitals, where they were promised. The government has been accused of using the funds for "pet projects" by their opposition. While fortunes have been mixed, 2016 figures suggest Meridian Energy is a star performer amongst the three, with shares trading 57 per cent higher than its initial float price of $1.50. However, it has not been positive for electricity consumers as recent statistics by the Ministry of Business,

Innovation and Employment point out that the real residential cost per unit has increased from \$25.88 c/kWh in March 2011, when discussion began about asset sales, to \$28.12 c/kWh in March 2016. The Crown's debt (using Budget 2016 figures) was expected to increase to NZD66.3bn in 2017 against NZD50.7bn in 2012. Thus, the question remains as to whether the asset sales actually added value to the government and New Zealand. The argument over whether pursing partial privatisation has brought any gains in efficiency to the government or the people of New Zealand is yet to be resolved. The question that lingers for New Zealanders is "were the assets better off remaining with government ownership?"

Discussion

The present research examined stakeholder attributes and attitudes during a change process in New Zealand's electricity industry when the government decided to pursue an MOM through partial privatisation of three electricity SOEs. The narrative in the previous section provided details of various events and how stakeholders influenced the privatisation process. In this section, we will discuss the attributes and attitudes of various stakeholders. With a focus on stakeholder salience, the asset sales process will be examined in light of the three attributes identified by Mitchell *et al.* (1997)—power, legitimacy and urgency. We also analyse the situation from the perspective of issue salience and use Bundy *et al.*'s (2013) explanation of strategic cognition to assess responses by the government.

Privatisation is often seen as a mechanism for increasing the efficiency of SOEs, thus justifying the sale of those which are thought to be under-performing (Letza, Smallman and Sun, 2004). Hence, the privatisation of public sector assets through SOE sales is a contentious matter and plays an important role when examining stakeholders' attributes and attitudes to this phenomenon. Bundy *et al.*'s (2013) examination discussed the relevance of issue salience at the firm level; we think this has connotations for the industry level as well. In this study, we identified that privatisation of SOEs was indeed the major issue which resonated with the government in power, its political opposition, Māori and the general public of New Zealand. Researchers have highlighted previously that stakeholders will mobilise around an issue driven by identity, culture or emotional connection (Bansal and Roth, 2000; Bundy *et al.*, 2013; Jones *et al.*, 2007; Rowley and Moldoveanu, 2003). However, by using the attributes of power, legitimacy and urgency in the context of SOE asset sales we can identify and describe stakeholder responses to an issue. Throughout the narrative it is very clear that these stakeholders (opposition, Māori and the general public) were concerned with the attributes of legitimacy and urgency. For example, the claim lodged by the Māori tribes was a result of that stakeholder group stating their claim for legitimacy. In contrast, the reaction by the Keep Our Asset Coalition was a result of urgency raised by the political opposition. However, their concerns and responses were indeed a function of issue salience, i.e., the degree to which the issue connected with deeper meanings (Bundy *et al.*, 2013).

The decisions of the High Court and Supreme Court demonstrate that they operated with attributes of power and legitimacy by approving the government's asset sales programme which supports the argument proposed by Ogden and Watson (1999) who point out that stakeholders do not have assurance that their interests will be addressed. Donaldson and Preston (1995, p. 87) suggest that instead of treating stakeholder interests instrumentally, management needs to:

acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within mutually supportive framework, because that is a moral requirement for the legitimacy of the management function.

The Government of New Zealand did exactly this by responding to the stakeholder concerns, therefore, exhibiting the attribute of legitimacy. It acknowledged the issues raised by the opposition and Māori claimants by delaying the asset sales programme for a short

while; however, as Diefenbach (2009, p. 896) suggests, when the issue of privatisation is approached in NPM "it concentrates on meeting the targets and requirements only of strong and influential external stakeholders". Indeed, the attribute of power is clearly demonstrated by the Government of New Zealand which pursued its original plan and proceeded with the sale of the SOEs after the Supreme Court decision. Moreover, the government's decision to proceed with the sale was backed by the need for funds in order to avoid further borrowing from overseas and provided a budget surplus. Through this aspect they exhibited urgency. Whether the sale of assets of SOEs will contribute to the perceived efficiency gains in the industry remains to be determined. This highlights the role of politics in SOEs (Bruton *et al.*, 2015) and their operations and emphasising that privatisation is often more about winning a political argument by setting the rules of the game than about the presumed efficiency gains that may result from privatisation.

Our examination of stakeholder attributes during privatisation supports Magness's (2008) suggestion that stakeholder attributes will be transitory and not fixed in time. By examining stakeholder dynamics and their impact on organisations during changes, we gained insights to identifying the salience of not just stakeholders but also issues that are relevant to them and the contexts within which their influence might be operate. We also developed a better understanding of the transitory nature of these stakeholder attributes in relation to issues—for example, the general public of New Zealand. A substantial majority of the public expressed their opposition to the asset sales through the referendum by displaying the attribute of legitimacy and urgency; however, it remains a fact that the National-led government retained its position via the 2014 election. This demonstrates that the general public in New Zealand were concerned with other issues at a different time exhibiting only the attribute of legitimacy. It, therefore, supports the argument that stakeholder attributes are often for transitory in nature. Based in our findings, Figure 3 identifies the stakeholders across the three attributes of power, legitimacy and urgency. However, we do wish to highlight that the classification of stakeholders is dynamic and any stakeholder has the potential to exhibit different attributes and shift of stakeholder attributes at different times is based on the issue salience. We have not mapped other stakeholders who did not exhibit any attribute as they were part of the SOEs or entities managed by the government. This included the three SOEs, The Treasury, Commerce Commission, media, Transpower, Electricity Authority, and Audit Office NZ.

At a high-level through our research we wanted to identify how stakeholders influence the privatisation process of SOEs. However, at a more deeper level our research contributes
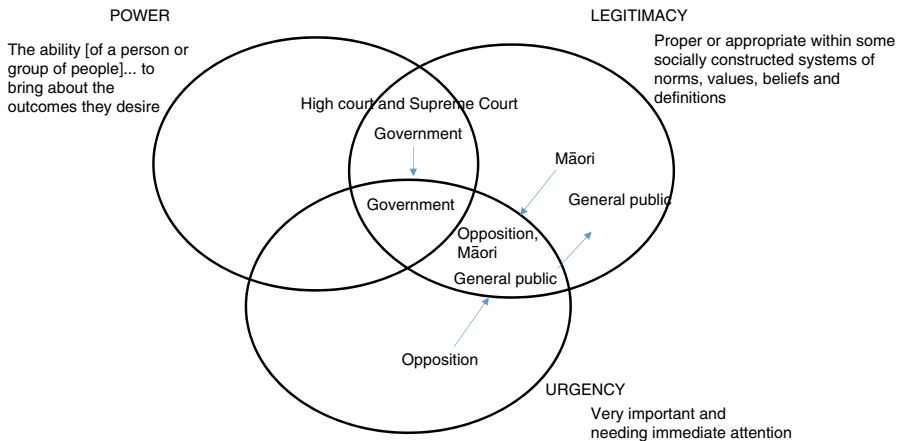

Figure 3.
Stakeholder attributes exhibited towards the pursuit of MOM of the New Zealand electricity industry

towards finding an empirical answer to Bundy *et al.*'s (2013, p. 357) question, "how do firms cognitively process stakeholder issues to determine salience and subsequent responsiveness?" Our examination documented that strategic cognition employed by the government was limited to only addressing the immediate concerns raised by stakeholders. The government was seen to utilise all kinds of responses in regards to the issues it was facing by moving from accommodative to negotiation to defensive; however, at an overall level with regards to its decision of sale of SOEs it demonstrated a non-response (Bundy *et al.*, 2015) towards issue which were conflicting. This is captured with specific examples in Figure 4. It reasserts Magness's (2008, p. 189) contention that decisions encouraged by presence of the three attributes ignores the essential value of any other group; hence, the presence of other attributes exhibited by other stakeholders will be disregarded with tactical acknowledgement. The research also provided an indication of how the government responded to the claims of stakeholders (Bundy *et al.*, 2013; Kaler, 2006) outside of the named organisations yet held autonomous authority in regards to decision making. While there were no competing demands amongst stakeholders, there was conflict present between a group of stakeholders and the government (Hadani *et al.*, 2011). However, in this context it was clear that the government set the rules of the game and the players were mere followers. The outcome of the conflict brought about by the turn towards NPM emphasises that politics plays a key role in determining the destiny of SOEs which is largely influenced by strategic decisions and policy preferences of the ultimate stakeholder group—the government (Bruton *et al.*, 2015). However, what remains to be determined is whether it is appropriate for democratic nations. It is also critical to examine this through the lens of wealth redistribution where the goal is to achieve economic development by changing the structure of SOE ownership and making citizens owners of the firm, which many have argued comes at a high price (Bond, 2003; Diokno-Pascual, 2003; Ellwood, 2003; Letza *et al.*, 2004).

Future research and limitations
The current research examined changes that happened in the electricity industry in New Zealand in the 2013–2014 period, with due recognition of the context and events unfolding alongside the challenges or opportunities related to different stakeholder groups. We acknowledge that direct interviews with different stakeholders would have added to the richness and depth of data regarding stakeholder concerns. However, given the political nature of the change process it was not possible to pursue this. This creates an opportunity for future research to interview individual stakeholders during the change process of privatisation (or any other change process) to assess concerns and identify relevant attributes exhibited by them. Moreover, the study was restricted to one industry in a single country; electricity in New Zealand. Hence, undertaking similar studies to be repeated in different industries and in a

Relationship to strategic frame	Conflicting	Consistent	Conflicting	Conflicting	Conflicting
	Tribunal's recommendation to halt asset sales until discussion completed with Māori Type of response: Negotiation	High Court and Supreme Court's decision to proceed with sale of SOEs Type of response: Accommodative	Launch of opposition's alternative energy plan Type of response: Nonresponse Conducting a national referendum on asset sales based on petition started by opposition coalition Type of response: Accommodative Outcome of referendum with majority against asset sales of SOEs Type of response: Non-response	Drop in share prices of first two SOEs that had public offering Type of response: Nonresponse	Media highlighting funds used by Government for other "pet projects".. Type of response: Defensive

Figure 4.
Mapping the government's response to issues

different geographical locations will add depth to the understanding of stakeholder attributes and attitudes to privatisation whilst simultaneously acknowledging social-cultural stakeholders and attitudes. We also note Bos's (1991) arguments that highlight government's role as a "steward" for imposing market discipline. However, we recognise that such an imposition comes with the risk of blending the worst qualities of both government and private ownership (Oum *et al.*, 2006). Both theoretical arguments and empirical evidence (Boardman and Vining, 1989; Ehrlich *et al.*, 1994; Oum *et al.*, 2008) suggest that organisations with mixed ownership do not necessarily perform better or worse than other forms of ownership. While this research has kept its focus on stakeholders only, future research should examine actual performance to assess any productivity or efficiency gains made by government ownership vs those enterprises under private ownership.

Conclusion

Privatisation of SOEs has been a global feature over the past few decades under the NPM orientation. Many countries have embarked on privatisation strategies of public-owned utilities in the hope of improving efficiency. While economists still debate the advantages and disadvantages of such programmes, many nations have embraced them. There are also distinct patterns of authority and responsibility that exist with changing ownership arrangements and questions as to whether ownership changes have improved efficiency or not have been important topics in research in both the management and economics research streams (Oum *et al.*, 2006).

With the focus of this study on privatisation of SOEs in the New Zealand electricity industry, our discussion centred on stakeholder and issue salience and provided a contribution towards understanding stakeholder attributes and attitudes during privatisation. Our study of the New Zealand electricity industry revealed that while aiming to implement a NPM orientation in the electricity industry through sale of SOEs, the government was able to exhibit all three attributes of power, legitimacy and urgency. Other stakeholders, however, can also exhibit a combination of these three attributes whilst their concerns and/or responses are a result of issue salience. However, it was evident that the government sets the institutional tone and is in control of activity which makes them the ultimate stakeholder. This pivotal role and actions stemming from it are likely to overpower any concerns raised by other stakeholders. As we identified that the government which exhibited all three attributes also chose a non-response approach to deal with any conflicting issues raised by other stakeholders. It is in the end the government that sets the rules of the game during the process of privatisation of SOEs, and that it might carry through with its plans regardless of the opposition of a majority of the citizenry.

We concur with the Agle *et al.* (2008, p. 153) suggestion that the "stakeholder idea is alive, well and flourishing". We also will emphasise that it has its challenges. While this research offered a pathway for examining stakeholder management in a privatisation context, i.e., government vs other diverse groups of stakeholders, there is need for more research to explain how firms or organisations chose between competing or conflicting stakeholder claims (Bundy *et al.*, 2013). The research provided a basis to further explore the correlation between stakeholder salience and issue salience across the public sectors.

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