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Introduction

• The causes of death of public sector organizations in Korea
• Event history analysis with data from Korean quangos between 1993 and 2010
• What is public sector organizations?
• How can we define the death or termination of an organization?
Public Sector Organizations or quasi-autonomous non-governmental organizations (QUANGOs)

- a popular form of delivering social services
- provide public services with public money
- different from public organizations in that they are in between the public and the private sector and operating at arm's length of the government
- Reforms of quangos involve structural changes
- An immortal entity?
A Korean Case

• Quangos in the Korean developmental state
• Korean quangos are excellent subjects for examining the dynamics of structural changes because they have been through various institutional reforms for a short period of time.
• Presidential periods:

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<tbody>
<tr>
<td>Young-Sam Kim</td>
<td>Dae-Jung Kim</td>
<td>Moo-Hyun Roh</td>
<td>Myoung-Bak Lee</td>
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Defining Organizational Termination

- No clear answer.
- Termination as “the abolition of an organization with no replacement organization established” (Peters and Hogwood 1988: 132).
- Extend the boundary of organizational termination by including succession-type organizational changes (Peters and Hogwood 1988; Roland and Roness 2010; Hajnal 2011).
• Following the previous research, I consider organizational termination as to involve three types of reorganization including merging, splitting, and shifting to the private sector, i.e., privatizing.

• Organizations that only changed a name and some of their functions are not considered to be terminated.
Data and Method

• A longitudinal data on quangos in Korea between 1993 and 2010
• Including only public enterprises and quasi public organizations according to the new law
• The dependent variable of this study is the duration until an organization is terminated.
• Event history analysis or survival analysis: the incidence of an event within a period of the study in relation to a set of covariates.
• A model is developed to predict under which conditions quangos are more likely to be terminated.
• Treating censorship issues
• The Cox proportional hazard model: the hazard rate: \( h(t|x) = h_0(t) \exp(x \beta_x) \),
The Causes of Agency Termination

• Theoretical tensions between organizational theory and rational choice theory

  1) Inefficiency and ineffectiveness of the organization: Organizational survival as a function of adaptive capacity

  2) The politics of termination: External factors such as political turnover, economic hardship, and critical events or crisis: Organizational survival as a function of institutional design
High costs of termination

• The short-term costs of termination: employees, customers, and constituents; backlash from the opposition group
• The long-term costs of termination: Political uncertainty, the cynicism of politicians
• Because of the high costs, the timing of termination is rather predictable.
Hypotheses

• Two main assumptions:
  1) politicians consider political costs and benefits of organizational termination.
  2) quangos are trying to survive by being resilient to the outside influence with their own organizational resource.

• Two dimensions of determinants of termination: Internal and External factors
Internal Factors: Organizational Characteristics

• H1: The change of a CEO (-)
• H2: The financial dependence (-)
• H3: The size of a quango (+)
• H4: The organizational age (+)
• H5: A quango with a union and a clear source of legal origin will be more stable than other quangos.
• H6: A quango under the economic affairs departments is more likely to survive.
External Factors: the Politics of Termination

- H6: Presidential turnover (-)
- H7: Presidential time (-)
- H8: The proportion of presidential party members in the National Assembly (-)
- H9: Institutional change (-)
- H10: Economic hardship (-)
- H11: Social demand for public sector reform (-)
Results and Discussion

- Cumulative hazard Probabilities

Union = 1 meaning unions established in quangos

Cox proportional hazards regression

$Union = 1$ meaning unions established in quangos
$E_{con}=1$ meaning quangos under the economic departments
$E_{con}=0$ meaning quangos under the social departments
Cox proportional hazards regression

Presid meaning Presidential Administrations,
1 = Young-Sam Kim, 2 = Dae-Jung Kim, 3 = Moo-Hyun Roh; 4 = Myung-Bak Lee
Cox proportional hazards regression

Cumulative Hazard

ptime=1 ptime=2 ptime=3 ptime=4 ptime=5

Cox proportional hazards regression

Cumulative Hazard vs. analysis time

Ptime meaning Presidential Time,
1= first year of the presidential term, 2= second year, 3= third year, 4= fourth year, 5= the fifth (last) year
- A Link test and a test based on Schoenfeld Residuals: the proportional-hazard assumption

- The Cumulative Hazard of Cox-Snell Residuals: the goodness-of-fit
Table 1  The Cox Regression Result – Breslow method for ties

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hazard Ratio</th>
<th>Robust Standard Errors</th>
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<tbody>
<tr>
<td><strong>Internal Factors</strong></td>
<td></td>
<td></td>
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<tr>
<td>Chief executive turnover</td>
<td>.6710</td>
<td>.2881</td>
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<tr>
<td>Financial dependence</td>
<td>.9946</td>
<td>.0051</td>
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<tr>
<td>Total revenue</td>
<td>1</td>
<td>4.79e-08</td>
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<tr>
<td>Organizational age †</td>
<td>.9999</td>
<td>5.70e-06</td>
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<tr>
<td>Union</td>
<td>.9231</td>
<td>.4185</td>
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<td>Economic department</td>
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<td>.3448</td>
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<td>Source of Origin</td>
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<tr>
<td>Delegated law</td>
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<td>.2655</td>
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<tr>
<td>General law</td>
<td>1.291</td>
<td>.5097</td>
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<tr>
<td><strong>External Factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presidential change</td>
<td>.5055</td>
<td>.4946</td>
</tr>
<tr>
<td>Presidential time</td>
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<td></td>
</tr>
<tr>
<td>Presidential party members</td>
<td>.4148*</td>
<td>.2149</td>
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<tr>
<td>Unemployment rate</td>
<td>1.136*</td>
<td>.0857</td>
</tr>
<tr>
<td>Change of law</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption Perception Index</td>
<td>19.587***</td>
<td>17.960</td>
</tr>
<tr>
<td>Presidents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dae-Jung Kim</td>
<td>1.05e+11</td>
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<tr>
<td>Moo-Hyun Roh</td>
<td>6.29e+08***</td>
<td>1.31e+09</td>
</tr>
<tr>
<td>Myung-Bak Lee</td>
<td>1.09e+07***</td>
<td>3.99e+07</td>
</tr>
</tbody>
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Model Specifications

- Number of observations: 1060
- Number of subjects: 100
- Number of terminations: 39
- Log pseudo-likelihood: -97.052
- Wald Chi2(16): 6173.36
- Prob> Chi2: 0.000

Note) * P<0.10, ** p<0.05, *** p<0.01. Standard errors adjusted for clustering on quangos.

† Organizational age variable interacted with analysis time (_t).
Conclusion

• The decision to terminate quangos seems more contingent on political considerations rather than on their own organizational characteristics.

• Implications: the politics of termination; more comparative studies needed; the institutional choices that influence substantial policy issues.

• Limitations: not address privatization separately from termination; excludes a substantial number of quangos.
Thank you!

Any questions, comments, and suggestions are welcomed.

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