

# **A Comparative Analysis of the Corporate Governance of Public Enterprises in Singapore and Switzerland**

-

## **The Case of SingTel and Swisscom**

Master Thesis submitted to the  
Center of Competence for Public Management  
University of Bern

Supervised by  
Prof. Dr. Reto Steiner

Center of Competence for Public Management  
Schanzeneckstrasse 1  
CH-3001 Bern

by  
Laura Oetterli  
Pfaffnau (LU)

Matriculation Number 08-714-198

Bern, July 7, 2014

## **Management Summary**

This master thesis attempts to explain the different ownership structures of public enterprises from the perspective of corporate governance. The experiences of government-owned and government-linked companies are examined on the example of the two small but worldwide most competitive economies Switzerland and Singapore, which governments run a different strategy when it comes to state intervention.

While state-owned-enterprises are established through the government (Boundless, 2013) and the entities' assets are wholly or through majority shareholding owned by the public authority (Basu, 2009), the ownership structure of government-linked companies is much more complicated as the shares are held by a middle layer like a state-owned holding company (Ramirez & Tan, 2003). However, scholars found no proof that the management or financial performance of these companies is different from private enterprises. In addition to the literature about public enterprises, there is a discussion going on about corporate governance, its principal-agent problems and its development in the public sector. Hence, it becomes clear that public corporate governance differs from the corporate governance in the private sector not least because of the different ownership situation this raises the question about the ownership structure's influence on the entrepreneurial behavior of the public enterprises.

Using a wide range of literature from the study fields of political and economical science, this thesis discusses the contextual difference between Switzerland and Singapore concerning their history, political situation, political economy and state-owned-enterprises situation. Both countries are owners of successful companies but run a different strategy when it comes to the ownership structure. Considering this difference, the study addresses the questions whether the ownership structure of one company would fit to the other and vice versa.

After having gained an overview of the public corporate governance situation in Singapore and Switzerland, the study uses a qualitative research method based on a documentary analysis to conduct a case study. In this case study the two state-owned telecommunications companies SingTel and Swisscom are explored. The two public enterprises serve as examples of "best practice" concerning their management and financial performance in the respective country but are different concerning their ownership structure as well as the government's influence when it comes to the business strategy.

## **Table of Contents**

<b>Management Summary.....</b>	<b>I</b>
<b>Table of Contents.....</b>	<b>II</b>
<b>List of Figures .....</b>	<b>V</b>
<b>List of Tables.....</b>	<b>V</b>
<b>List of Abbreviations .....</b>	<b>VI</b>
<b>1. Introduction.....</b>	<b>1</b>
<i>1.1 Initial Position, Problem Statement and Latest State of the Art.....</i>	<i>1</i>
<i>1.2 Aim of the Thesis, Research Questions and Delimitation.....</i>	<i>3</i>
<i>1.3 Methodology.....</i>	<i>3</i>
<i>1.4 Structure of the Paper.....</i>	<i>5</i>
<b>2. Conceptualization .....</b>	<b>8</b>
<i>2.1 State-Owned Enterprises vs. Government-Linked Companies.....</i>	<i>8</i>
2.1.1 State-Owned enterprises .....	8
2.1.2 Government-Linked Companies.....	11
<i>2.2 Theoretical Framework.....</i>	<i>14</i>
2.2.1 Corporate Governance .....	14
2.2.2 Principal-Agent or Principal-Principal Perspective .....	15
2.2.3 Stewardship Theory.....	17
2.2.4 Public Corporate Governance .....	18
<i>2.3 Switzerland and Singapore at a Glance .....</i>	<i>22</i>
2.3.1 Republic of Singapore.....	22
2.3.1.1 Political System .....	23
2.3.1.2 Economical Situation .....	24
2.3.1.3 SOEs in Singapore.....	26
2.3.2 Swiss Confederation .....	30
2.3.2.1 Political System .....	31
2.3.2.2 Economical Situation .....	33
2.3.2.3 SOEs in Switzerland.....	35
<i>2.4 Preliminary Summary.....</i>	<i>37</i>

<b>3. Case Study .....</b>	<b>39</b>
<i>3.1 Swisscom .....</i>	<i>39</i>
3.1.1 History .....	39
3.1.2 Ownership .....	41
3.1.3 Corporate Governance .....	42
3.1.3.1 Corporate Structure.....	42
3.1.3.2 Board of Directors .....	43
Composition of the Board of Directors.....	43
Election of Board of Directors.....	44
Power and Duty of Board of Directors .....	44
3.1.3.3 Executive Board .....	45
3.1.4 The Role of the Swiss Confederation .....	46
3.1.5 Performance .....	49
<i>3.2. SingTel .....</i>	<i>51</i>
3.2.1 History .....	51
3.2.2 Ownership .....	52
3.2.3 Corporate Governance .....	53
3.2.3.1 Corporate Structure.....	53
3.2.3.2 Board of Directors .....	54
Composition of Board of Directors .....	54
Election of Directors.....	56
Power & Duty of Board of Directors.....	57
3.2.3.3 Management Committee and Senior Management.....	57
3.2.4 The Role of the Republic of Singapore .....	58
3.2.5 Performance .....	59
<b>4. Discussion of Research Questions .....</b>	<b>61</b>
<i>Research Question 1: What are the similarities and dissimilarities of the public enterprises in Singapore and Switzerland?.....</i>	<i>61</i>
<i>Research Question 2: Is there a link between the governance structure and the entrepreneurial behavior of government-linked companies?.....</i>	<i>63</i>
<i>Research Question 3: Would the SingTel governance model fit to Swisscom and vice versa?.....</i>	<i>65</i>
<b>Conclusion .....</b>	<b>67</b>

<b>Appendix I: Lists of Public Enterprises in Singapore and Switzerland .....</b>	<b>70</b>
<i>List of Temasek's Investments (first tier GLCs).....</i>	<i>70</i>
<i>List of Switzerland's SOE's.....</i>	<i>72</i>
<b>Appendix II: List of Swisscom Group Companies.....</b>	<b>73</b>
<b>Declaration of Independence .....</b>	<b>75</b>
<b>Declaration of Publication .....</b>	<b>76</b>
<b>References .....</b>	<b>77</b>

## List of Figures

<i>Figure 1</i> Public corporation in relation to the public sector (IMF, 2014, p. 19)	9
<i>Figure 2</i> Size of the public enterprises in OECD countries (OECD, 2005, p. 25)	9
<i>Figure 3</i> Ownership Structure of GLCs (own diagram)	12
<i>Figure 4</i> Principal agent conflict (own diagram)	16
<i>Figure 5</i> Principal - principal conflict (own diagram)	17
<i>Figure 6</i> Comparisons of agency theory and stewardship theory (Davis et al., 1997, p. 37)	18
<i>Figure 7</i> Roles of the state (Lienhard, 2013, p. 9)	27
<i>Figure 8</i> "all-in-one" state (Schedler et al., 2007, p. 10)	27
<i>Figure 9</i> Public corporate governance at a glance (Schedler et al., 2013, p. 52)	20
<i>Figure 10</i> Ownership structure Singapore's GLCs (own diagram)	27
<i>Figure 11</i> Shares of Swiss exports to the EU (Vallet, 2012, p. 369)	34
<i>Figure 12</i> Forms of task fulfillment (Steiner, Schweizer Debatte zu den Formen der Aufgabenerfüllung (Bsp. Bund), 2012, S. 14)	35
<i>Figure 13</i> FMG 92 and FMG 98 (Bühler, 1998, p. 672)	41
<i>Figure 14</i> Swisscom Ownership Structure (Swisscom, 2014)	42
<i>Figure 15</i> Swisscom Corporate Structure (Swisscom, 2014, p. 33)	46
<i>Figure 16</i> Swisscom and Swiss Confederation Steering Circle (Steiner et al., 2013, p. 32)	48
<i>Figure 17</i> Mobile market shares Swisscom 2013 (Federal Communication Commission ComCom, 2013)	49
<i>Figure 18</i> Share price Swisscom (Swisscom, 2014)	50
<i>Figure 19</i> Share Ownership By Geographical Distribution (SingTel, 2014, S. 71)	53
<i>Figure 20</i> Corporate Governance Structure SingTel (own diagram based on (Singapore Telecommunications Limited, 2013))	54
<i>Figure 21</i> Mobile market share SingTel (own diagram)	59
<i>Figure 22</i> Stock Price SingTel, StarHub, M1 (Google Finance, 2014)	60

## List of Tables

<i>Table 1</i> Identities of board chair/president, CEO/Managing directors in GLCs according to Kirkpatrick (2014, p. 12)	30
<i>Table 2</i> Performance Swisscom (own diagram) based on Swisscom Ltd annual reports 1998 – 2013 (Swisscom, 2014)	50
<i>Table 3</i> Performance SingTel (own diagram) based on SingTel annual reports 1998 – 2013 (SingTel, 2014)	60
<i>Table 4</i> Similarities/Dissimilarities Public Enterprises Singapore/Switzerland	62

## **List of Abbreviations**

CEO	Chief Executive Officer
CFO	Chief Financial Office
CHF	Swiss Franc
CGNC	Corporate Governance and Nomination Committee
ComCom	Communication Commission
CPO	Chief Personnel Officer
EBITDA	Earning Before Interest, Taxes, Depreciation and Amortization
EVED	Eidgenössisches Verkehrs- und Energiewirtschafts Departement
DETEC	Department of Environment, Transport, Energy and Communications
FFA	Federal Finance Administration
FMG	Fernmeldegesetz
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
GLC	Government-Linked Company
ICC	International Chamber of Commerce
ICT	Information Communication Technology
IPO	Initial Public Offering
IMF	International Monetary Fund
IT	Information Technology

NPM	New Public Management
MNC	Multi National Corporations
MOF	Ministry of Finance
OECD	Organization for Economic Co-operation and Development
OFCOM	Office of Communications
PAP	People's Action Party
PCG	Public Corporate Governance
PTT	Post Telegraf Telefon
ROA	Return On Assets
ROE	Return On Equity
ROI	Return On Investment
SCIC	State Capital Investment Corporation
SGD	Singapore Dollar
SGX	Singapore Stock Exchange
SOE	State Owned Enterprise
TAS	Telecommunications Authority Singapore
TEA	Telecommunications Enterprise Act
TUG	Telekommunikationsgesetz
UVEK	Departement für Umwelt, Verkehr, Energie und Kommunikation
WTO	World Trade Organization



## **1. Introduction**

### **1.1 Initial Position, Problem Statement and Latest State of the Art**

Even though Singapore and Switzerland are situated on the opposite side of the world and look back on two different histories of development, these two countries have a lot in common: Both countries are very small but show a successful economy and also a top ranked educational system (World Economic Forum, 2013, p. 12). They're both surrounded by powerful neighbors and consist of a multicultural and multilingual population. But while Singapore's government exercises as an interventionist (Haque, 2004, p. 230) the Swiss government delegates its power to cantons and communes. The control in Singapore influences not only the political situation but also its economy (Haque, 2004, p. 230). The government-linked companies (GLC) of Singapore have become very successful (e.g. Singapore Airlines) and a common "best practice" example for well-working corporate governance in Asia (Wicaksono, 2009, p. 3). Also Switzerland can present some good examples of successful GLCs (e.g. Swisscom), which gives one the idea that Switzerland executes good governance too. But even though both countries can show their success stories, the conditions these companies are working under are different: The model of monitoring varies as much as the culture, political, and legal system.

In the 1960s the government of Singapore set up GLCs and statutory boards (Ramírez & Tan, 2003, p. 4) to "acquire, purchase, hold, transfer, dispose, or otherwise deal with real assets." (Ang & Ding, 2006, p. 67). Through this step the government of Singapore involved itself in the economic development and therefore took "an active entrepreneurial role by investing in a wide range of companies" in many different industries (Ang & Ding, 2006, p. 67). With the involvement the government realized the strategy "to compensate for the lack of private sector funds or expertise" in 1960s (Ramírez & Tan, 2003, p. 4). In 1974, the government then decided to establish a limited holding "to manage its investments in GLCs", Temasek Holding<sup>1</sup> (Ramírez & Tan, 2003, p. 4). Temasek Holding inherited 35 companies from the Ministry of Finance (MOF) and has multiplied its portfolio since then (The Economist, 2013) but is still entirely owned by the MOF (Temasek, 2014, p. 52). Today the GLCs of Singapore are run as profitable and efficient businesses and sometimes they even show "better"

---

<sup>1</sup> There have also been set up two other holdings: Sheng-Li Holdings and MND Holdings, whereas latter has been taken over by the ministry of finance (Ramírez & Hui Tan, 2003).

corporate governance than many private enterprises (Ramírez & Tan, 2003, p. 5) (Ang & Ding, 2006, p. 66).

In contrast to Singapore, there doesn't exist a trust holding like Temasek in Switzerland. The public enterprises in Switzerland are directly linked to the government and the responsible federal department (Steiner et al., 2013, p. 5). Since a couple of years there has been the trend of New Public Management (NPM) which results in the fact that the state doesn't provide the public services anymore (*Leistungsstaat*) but has others providing the public services (*Gewährleistungsstaat*) (Lienhard, 2008, p. 44). The Swiss government started to outsource some of its services in the 1990s e.g. postal service (Schedler et al., 2007, p. 8). Further the government organized the public sector of telecommunication, railway and postal services in a whole new manner and in order of this reorganization spun off the Swiss railway company SBB, the postal service Post and the telecommunication enterprise Swisscom (Steiner et al., 2013, p. 5). These companies are run as independent businesses but the Swiss government is still the owner or principal shareholder respectively (Steiner et al., 2013, p. 5).

When a state is starting to outsource certain services or if it is a principal shareholder of a company a range of questions concerning the governance will automatically be raised. What does the relationship between the companies and the state look like? Which responsibilities do the state have? To whom does the company have to report to? What is the framework of the corporate governance and what are the benefits of such business models?

This research attempts to examine the corporate governance of public enterprises in Switzerland and Singapore on the national level and how they are monitored and steered by the national government of the two countries. The rationale behind this is the different ownership situation of the SOEs in Singapore and Switzerland what certainly is affected by the political context the countries are living in as well as the legal boundaries and cultural background. After gaining a theoretical overview through a literature review of the public corporate governance (PCG), a closer look on the political and economical as well as legal aspect of Singapore and Switzerland will follow before examining the characteristics of the PCG in these two countries. The two comparable telecommunications companies SingTel (Singapore) and Swisscom (Switzerland) will then serve as case studies to go from the big picture to a more detailed view.

## **1.2 Aim of the Thesis, Research Questions and Delimitation**

The aim of the paper is to examine the role of the government in the economy in Singapore and Switzerland on the national level of these countries and therefore contribute to the on-going debate in this topic. The roles of the two national governments will be observed and this should clarify the benefits of the GLCs in the end. As the concept of public corporate governance is relatively new and started to come up with the beginning of the of the privatization of state-owned enterprises (SOEs) it is important to first get an overview of the current state of research and to explain its key aspects. Further it is of great importance to explain the concept of GLCs as well as the difference towards SOEs.

After gaining the knowledge about PCG, the focus will be on the national level of the two countries, Singapore and Switzerland, and how they manage their public enterprises. The aim is to answer the following research questions:

1. *What are the similarities and dissimilarities of the governance of public enterprises in Singapore and Switzerland?*
2. *Is there a link between the governance structure and the entrepreneurial behavior of public enterprises in Switzerland and Singapore?*

As public enterprises can be found in many different industries, e.g. manufacturing, telecommunication, post, public transport, etc. it is important to decide on a certain field of interest. To have closer look on the way such public enterprises are run the two telecommunications companies SingTel and Swisscom will be observed. The reasons of this choice lies in the fact that both companies act in the same industry, have the government as major shareholder, have shown a good financial performance since they've both been partly privatized in the 1990s and seem to be a success story concerning the model of PCG. Therefore SingTel and Swisscom are a good choice for a comparison. Therefore, the look on their corporate governance and performance should help to answer the following research question:

3. *Would the SingTel governance model fit to Swisscom and vice versa?*

## **1.3 Methodology**

This study's research questions allow different ways of scientific research, from explorative, descriptive to explanatory or evaluative. Based on the research questions the study will be an

evaluative research study as the variables are already known but will be analyzed in a comparative context. Furthermore, this research method seems to be endorsed by the fact that there already exists literature about different ownership structures. Finally, the known variables therefore will be compared and evaluated regarding the influence of the state on the companies business.

To evaluate the corporate governance of the examined public enterprises in the respective countries a secondary research will be carried. Therefore existing studies and literature about corporate governance of state-owned enterprises as well as government-linked companies will help do draw a first picture of the state of the art. In this regard, the concepts of corporate governance and public corporate governance as well as the difference of government-linked companies and state-owned enterprises will first be systematically and analytically examined. In a next step the two countries Singapore and Switzerland will be analyzed concerning their political and economical context on the national level as well as historical background before drawing a picture of the public enterprise's situation in the two countries. This literature review will help to answer the first research question while the other two questions need some more in-depth analyses.

As Wicaksono (2009, p. 46) wrote in his dissertation, case studies are the most frequently applied methodology in the field of management research. Therefore and to get a more detailed view of the actual corporate governance practices of public enterprises, a case study with the two telecommunications companies Swisscom and SingTel will give some better insights of the situation. The case study will consist of a mix of qualitative research techniques such as documentary and literature research. While the literature research will be concentrated on empirical studies about corporate governance of the two respective companies, the documentary research will be based on articles of incorporation, annual reports, financial statements as well as laws and the code corporate governance of Singapore and Switzerland.

For the case study three different sets of variables are used: ownership, corporate governance, and performance variables. The ownership variable is measured by the percentage of government or holding ownership while the corporate governance variable is divided into three categories: the corporate structure, board characteristics and the governmental influence. Finally, the performance of the two companies is measured through the financial statements considering market share, EBITDA, net revenue, net income, ROI, ROE, ROA and market

capitalization. However, the return on equity will help to answer the question if the companies are profitable.

In summary, the evaluative study will consist of two parts: a theoretical part and a case study. Further, the content of the theoretical part of the paper will be based on a descriptive and empirical literature research while the second part will be based on available official documents of the companies and the governments. The literature research will be conducted through a computer-based research in the Internet and online Data Base like JSTOR, Google Scholar, etc. The documents for the documentary research will also be collected in the Internet or through provision by the companies or governments.

The construct validity shall be considered through a clear conceptualization where all the concepts will be explained. Additionally, the internal validity will be assumed to be given, as the variables to explain the corporate governance are the same as in the existing literature. The external validity is especially important, as “the chance of a study being read is surely higher when there are practical conclusions” (Wicaksono, 2009, p. 49). As in Switzerland every SOE is treated differently by the government and furthermore every Board of a public enterprise in Singapore as well as Switzerland is composed differently, it won’t be possible to simply generalize the results. Nevertheless, the study will try to give a general picture of the situation in Switzerland and Singapore. And last but not least, through transparency in the selection of documents and literature, the study should be reliable.

## **1.4 Structure of the Paper**

The study is structured as followed:

### **1. Introduction**

#### **1.1 Initial Position, Problem Statement and Latest State of the Art**

This chapter should give the reader a brief overview of the topic itself as well as the rational for the paper and current state of the art in terms of the comparative studies on Singapore and Switzerland concerning the corporate governance of public enterprises.

#### **1.2 Aim of the Thesis and Research Questions**

After gaining an overview of the topic the research question are outlined in this chapter and therefore show the direction the paper is heading to.

### **1.3 Methodology**

This chapter outlines the methodology used in this paper. It explains why the literature and documentary research is the correct method for this research.

## **2. Conceptualization**

### **2.1 State-Owned Enterprises vs. Government-Linked Companies**

This chapter has a look at the two concepts of SOE and GLC and outline the differences among them.

### **2.2 Theoretical Framework**

This chapter should provide an overview of the theoretical framework used for this research and show different definitions and also problems that could arise.

### **2.3 Switzerland and Singapore at a Glance**

In this chapter and its sub-chapters the political context of Switzerland and Singapore is outlined and the situation concerning GLCs and SOE explained. Further a brief digression concerning the Swiss and Singaporean economy and political culture should give a better impression of the political situation in the two countries.

### **2.4 Preliminary Summary**

This chapter will draw a first conclusion on the situation of public corporate governance in Singapore and Switzerland and outline the differences and similarities. To visualize the situation a synoptic table should give a better overview.

## **3. Case Study**

This chapter examines the cases of SingTel and Swisscom based on the following facts: history, ownership, corporate governance and performance. In the last sub-chapter a conclusion should show the differences and similarities.

## **4. Discussion of the Research Questions**

This chapter discusses the research questions based on the results of case study and the literature research on SOEs and GLCs.

## **Conclusion**

This chapter will conclude the master thesis and discuss the merits and drawbacks of the two ownership as well as corporate governance models. As a result the research questions will be answered and key issues that should be taken into account for further research studies will be discussed.

## **Appendix**

## **References**

## **2. Conceptualization**

The following chapter will show the differences between state-owned enterprises and government-linked companies before introducing the theoretical framework of corporate governance and public corporate governance. In the end of the chapter an overview of the political and economical context of Singapore and Switzerland will follow before disclosing the countries practices concerning public enterprises.

### **2.1 State-Owned Enterprises vs. Government-Linked Companies**

The study uses the two terminologies state-owned enterprises and government-linked companies. The following sub-chapter will define these two terms and show the differences.

#### **2.1.1 State-Owned enterprises**

The definition of state-owned enterprises (SOE) can be problematic as the role as well as the legal and organizational form of such entities vary from country to country (Allen & Vani, 2013, p. 685). But generally speaking SOEs, also known as government-owned corporations, public enterprises, state enterprises or commercial government agencies, are legal entities “created by a government to undertake commercial activities on behalf of the government” (Boundless, 2013) or as Toninelli (2000, p. 4) defines SOEs: companies that are established by the government on the central or local level to intervene the economy. These entities are either wholly or through majority shareholding owned by the public authority (Basu, 2009, p. 3) whereas the private firms are further distinguished from public entities by generating revenues (Allen & Vani, 2013, p. 686). The GFSM 2014 (IMF, 2014, p. 13), that speaks of public corporations as “institutional units that are potential sources of financial gains or losses to the government units that own or control them”, further makes the distinction between financial and non-financial public corporations by saying that the financial public corporations are institutions such as banks and insurances that “are owned and controlled by the state” (Allen & Vani, 2013, p. 686). In addition to the distinction of IMF, the OECD further divides SOEs in three board classes: majority-owned listed companies, majority-owned non-listed companies and statutory corporations.



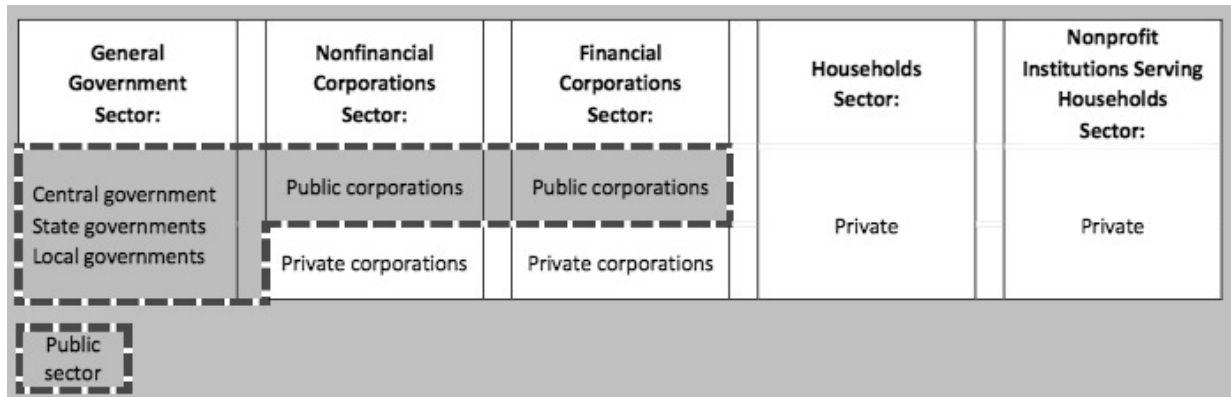


Figure 1 Public corporation in relation to the public sector (IMF, 2014, p. 19)

In federal states like Switzerland, Germany or the United States, these enterprises have been created to reduce unemployment, promote economic development and control the strategic direction and further to address market deficits (Khan, 2007, p. 3). Through the establishment of public corporations the state invested in less developed sectors, imposed monopoly prices and used the revenue to achieve social goals (OECD, 2005, p. 20). After the first wave of enthusiasm the boundaries between private and public ownership began to shift, as it was realized that the SOEs were less productive than their private competitors, the budget discipline was missing and the conflict between “financing demands of SOEs and maintaining other government programs” arise (OECD, 2005, p. 22). Further, through the ongoing globalization enterprises were demanded to be more flexible than SOEs could be. But even

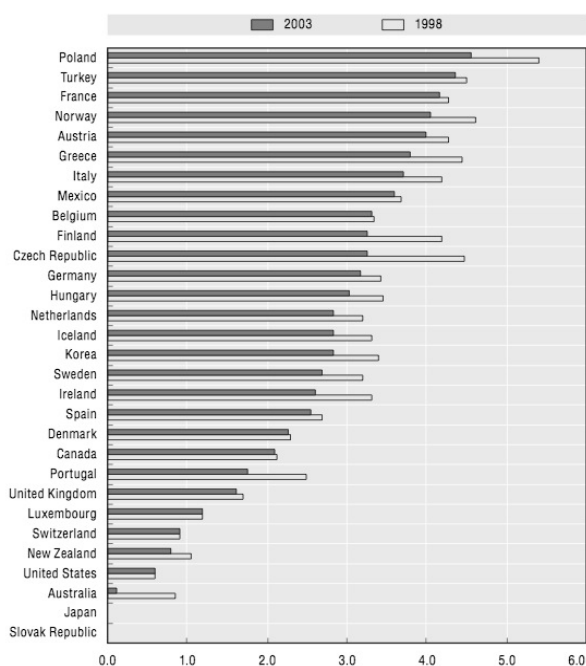


Figure 2 Size of the public enterprises in OECD countries (OECD, 2005, p. 25)

there a shift has taken place from SOEs towards privatization. State-owned enterprises are still a very important player in the economy and market capitalization of many OECD and non-OECD countries. They are often “prevalent in utilities and infrastructure industries, such as energy, transport and telecommunications” (OECD, 2005, p. 181). This is also showed in the survey conducted by the World Bank, which claims that roughly only one-third of the “developing countries can count on private operators for the delivery

of electricity, water, or railway services” (Vagliasindi, 2008, p. 2). Additionally, SOEs may be important to the governments because of “the effects their magnitude or strategic positions may have on macroeconomic objectives, such as bank credits, aggregate demand, borrowing abroad, and the balance of payments” (IMF, 2014, p. 27). Nevertheless, there are some critics that say that the lines between public enterprises and public service have been blurred and that the state is making profits out of provided services by the SOEs, like it is done in the private sector (Khan, 2007, p. 6).

SOEs can have diverse legal and corporate forms (Basu, 2009, p. 3) and are owned by the government in explicit financial terms as the ownership is based on share-capital (Thynne, 1998, p. 221). Unless the enterprise isn’t fully owned by the government, there is the possibility of multiple owners such as individual or institutional investors or also other governments. Such ownership arrangements become complex and hold a potential of trouble as many different interests come together (Thynne, 1998, p. 221). Normally the shares are held by a finance minister or another member of the government, what means that the ownership is direct. In case of an indirect ownership the shares are held by a holding company, which functions as an intermediary and is wholly owned by the government, a statutory board or a government trust (Thynne, 1998, p. 221)<sup>2</sup>.

SOE may suffer from the politically motivated ownership or a rather passive behavior of the government (OECD, 2005, p. 182). In order to prevent this, the state is asked to “act as informed owner and establish a clear and consistent ownership policy, ensuring that the governance of SOEs is carried out in transparent and accountable manner, with the necessary degree of professionalism and effectiveness” (OECD, 2005, p. 191). Nevertheless, it’s in the owner’s responsibilities to manage the SOE. A Board of Directors is commissioned to “oversee the management of their organization itself and also the long-term interests of the shareholders” (Bozec & Dia, 2005, p. 1737), is accountable for the company’s performance and to report to the responsible minister who functions as the link between the government and the SOE (Bozec & Dia, 2005, p. 1737). The composition of the Board itself varies among the countries and sometimes even among the SOEs of a country. However, in some cases the board counts politicians or civil servants who can have monitoring responsibilities on behalf of the government (Thynne, 1998, p. 222). By being part of the Board of Directors, these politicians together with the other Board members act as buffer or “communication bridge”

---

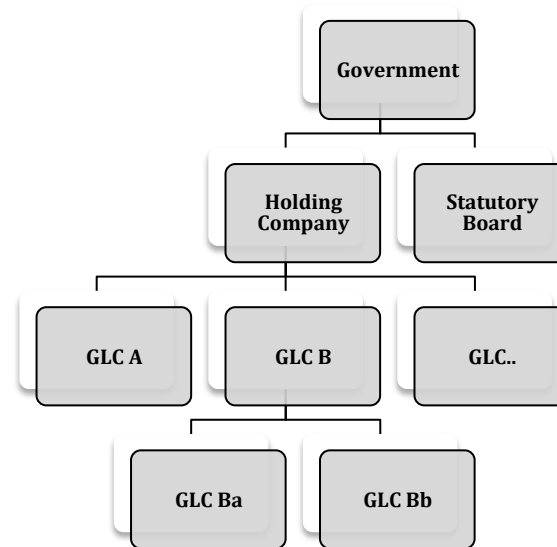
<sup>2</sup> E.g Singapore

between the management/the staff of the organization and the stakeholders (Thynne, 1998, p. 223) but they can also influence the decisions and the daily-business. Bozec and Dia (2005) found out that the more independent the board of a SOE is, the more efficient and better performing it is (Bozec & Dia, 2005, p. 1747). Hence, the board alone can't make it all to success as the OECD (OECD, 2005) suggest transparency, a legal and regulatory framework and the recognition towards stakeholders as good corporate governance.

Although the theory of public goods as well as the regulatory theory maintain that an active role by the government is desirable and necessary for the economy of a country and that the "helping hand" of the government looks for the balance between business and society and prevents market failures (Pigou, 1932, p. 241) (Samuelson, 1954), other studies claim the opposite (Sim, 2011, p. 35) (Bozec & Dia, 2005) (Omran, 2004, p. 1020). Nevertheless, La Porta et al. (2002, p. 266) explained that SOE are especially common in poor countries with underdeveloped financial systems.

### **2.1.2 Government-Linked Companies**

The ownership of the GLCs is more complicated than it seems at first glance. The ownership of these companies is not direct, in the way that shares are held by a minister of finance or another member of the government. The ownership of a GLC is indirect as it is facilitated through a corporation or a holding company, which "could be a directly or wholly government-owned company or either a statutory corporation or government trust" (Thynne, 1998, p. 221). For example in Singapore two wholly government-owned companies, namely Temasek Holding and Singapore Technologies (Ramirez & Tan, 2003, p. 4), own various companies, which also hold shares of other companies, which in turn hold shares of further companies, and so on (Thynne, 1998, p. 221). This results in at least six tiers of related shareholdings and companies (Thynne, 1998, p. 221) and means that the ownership structure of GLCs is multi-tiered (Zutshi & Gibbons, 1998, p. 225). Therefore these companies are not government-owned or government-controlled but "government-linked" (PSDC, 1987, p. 44). This action allows "the government to separate regulatory authority from state ownership" (Kirkpatrick, 2014, p. 7).



**Figure 3 Ownership Structure of GLCs (own diagram)**

The ownership structure of GLCs can become “all the more complex and potentially troublesome in circumstances not only where there are mixed shareholdings<sup>3</sup> with an international as well as a domestic base” (Thynne, 1998, p. 221) but also when governments from other countries<sup>4</sup> are involved. Such arrangements can have different “major consequences for the roles, obligations, accountability and control of the companies and also the governments involved” (Thynne, 1998, p. 221).

The concept of GLCs has been examined by many different scholars and therefore various definitions of what has to be understood of government-linked companies exist. The often cited IMF paper written by Ramirez and Tan (2003) postulates that a company is seen as a GLC if a holding company that is owned by the government is a substantial shareholder and means that this substantial shareholder has five percent or more of the voting shares of the company (Ramirez & Tan, 2003, p. 5). Further the Singapore Department of Statistics (2001) claimed a company as a GLC if it is a subsidiary of Temasek or one of the statutory boards and if 20% or more of the voting shares are effectively owned by the government (Singapore Department of Statistics, 2001). But considering the fact that GLC A holds 20% of the shares of GLC B and therefore the holding company only owns 4% of GLC B means, that GLC B is not classified as GLC although it actually is one. This ownership structure is view as pyramid structure (Sim, 2011, p. 70).

---

<sup>3</sup> Mixed shareholding refer to shareholdings with public and private shareholders

<sup>4</sup> There could also be governments of other levels (*Länder*, Cantons, etc.) be involved

GLCs are run in the *managerial way*, what means that the competition is seen as the key to success rather than the ownership (Ramirez & Tan, 2003, p. 5). To be able to compete on the same level as private companies, these government-linked firms (should) act under the same regulations and market forces as private firms and therefore don't receive any special treatment as they have to compete with the private sector and sometimes even with each other (Ramirez & Tan, 2003, p. 5). To ensure a fair competition and comparison GLCs are expected to provide returns (Yahaya, 2012, p. 195). Otherwise they will be closed down like every other firm within the private sector. In addition to these differences from SOEs, the GLCs are encouraged and allowed to do new investments and to enter new business ventures domestically and internationally. Further and in regard to be a profitable business that operates on a high level of efficiency, the GLCs undergo spin-offs as well as mergers and acquisitions or delisting activities to improve their performance.

To fulfill their tasks in being successful and bring in high returns, GLCs are run by professional managers "who are paid private sector pay scale" (Sim, 2011, p. 72). In order to have the best people in their boards, the holding company sets guidelines on the "appropriate composition of the board, tenure of directors, their size, and formation of specialized board committees" (Ang & Ding, 2006, p. 71). Further the holding company suggests "qualified individuals for consideration by the respective boards" but in general the holding is not represented on the boards of its portfolio companies (Temasek, 2014, p. 54). Nevertheless, in the past many GLCs have been run by ex-civil servants and retired politicians whereas most recently, as these companies are involved globally and in joint ventures, they started to appoint more managers from the private sector (Low, 2001, p. 428).

Singapore's GLC have become successful global businesses which are acting globally and have sometimes developed into conglomerates, e.g. Singapore Airlines, Keppel Corporation or Development Bank of Singapore (Sim, 2011, p. 72). Here the large, integrated groups of Korea and Japan have acted as role models (Kirkpatrick, 2014, p. 15). Further the Singapore concept of SOEs have led to new thinking in other Southeast Asian countries (Kirkpatrick, 2014, p. 15). Malaysia founded the holding company Khazanah, that further on managed the assets of GLCs held by the government and undertook strategic investments in new industries and countries (Kirkpatrick, 2014, p. 16). But different from Singapore's Temasek, Khazanah is a highly interventionist holding company that monitors its 60 major portfolio companies extensively (Kirkpatrick, 2014, p. 16). The other Southeast Asian country, Indonesia, created

the GLC to help the country repay the foreign debt after the financial crisis and further to help the budget (Wicaksono, 2009, p. 146) but there, different than in Malaysia and Singapore, Indonesia decided to have sectorial holding companies, that avoid competition among the GLCs and are interventionists like Khazanah (Kirkpatrick, 2014, p. 17). The centralized model of Singapore's Temasek was adopted by Vietnam, when the country established the State Capital Investment Corporation (SCIC), which is the shareholder of the SOEs and is separated from the regulatory and policy function (Kirkpatrick, 2014, p. 22). The SCIC functions like a financial holding company and is the owner of the SOEs, while the Board of the holding company comprise only ministers and deputy ministers and is represented on the Boards of its 416 portfolio companies (Kirkpatrick, 2014, p. 22).

## **2.2 Theoretical Framework**

This chapter summarizes the applied theories in this study. At the beginning of the chapter the concept of corporate governance is introduced as approach from the private sector. Further, the principal-agent and stewardship theory explain the relationship within governance structures. Finally, the introduced theories are applied to the public sector resulting in the definition of public corporate governance.

### **2.2.1 Corporate Governance**

In the recent decades the intensity of research on corporate governance has increased. Reasons for the interest in this topic are the financial crises as well as the collapse of large firms in the United States, namely Enron Corporations and WorldCom (Becht, et al., 2002, p. 26). As a logical consequence there exist numerous definitions of what corporate governance is. A common definition used by Wicaksono (2009) is that corporate governance is the "system by which business corporations are directed and controlled" (Wicaksono, 2009, p. 15). The International Chamber of Commerce (ICC) defines Corporate Governance as the relationship between providers of equity, corporate managers and directors (ICC, 2005) whereas Cadbury (1992) states corporate governance as the system by which business corporations are directed and controlled (Cadbury, 1992, p. 15). The two often cited researcher Shleifer and Vishny focus in their definition of corporate governance more on the shareholder-value perspective when writing that the "Corporate Governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (Shleifer & Vishny, 1997, p. 737). In contrast to Shleifer and Vishny the

stakeholder-perspective articulated by Gilian and Starks claims that corporate governance is “the system of laws, rules and factors that control operations at a company” (Gilian & Starks, 2003, p. 2). The shareholder-perspective is the classic Anglo-American model of corporate governance that almost exclusively focus on shareholder value and mentions profit as the only target (Wicaksono, 2009, p. 17).

The separation of ownership and control originally has been motivated by the two researchers Berle and Means in 1932 (Razak et al., 2008, S. 435). In their paper they highlighted the separation of ownership and control in American public companies and how owners no longer manage the company but hire managers to operate the enterprises (Berle & Means, 1932). This separation lead to the internal and external corporate governance mechanisms (Hart, 1995, p. 681). While the internal corporate governance includes the Board of Directors, the compensation plan and the managerial ownership (Sim, 2011, p. 19) (Fama & Jensen, 1983, p. 313 ), the external corporate governance mechanisms includes the shareholders, especially investors with large ownership who monitor managers and “put pressure on managers to perform” (Sim, 2011, S. 20) (Shleifer & Vishny, 1997, p. 754).

The dominance of the shareholder-value and therefore the lack of attention of the stakeholder-value<sup>5</sup> doesn’t allow a simple transfer of the corporate governance concept to the public sector as the shareholder’s interest play as important role as the public interests on the task fulfillment (Lienhard, 2008, p. 48). Nevertheless, no matter if corporate governance face private companies or SOEs, some additional theories have to be considered.

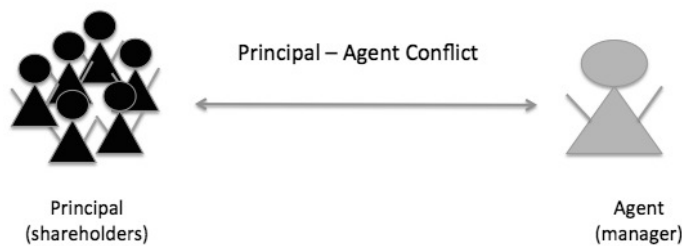
### **2.2.2 Principal-Agent or Principal-Principal Perspective**

The agency theory is the major theory when it comes to corporate governance and has its roots in law, organizations, economics, public administration and property-rights theories (Berle & Means, 1932) (Sim, 2011, p. 17). The theory explains the relationship between owners (principals) and managers (agents) (Eisenhardt, 1989, p. 58). While the principal delegates the work of the agent there may occur the situation where the principal and the agent are not sharing the same goals and visions (Jensen & Meckling, 1976, p. 312). Additionally there may occur the situation of incomplete information and therefore uncertainty what results in the two known agency problems: Adverse selection and moral hazard (Eisenhardt, 1989, p. 59). The adverse selection means the condition under which the

---

<sup>5</sup> By stakeholder employees, participants in the capital market, clients, jurisdictions, public, etc. are meant (Lienhard, 2008)

principal has to choose the agent and cannot ascertain “whether the agent has accurately represented his ability to do the work for which he is being paid” (Wicaksono, 2009, p. 18) whereas one speaks of a moral hazard situation if the principal can not be sure that the agent gives his best (Eisenhardt, 1989, p. 59). These agency problems then increase the agency costs, which are expenses in order to “sustain an effective relationship” (Sim, 2011, p. 18) and include the monitoring expenditures like e.g. audit fees.



**Figure 4 Principal agent conflict (own diagram)**

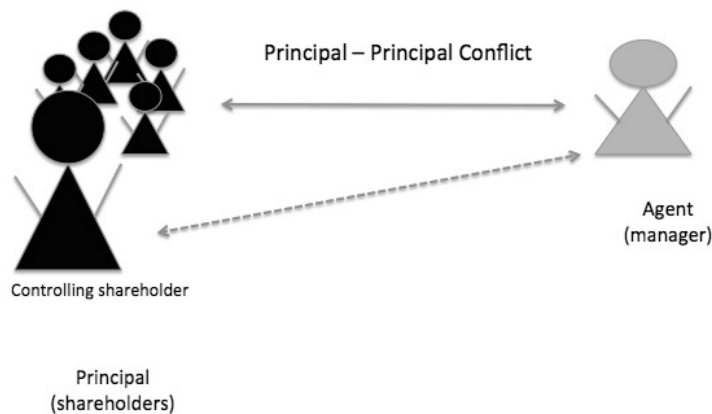
The agency theory is used in the corporate governance to explain the ownership structure of SOEs and to show how owner’s interest can vary from the manager or executive’s interests. The theory explains the important function of the Board of Directors who act as intermediaries between the managers and the shareholders and therefore control the managerial behavior to ensure they act in the interests of the shareholders <sup>6</sup>. Further the theory deals with additional controlling mechanism like „the organization of board structure, rules on strategy-setting and strategic decision making processes, reporting and controlling” (Wicaksono, 2009, p. 20).

Apart from the conflict between the principal (owners) and the agent (managers) an additional conflict may arise as soon as there exists a concentrated ownership with lack of external governance mechanisms between minority and majority shareholders (Morck et al., 2005, p. 3) like it is the case in many SOEs. The mentioned conflict is known as principal-principal conflict and is characterized by “concentrated ownership and control, poor institutional protection of minority shareholders, and indicators of weak governance such as fewer publicly traded firms” (Young et al., 2008, p. 197).

---

<sup>6</sup> In the case of SOE the principal is the government whereas the role of the agent lies with the SOE’s management





**Figure 5 Principal - principal conflict (own diagram)**

### 2.2.3 Stewardship Theory

The stewardship theory is a reaction of the discussion and critics about the agency theory in corporate governance studies (Wicaksono, 2009, p. 21). Researchers in the fields of psychology and sociology suggested that the agency theory is limited when it comes to the complexities of organizational life as this theory is not able to explain the relationships based on non-economic assumptions (Davis et al., 1997, p. 20). The stewardship theory says that executives act as stewards and in the best interests of their principals (Donaldson & Davis, 1991, p. 52). In the stewardship theory the agent act rational and places “higher value on corporation than defection” what makes him behave accordingly even though his interests may not be aligned with these of the principal (Davis et al., 1997, p. 24). A strong relationship between the success of the organization and the principal’s satisfaction results as a steward is due to protect and maximize the principals’ wealth (Davis et al., 1997, p. 25). In contrast to the agent in the agency theory, the steward believes that his personal needs are met by working hard toward organizational ends and therefore the steward “seeks to attain the objectives of the organization (e.g., sales growth or profitability)” what in turn is a benefit for the principal (Davis et al., 1997, p. 24).

When comparing the agency with the stewardship theory a number of distinctions appear, whereas Davis et al (1997, p. 27) divide these into psychological factors and situational factors. Under the psychological factors the authors name the extrinsic versus the intrinsic motivation<sup>7</sup>, the identification of the manager as a member of a particular organization with a

---

<sup>7</sup> Extrinsic motivation appears in the agency theory and means „extrinsic rewards e.g. tangible, exchangeable commodities that have measurable „market“ value“ (Davis et al., 1997) whereas intrinsic motivation rewards are „opportunities to grow, achievement, affiliation, and self-ctualization“ (Davis et al., 1997)

mission, vision and objectives, and the different use of power (Davis et al., 1997, p. 27). The situational factors are divided into management philosophy, especially the difference between the two philosophies in their orientation to risk as well as their definition of trust, and culture, what means the distinction of individualism-collectivism as well as the power distance<sup>8</sup> (Davis et al., 1997, p. 37).

<b>Comparison of Agency Theory and Stewardship Theory</b>		
	<b>Agency Theory</b>	<b>Stewardship Theory</b>
<i>Model of Man</i>	Economic man	Self-actualizing man
<i>Behavior</i>	Self-serving	Collective serving
<i>Psychological Mechanisms</i>		
<i>Motivation</i>	Lower order/economic needs (physiological, security, economic)	Higher order needs (growth, achievement, self-actualization)
<i>Social Comparison</i>	Extrinsic	Intrinsic
<i>Identification</i>	Other managers	Principal
<i>Power</i>	Low value commitment	High value commitment
	Institutional (legitimate, coercive, reward)	Personal (expert, referent)
<i>Situational Mechanisms</i>		
<i>Management Philosophy</i>	Control oriented	Involvement oriented
<i>Risk orientation</i>	Control mechanisms	Trust
<i>Time frame</i>	Short term	Long Term
<i>Objective</i>	Cost control	Performance Enhancement
<i>Cultural Differences</i>	Individualism	Collectivism
	High power distance	Low power distance

Figure 6 Comparisons of agency theory and stewardship theory (Davis et al. , 1997, p. 37)

The key of the stewardship theory, apart from the fact that the steward wants to do a good job, is trust (Wicaksono, 2009, p. 22) and the two pillars of the theory, trustworthiness and cooperative relationships between the principals and the stewards (Wicaksono, 2009, p. 22). The stewardship theory can fit better in certain contexts but only if the culture of the environment isn't coined by corruption and self-interested behavior (Wicaksono, 2009, p. 23).

## 2.2.4 Public Corporate Governance

During the two last decades a change has happened when "administrative units all over Europe have been removed from the classical ministerial or departmental hierarchies, and the steering of these units has been adjusted accordingly" (Steiner & Huber, 2012, p. 1), whereby not every task can be outsourced to another unit (Lienhard, 2013, p. 15) e.g. ministerial tasks.

---

<sup>8</sup> Power distance is defined as „the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally“ (Hofstede, 1991, p. 28)

Nevertheless, as soon as the government outsources a task, the state no longer provides the service by himself but has a third party provided it. Through outsourcing these tasks, the private market and the state are moving closer together, while the state still takes full responsibility whereas the third party executes (Lienhard, 2008, p. 45) (Schedler et al., 2007, p. 8). The state has shifted from the *Leistungsstaat* to the *Gewährleistungsstaat* (Schedler et al., 2007, p. 9) and through this shift the government becomes a principal as it hires people or organizations to do the job for it (Wicaksono, 2009, p. 33). Simultaneously the state is also in the role of an agent as the main principal is still the public (Budäus & Hilgers, 2009, p. 13).

With the decision to let third parties provide public services, questions concerning the steering of these parties arise (Kolbe, 2006, p. 64) as the state suddenly finds itself in a range of roles. The state now acts as the executive, the guarantor, as customer as well as regulator and owner (Lienhard, 2008, p. 49). The state becomes an “all-in-one” state as owner of a unit/organization/company that provides a certain service, which the state guarantees the public (Schedler et al., 2007, p. 10).

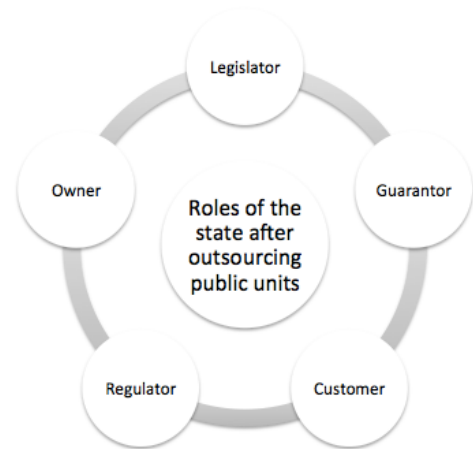


Figure 7 Roles of the state (Lienhard, 2013, p. 9)

Each of these roles have different tasks and interests, which have to be combined. Because of the variety of roles, conflicts of interests may occur, e.g. an owner’s main interest is profitability but the state targets social objectives such as human development, education, and

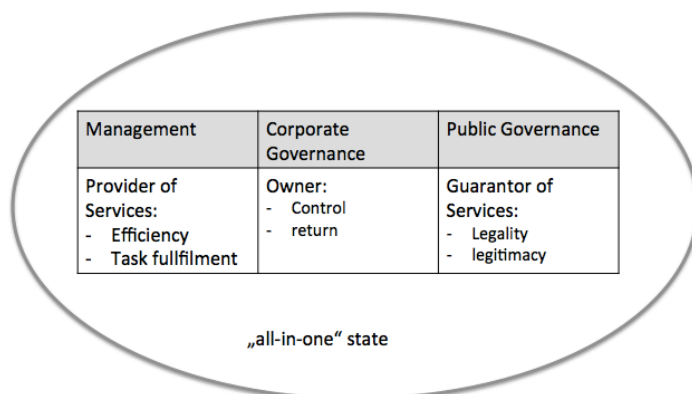


Figure 8 „all-in-one“ state (Schedler et al., 2007, p. 10)

so on (Lienhard, 2008, p. 49) (Wicaksono, 2009, p. 33). How can the state counter these conflicts? How should the outsourced unit be steered or controlled? Which role should the state/government play?

In this discussion the term “corporate governance” is often used. But as learned above, corporate governance is referred to the steering and control of (private) enterprises, and the term can’t simply be translated to the public sector as the

steering is mostly done by politics instead of the market itself (Lienhard, 2008, p. 48). This is when the term public corporate governance comes into play, which has been defined by various researchers. Lienhard (2008, p. 48) understands public corporate governance as all principles concerning the organization and steering of and in outsourced devolved administrations in order of effective and efficient service provision within a democratic constitutional state. Budäus et al (2009) see public corporate governance in general as the arrangement of the management and controlling system of the public administration concerning public units (Budäus & Hilgers, 2009, p. 11). Further Schedler et al (2007, p. 12) understands the public corporate governance as part of the public governance but with the difference that the state is not only guarantor but also owner of an organization and therefore has also interests as such and is responsible to define steering and controlling arrangements. Nevertheless, all these definitions show the two dimensions of public corporate governance, the inside and outside dimension, what means that the state not only has the managerial view but also political view, that is to say development and controlling of these organizations through the state (Lienhard, 2008, p. 48). Finally, it becomes clear that public corporate governance treats the question of how the tasks are fulfilled and not which services should be outsourced while the central elements include the steering of the unit as well as the controlling of it (Schedler et al., 2007, p. 12).

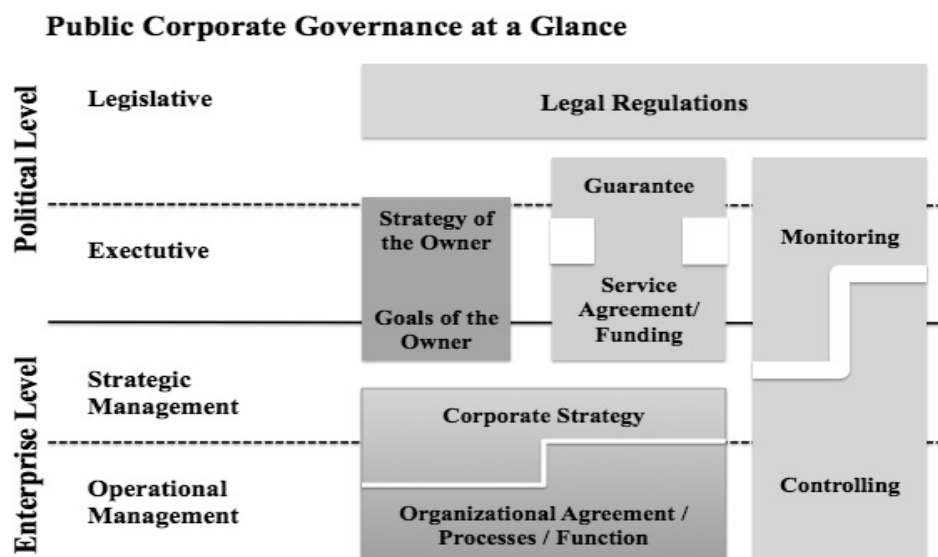


Figure 9 Public corporate governance at a glance (Schedler et al., 2013, p. 52)

Internationally the Organization for Economic Co-Operations and Development (OECD) has published a survey of the corporate governance of its members and based on this survey the

editors have phrased a set of guidelines. They asked to ensure an effective legal and regulatory framework for SOEs to ensure the same competitive conditions for private as for state-owned enterprises (OECD, 2005, p. 185). Further the OECD (2005, p. 191) wrote guidelines for the state as owner, e.g. the state should be an active and informed owner with a clear strategy to ensure transparent and responsible governance. Additionally, and besides asking for transparency and openness, the guidelines also stated an equal treatment of all shareholders as well as a good relationship to all SOE stakeholders (OECD, 2005, p. 201). Finally, the OECD suggests an objective, capable and responsible Board of Directors to steer and control the enterprise's management (OECD, 2005, p. 219). These guidelines show the key aspects of public corporate governance, which consist of the form of organization, the level of autonomy, the cycle of steering, the instruments of steering, the reporting system, the supervision as well as the structure of responsible body (Lienhard, 2008, p. 55).

As mentioned, the public enterprises work in an area of tension between distributive political disposition and productive managerial view or simply between economic success and political influence (Budäus & Hilgers, 2009, p. 17) (Schedler et al., 2007, p. 18), what results in the need of clear guidelines (like the OECD guidelines) or the clarification of the governance structures respectively. Schedler et al (2007, p. 32) suggest in their report, the role of the board should be clear (what power does it have in strategic decisions, etc.) and the controlling system and the task sharing should be defined. Budäus et al (2009, p. 18) divided the codices into three main functions: behavioral control of the actors, communications and regulatory function. They further raise the question about the sanction of such codices and guidelines concerning public or state-owned enterprises. In the private market the sanctions in the event of non-compliance happen through the capital market, whereas in the public sector sanctions can only be exercised through pressure on the management (Budäus & Hilgers, 2009, p. 20).

In a nutshell it can be said that public corporate governance deals with the steering and controlling of public enterprises and isn't much of a difference from the corporate governance in the private market (Kolbe, 2006, p. 65). Further, although the managerial view is dominant, the political influence can't be ignored and plays an important role as the state has still other responsibilities than "only" profitability. The difficulty lies in the balance of instrumentality and autonomy of the enterprise (Kolbe, 2006, p. 72).

## **2.3 Switzerland and Singapore at a Glance**

While the previous chapter introduced the theoretical framework and made the distinction of SOEs and GLCs, the next sub-chapter will give an overview of the situation in Singapore and Switzerland in regard of public enterprises. Therefore the political and economical context will be disclosed before introducing the countries' ownership and governance structure concerning SOEs.

### **2.3.1 Republic of Singapore**

Singapore is a small island city-state in the middle of Southeast Asia with a population of 5.4 million citizens in 2013. Almost 29% of the population doesn't count as Singapore residents (Department of Statistics Singapore, 2014). The population itself is mixed and includes Chinese, Malays, Indians and other minority groups (Department of Statistics Singapore, 2014), while most of them are bilingual as they speak their own language as well as English (Department of Statistics Singapore, 2014). Together with expats from all over the world, Singapore makes "a living by serving others" with their two important pillars of economy: manufacturing and services (Sadasivan, 2007, p. 157).

Compared to other countries, Singapore is very young as it only appeared in the mind of the world after 1819 when Sir Stamford Raffles hit the port of "Singapura", the city of the Lion, and immediately saw the high potential of a trading port in Asia (Mauzy & Milne, 2002, p. 13). Singapore became a British colony as it was "chosen as a settlement by the British East India Company because it was situated at a cross-roads for trade" (Mauzy & Milne, 2002, p. 2). Singapore was of great importance for the British but they weren't able to protect the country during the Second World War, resulting in the occupation of Singapore by the Japanese. The occupation was a terrible time that lasted until September 1945, when the British troops came back and "the Japanese surrendered" (Mauzy & Milne, 2002, p. 14). The country stayed under the British colonial rule until gaining autonomy in 1959 (Haque, 2004, p. 228), when the People's Action Party won the legislative assembly elections and Lee Kuan Yew became the new Prime Minister. Together with the also newly autonomous Malaya and the British territories of Sarawak and North Borneo, Singapore decided to form a new state called Malaysia with the prospect of broadening its range of exports to Malaya (Mauzy & Milne, 2002, p. 3). Shortly after the formation of Malaysia, Singapore was disillusioned and forced to leave Malaysia – therefore becoming fully independent August 9, 1965 (Mauzy & Milne, 2002, p. 3). Since then, when Singapore was seen as a Third World Country, the city

state transformed into a globalized country with a competitive economy (Funston, 2001, p. 292) (Mauzy & Milne, 2002, p. 12).

### **2.3.1.1 Political System**

It has been almost 50 years since Singapore gained independence but during all these years no change in government has happened as the People's Action Party (PAP) was always re-elected (Funston, 2001, p. 291). Since then Singapore is "a republic with a parliamentary system of government" (International Business Publications, 2008, p. 21) and is based on the English common law, the Westminster parliamentary system (Singapore Government, 2013). The Constitution of Singapore "lays down the fundamental principles and basic framework for the three organs of state, namely, the Executive, the Legislative and the Judiciary" (Singapore Government, 2013). The Executive is built by the Cabinet, which "is responsible for the general direction of the Government and accountable to Parliament" and consists of the Prime Minister, who functions as Head of Government, as well as the seventeen Ministers, who are appointed by the president, on advice of the Prime Minister (Singapore Government, 2013). Since 1993 the president as Head of State is elected in a general election, while he holds more of a ceremonial/symbolic position (Wicaksono, 2009, p. 69). The Legislative is comprised by the Parliament, which consists of either elected, non-constituency or nominated members (Parliament of Singapore, 2011). While the elected members are elected in the general elections that are held every five years, the non-constituency nominated members (NCMPs) are up to 9 opposition candidates "who had received the highest percentage of votes (exceeding 15 per cent) in their constituencies" (Funston, 2001, S. 298), whereas the 9 nominated members are independent Singaporeans appointed by a special committee for a term of two and a half years, who should allow more parliamentary opposition (Parliament of Singapore, 2011) (Funston, 2001, p. 300).

In general, the Singapore government consists of the PM and its ministers who are appointed by the PM to head one of the 15 different Ministries whereas ministers without a portfolio work in the PM's office. The fifteen Ministries are further composed of departments and divisions and are responsible for "their" statutory boards.

In order to qualify Singapore as a democracy, the People's Action Party, an authoritarian, technocratic, and paternalistic party since 1959, operates within a formal multiparty system (Tan K. P., 2008, p. 11). In reality, interparty competition doesn't exist and the PAP is the dominant party in power since Singapore's independency. After the PAP regularly won all the

seats in parliament, in 1989 the government decided to allow a limited number of opposition candidates in the parliament in order to “satisfy the electorate’s desire” (Funston, 2001, p. 300) (Tan K. P., 2008, p. 12). But despite the existence of political parties, Singapore is still a *de facto* one-party state, as the PAP “has an effective monopoly of state power” (Rodan, 2013) what again provides a stable political context (Haque, 2004, p. 229). The argument of the government for this situation of a formal one-party-system is that a multiparty system is a luxury that Singapore cannot afford (Tan K. P., 2008, p. 13). The PAP believes that “investor confidence, on which much of Singapore’s economic success is built, is dependent upon political stability” which Goh Chock Tong characterized as continuous government by the PAP (Tan K. P., 2008, p. 13). However, one says that even though the “PAP is everywhere” the party itself “exercises little influence on government” (Mauzy & Milne, 2002, p. 49).

The Singaporean government is well known for its high involvement. The government “is deeply paternalistic, combining perfectionist ideals with soft-authoritarian methods” (Tan K. P., 2008, p. 12). This also means that the government always knows better and therefore has the final say on everything “from personal conduct to sexual behavior to artistic value” and also economical development (Tan K. P., 2008, p. 12). This behavior has led to the state’s nickname “the nanny state” while its economic planning and business-like country-management have led the government to be called “Singapore Inc.” (Sim, 2011, p. 57).

### **2.3.1.2 Economical Situation**

Singapore’s economy fascinates economists around the globe as it is seen as miracle (Choo, 2013, p. 27) but also as vibrant, competitive, and innovative (Bellows, 2006, p. 236). The economy is mixed with a government that provides most of the infrastructure and exercise control over the “pace and direction of development” (Bellows, 2006, p. 236). Singapore has a free-market economy, a corruption-free business environment and is very open (Malik, 2007, p. 7), whereas the openness is due to the fact that compared to other (Asian) countries, Singapore has a disadvantage as it has a lack of resources, except for its excellent geographical location and its natural resource its people. This lack wouldn’t have allowed Singapore to act with protectionism but asked for exposure to foreign trade (Abeyasinghe & Choy, 2007, p. 2). Additionally, Singapore has also been completely open to financial flows when capital controls have been removed by the government in 1978 and foreign direct investments (FDI) have increased rapidly (Abeyasinghe & Choy, 2007, p. 2). In alliance with this, the multinational corporations (MNCs) became very important players in the



Singaporean economy, especially in the manufacturing sector. The MNCs in Singapore get a wide range of tax incentives as well as export benefits but brought and still bring the country the “technological prowess, managerial skills and marketing networks” it has lacked ever since (Abeyasinghe & Choy, 2007, p. 2). Nevertheless, the MNCs together with the exports and the large inflows of foreign capital and labor are the key features of Singapore’s economic growth (Wilson, 2011, p. 3).

The two sectors manufacturing and services are the “twin engines” of growth for the Singaporean economy (Rajan & Thangavelu, 2009, p. 3). While in the 1960’s the country’s core economic activities have been more labor-intensive industries<sup>9</sup> (Singapore Economic Development Board, 2009) the situation changed in the 1970’s when electronic and IT products raised and in the 1980s Singapore finally concentrated more on less labor-intensive manufacturing but on capital-intensive manufacturing such as oil refining (Singapore Economic Development Board, 2009). But Singapore had to prepare itself “to leap out of traditional economic activities” as it could not longer compete with the low-cost regional neighbors and the growth of China (Rajan & Thangavelu, 2009, p. 10). Singapore turned into a regional and global service hub by concentrating on its only resource: human capital. The government wanted to create an innovative and entrepreneurial culture by foster the education of not just students but also professionals, managers, executives, technicians and even less skilled workers (Tan K. P., 2003, p. 249).

Although one speaks of manufacturing and service as the main sectors of Singapore, the main force of the small country or the biggest sector is still the public sector. The ongoing “economic planning and interventions by the Singapore government [...] have led Singapore’s government to be called “Singapore Inc.” (Sim, 2011, p. 57). The government manages the country in a business-like manner and participates actively in most sectors of the economy (Haque, 2004, p. 230) what results in the fact that the public sector is one of the largest employer of the country (Sim, 2011, p. 57). The public sector is not only public service such as military, police or social service (education, etc.) but also commercial businesses such as the many government-linked companies.

Overall Singapore has the world 7<sup>th</sup> best GDP per capita of the world and an external depth of 1.174 trillion US Dollar (Central Intelligence Agency, 2014). Further, Singapore’s

---

<sup>9</sup> The labor-intensive manufactories were garment, textiles, toys and wood products (Singapore Economic Development Board, 2009)

unemployment rate is only 1.9% being the best rate among developed countries in the world (Central Intelligence Agency, 2014). The labor force is especially concentrated on the service sector with over 80%, whereas approx. 18% of the employees works in the industry (Central Intelligence Agency, 2014). Figures show how successful Singapore's economy is and how well it takes care of its principal asset as a hub for multinational companies (Bellows, 2006, p. 239). Of course, not everyone profits from this development and therefore Singapore faces problems such as a growing income gap too (Rajan & Thangavelu, 2009, S. 6).

Overall, Singapore is ranked the second most competitive economy in the world for the third time because of its outstanding performance, its good market, its efficient labor market as well as financial market development (World Economic Forum, 2013, p. 12).

### **2.3.1.3 SOEs in Singapore<sup>10</sup>**

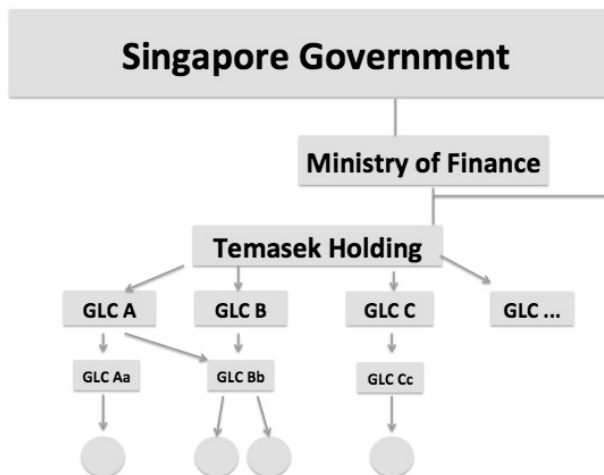
Government-linked companies are, apart from the statutory boards, one of the two types of Singapore's SOEs. Whereas the statutory boards are solely owned by Singapore's government and managed by Boards of Directors with representatives from government ministries, the private sector as well as professionals (Sim, 2011, p. 61), the GLCs are only partly owned by the government and are seen as the government's investments. Nevertheless, all these GLCs are collected under the portfolio of Temasek and Singapore Technologies whereas the sole shareholder of these two holdings is the government of Singapore. This action allows "the government to separate regulatory authority from state ownership" (Kirkpatrick, 2014, p. 7) while Temasek has the mandate to "contribute to Singapore's economic growth by nurturing world-class companies through effective stewardship and commercially driven strategic investments" (Temasek, 2014). In general, statutory board as well as GLCs and the holding companies do not belong to the civil service of Singapore and therefore have no legal privileges or immunities of government departments (Quah, 2010, p. 42).

The ownership arrangement of Singapore's government-linked companies is rather complex. Temasek had been formed by the Ministry of Finance in 1976 and since then the holding company is fully owned by the government and must report to the President of Singapore. As controlling shareholder of the strategic GLCs "which are mostly local monopolies" it is the company's task to manage the GLCs (Sim, 2011, p. 71). Regardless of this fact, some suggest that it more so monitors them (Sim, 2011, p. 70). Hence, Temasek owns the first-tier

---

<sup>10</sup> A list of Temasek's first tier GLCs can be found in the appendix I

companies that hold shares in second-tier companies, which in turn hold shares of third-tier companies. While there are also some cross-holdings among the GLCs (Ang & Ding, 2006, p. 67), many of these tier companies are listed on the stock exchanges and have created a corporate group - e.g. Singapore Airlines Limited, Keppel Corporation, SingTel, etc. (Sim, 2011, p. 70).



**Figure 10** Ownership structure Singapore's GLCs (own diagram)

GLCs have been established after Singapore received its political independence in 1965 and during the following initial phase of the country's economic development. In order to "jump-start" the economic growth and as Singapore did not have a ready-made entrepreneurs and therefore to compensate the lack of private sector funds, GLCs have been set up in various sectors of the economy (Yahaya, 2012, p. 195) (Ramírez & Tan, 2003, p. 4). Since then, these companies are involved in a "wide range of areas, including finance, telecommunications, transport and logistics, property, infrastructure and engineering and utilities" (Ramírez & Tan, 2003, p. 5) and have developed into multinational conglomerates. But the Singaporean GLCs have not just helped to build a successful economy and grow the National Reserve but played a crucial role in the process of nation building in Singapore (Sim, 2011, p. 7). GLCs are Singapore's instrument of state capitalism and its "Singapore Inc." strategy: Singapore government in the role of an entrepreneur that starts strategic business and therefore creates jobs and restructures the national economy (Sim, 2011, p. 8). Additionally, GLCs contribute via Temasek "at a sustainable pace" to the Singapore government budget via the dividends as well as the taxes on their profit and let the national reserve grow (Temasek, 2014, p. 52).

After the first enthusiasm was over public pressure that the GLCs had become too dominant and competitive with the private sector arose. The government started to privatize certain

GLCs but unlike many SOEs in other countries, Singapore didn't sell the companies to get fast cash in a "fund-raising exercise" (Sim, 2011, p. 68). The privatization process was also a strategic choice in order to "boost" private entrepreneurship and to enhance the regionalization project in response to the globalization (Low, 2001, p. 428) (Lee & Haque, 2006, p. 609). Through partly privatizing the GLCs, the government encouraged them to invest in overseas investments and turn into MNCs, while losing the "state-owned" image (Lee & Haque, 2006, p. 609). Thus, after Low (2001) there still exist a close linkage between the government and the companies as most of them were/are headed by ex-politicians or retired civil servants (Lee & Haque, 2006, p. 610).

Temasek Holding is situated in a classical principal-agent setup whereas the company has to consider the orientation as shareholder as well as stakeholder in its business decisions (Wicaksono, 2009, p. 94). As an investment company that monitors its investments its decisions are defined as shareholder. At the same time, Temasek is accountable towards the President of Singapore as representative of the government and therefore it always has to make sure that the people of Singapore benefit from its decisions. The President of Singapore, as principal in this situation, therefore has to give his approval if key personnel<sup>11</sup> has to be appointed or re-appointed, if past reserves can be used by a newly elected government and concerning certain financial governance matters (Wicaksono, 2009, p. 94). Except for the points aforementioned, Temasek's Board of Directors and management team is fully responsible and capable for all investments and business decisions as it is "by its ownership structure and economic purpose a private investment institution" (Wicaksono, 2009, p. 92). Nevertheless, out of ten directors on its Board, there are usually two for official representatives of the government, namely the Permanent Secretary of the Ministry of Trade and Industry and the Permanent Secretary of the MOF (Sim, 2011, p. 74).

Structured as private investment institutions, Singapore's GLCs are run in the *managerial way*, therefore the competition is seen as the key to success rather than the ownership (Ramirez & Tan, 2003, p. 3) and the companies are expected to be efficient and profitable. The GLCs are free to do new investments and allowed to enter into new local or global businesses with or without local or foreign partners (Sim, 2011, p. 72). The Singapore government controls these firms very loose and operates them "fully as for-profit commercial

---

<sup>11</sup> All appointments, reappointments and/or removals of Board of Directors or CEO of Temasek has to be approved by the President of the Republic of Singapore (Wicaksono, 2009)

entities, on the same basis as private sector companies; they are expected to provide commercial returns [...]” (Ramírez & Tan, 2003, p. 5). In order to act like private sector companies and compete with those, GLCs have to work under the same regulations and don’t receive any special treatment by the government (Ramírez & Tan, 2003, p. 5). Nevertheless, a government-linked company can send certain signals that end in investors trust and therefore in advantages. Thus, it may also be a disadvantage when a GLC is not allowed to invest in a foreign sector out of political reasons (Ramírez & Tan, 2003, p. 6). Hence, Ramírez and Tan found no proof of Singapore’s GLCs having “easier access to credit” (Ramírez & Tan, 2003, p. 14). Additionally Sim (2011, p. 169) found no proof of the government ownership on the financial performance of GCLs or them becoming more or less efficient after they’ve been listed.

In order to have the best people in their Boards, Temasek sets guidelines on the “appropriate composition of the board, tenure of directors, their size, and formation of specialized board committees” (Ang & Ding, 2006, p. 71). Further, Temasek suggests “qualified individuals for consideration by the respective boards” but in general the holding is not represented on the Boards of its portfolio companies nor does it “direct their business decisions or operations (Temasek, 2014, p. 54). Temasek only protects its interest as shareholder when voting at the annual shareholder’s meetings (Temasek, 2014, p. 54). Nevertheless, in the past many GLCs have been run by ex-civil servants and retired politicians whereas most recently, as these companies are involved globally and in joint ventures, they started to appoint more managers from the private sector (Low, 2001, p. 428). However, Sim (2011) wrote in her study that even though the Chief Executive Officer (CEO) or Chairman of a GLC may be connected with the government this has no influence on the performance of the company whereas the market may see these politically linked people as negative signal (Sim, 2011, p. 168).

Core companies	Board chair/ president			CEO/MD		
	1997	2006	2012	1997	2006	2012
DBS	G	G	P	G	P	P
SingTel	G	P	P	G	G	P
SIA	G	G	P	G	G	P
NOL	G	G	G	G	P	G
SPC	NA	G		NA	G	NA
Keppel Corp	G		P	G	G	P
Semb Marine	G	G	NA	G	G	P

**Table 1 Identities of Board chair/president, CEO/Managing directors in GLCs according to Kirkpatrick (2014, p. 12)**

As many of the GLCs are listed on the Singapore Stock Exchange SGX and therefore have to be compliant concerning certain points, the Monetary Authority of Singapore issued a Code of Corporate Governance wherein it defines all Board (composition, performance, membership, assess of information, etc.) and remuneration matters as well as the enterprises accountability and the shareholder rights and responsibilities (Monetary Authority of Singapore, 2012). The code itself isn't mandatory for the GLCs "but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanation for deviation form the Code in their annual reports." (Monetary Authority of Singapore, 2013).

### 2.3.2 Swiss Confederation

Switzerland is a small state in the middle of Europe and counted a population of 8.13 million citizens in 2013. 23.3% of the population isn't Swiss permanent residents (Department of Swiss Statistics, 2014). The population itself is mixed and includes Swiss, Germans, Italians, East Europeans, as well as Asians and other minority groups (Department of Swiss Statistics, 2013), while the national languages are German<sup>12</sup>, French, Italian, and Rhaeto-Romance (Swiss Confederation, 2011, p. 101).

Switzerland was the first democracy and national state of the world after it gained back its independence from France in 1815 (Linder, 2005, p. 27). The 25 cantons built a loose confederation wherein all of them remained sovereign but promised to help each other in case

---

<sup>12</sup> The German is a Swiss dialect and only a spoken language while the newspapers and other media use High German (International Business Publications, 2012)

of foreign threat (Linder, 2005, p. 27). Although there were many differences like denomination, languages, economical situation or internal conflicts among the cantons, in 1848 they decided to build a nation in order to have a better industry market as well as to resist the political pressure from its neighbors (Linder, 2005, p. 29). The Swiss Confederation was established with its nowadays 26 sovereign cantons and more than 3'000 communities with its main features: direct democracy, strong federalism and a system of consociational democracy (Sager & Zollinger, 2011, p. 27) (Linder, 2005, p. 29).

Switzerland is a very privileged country which survived both World Wars in Europe as democracy and which became very rich despite not having any commodities (Linder, 2005, p. 19). After the Second World War and during the Cold War Switzerland experienced an economic growth thanks to tourism, banking industry, watch industry, construction sector as well as the chemical and metalworking industry (Linder, 2005, p. 19). The end of this era brought the country an identity crisis: its neutrality wasn't so important anymore and when the financial crisis ruled the world 2007, its advantages with the bank's secrecy, tax advantages, etc. began to wane.

#### **2.3.2.1 Political System**

Switzerland is one of a few federal states with not only a federal government but also the constituent states (in Switzerland called the cantons) that have legislative, executive and judicative power (Sager & Zollinger, 2011, p. 30). Swiss federalism means non-centralization of political power but extensive autonomy at the cantonal and local level (Vatter, 2007, p. 71). The Swiss constitution defines in article 3 "the division of powers between the Federation and the cantons" and further assigns all mandates to the cantons if these are not explicitly delegated to the central state – *principle of subsidiarity* (Linder & Vatter, 2001, p. 95). Therefore, the Swiss cantons have a complete political system of their own right and enjoy competences in health, education, justice, police and social assistance (Sager & Zollinger, 2011, p. 31).

The Swiss federal government is composed of the seven Swiss Federal Council members (*Bundesrat*) of the four main political parties and the Federal Convention (*Bundesversammlung*) that consists of two chambers: the Council of States (*Ständerat*) and the National Council (*Nationalrat*). While the 46 members of the Council of States represent the 26 cantons, the 200 members of the National Council represent the population of Switzerland. The members of the Federal Convention are elected for a period of four years in

general elections within their home canton and debate separately in their chambers during four sessions per year. The majority of the members are non-professional politicians what means the system is a militia system (Linder & Vatter, 2001, p. 111). In contrast, the Swiss Federal Council members are elected through the Swiss Federal Convention, are professional politicians and meet regularly throughout the whole year. Further, every member of the Federal Council heads one of the seven departments that consist of a general secretariat and federal offices and towards which “all organizational units, including legally independent entities (Swiss postal service, Swiss railways) are administratively attached” (Steiner & Huber, 2012, p. 192). Every year the Federal Council is headed by another president who is only a “*primus inter pares* and has no right to intervene in whatever may occur within the individual departments” (Steiner & Huber, 2012, p. 191).

Steiner and Huber (2012) divided the Swiss organizational units into four groups. One group consists of the units that “are responsible for the coordination and steering of the administration and the state” (Steiner & Huber, 2012, p. 192), whereas a second group counts all semi-autonomous offices “that are lead by a performance agreement and global budget” (Steiner & Huber, 2012, p. 192). The authors third group consists of public-law institutions while the last group are private-law entities and public-law corporations like e.g. Swisscom (Steiner & Huber, 2012, p. 192). The Swiss government plays a different role and has different responsibilities in all of these groups.

Apart from the feature of federalism, the characteristic of a direct democracy distinguishes Switzerland from most of other democracies. The direct democratic instruments emerged at the beginning of the 19<sup>th</sup> century and “sought to limit parliamentary power and gain control over the most important political decisions” (Sager & Zollinger, 2011, S. 28). The people of Switzerland, as the sovereign of the country, have always the final say concerning every change of the Swiss constitution in form of either popular initiative or compulsory referendum (Linder, 2005, p. 242). In case of a new law or a federal decision the parliament is allowed to decide as long as no optional referendum comes off with the mandatory 50'000 signatures (Linder, 2005, p. 248). All other decisions with less importance like e.g. new policies are in the competence of the parliament as well as the government (Linder, 2005, p. 248). Finally, the people of Switzerland are able to express its wish of a change of the constitution in form of a popular initiative signed by 100'000 or more permanent Swiss residents (Linder, 2005, p. 248).



The empowerment of the Swiss population leads to the last outstanding feature of the Swiss political system: the consensus democracy. This characteristic is not prescribed by the constitution and is therefore more a rule-in-use (Sager & Zollinger, 2011, p. 32). As the optional referendum can be used as an instrument to prevent important projects by the political opponents, all political parties are integrated into the government with the same power “in order to avoid political deadlock” (Sager & Zollinger, 2011, p. 32). In order to reduce the optional referendum the government and parliament is willing to discuss and find a consensus what has led to a system of concordance (Sager & Zollinger, 2011, p. 33).

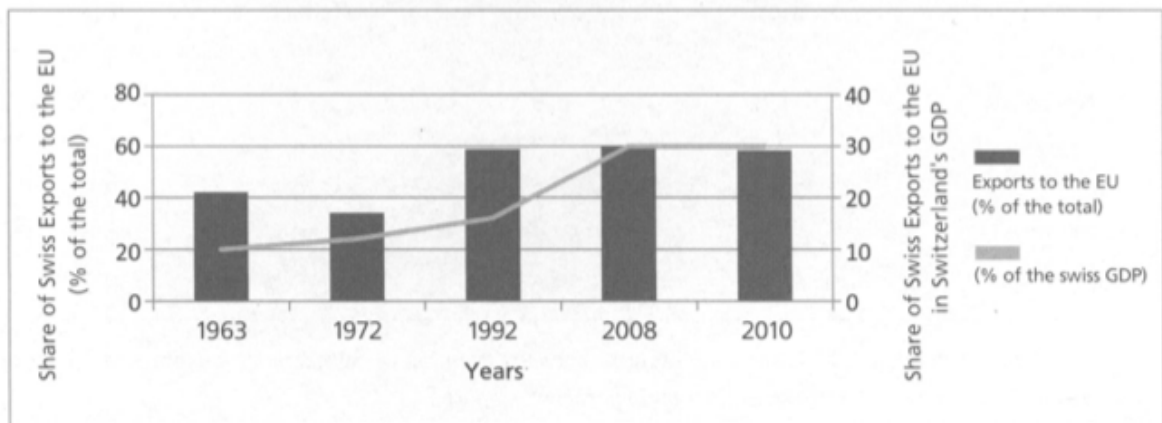
### **2.3.2.2 Economical Situation**

Switzerland is the most competitive country in world (World Economic Forum, 2013, p. 12). The country is more innovative than other countries, with top research institutions, and has a very efficient labor market as well as a “sophistication of its business sector” (World Economic Forum, 2013, p. 12). Citizens like private companies are proactive in adapting new technologies while the political situation is stable, public institutions are transparent and efficient, corruption is weak and governance structures ensure a good playing field for doing business (World Economic Forum, 2013, p. 12).

Despite a lack of natural resources the Swiss economy is among the best and counts the highest income per capita as well as wages in the world (International Business Publications, 2012, p. 26). But although the country has limited natural resources, Switzerland is dependent on export to generate income (Butcher, 2011). Hereby, machinery, metal, electronic, and chemical sectors make over half of Swiss export revenues while the European Union (EU) is the biggest export market for Switzerland. Further tourism, banking, engineering, and insurance are the most significant economical sectors for Switzerland and are well known in the world (International Business Publications, 2012, p. 26). Especially its specialization in financial activities, which sector represents approx. 11% of the Swiss GDP per capita, has transformed Switzerland into an important financial center and a leader in the private banking industry with “around 30% of overall global assets under management” (Vallet, 2012, p. 373).

Although Switzerland is a member of many different international organizations like WTO, IMF, OECD, or the World Bank and is situated in the middle of Western Europe the country is not a member of the EU or the Euro zone. In order to facilitate free trade with the EU because Switzerland is the third largest export market for the EU and the fourth largest of all imports and because the EU needs to have access to Swiss territory when transporting goods

between the various EU member states, Switzerland and the EU have found a “third way” in form of bilateral agreements (Vallet, 2012, p. 367). These agreements make Switzerland to a free rider as it benefits from the “European collective goods without giving up any domestic particularity for the whole” (Vallet, 2012, p. 367). Nevertheless, the Swiss economy is highly dependent on the EU not least because of its small size (Vallet, 2012, p. 368).



**Figure 11 Shares of Swiss exports to the EU (Vallet, 2012, p. 369)**

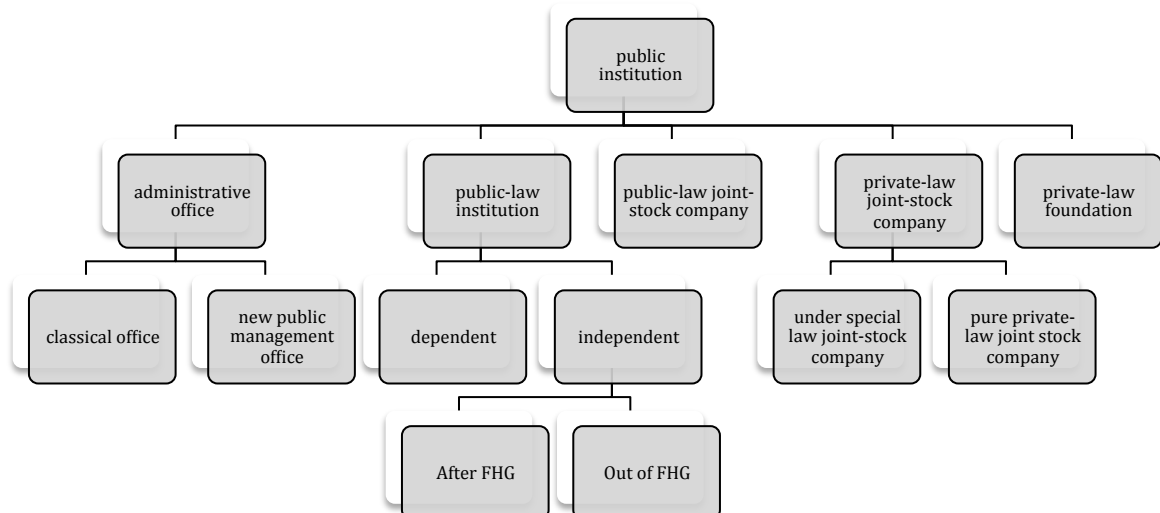
Overall Switzerland is a very attractive place for capital investments and for MNC to have their headquarters as the sovereignty of the people who control and monitor the national debt have a positive effect on its economy, what leads to high confidence into this country (Vallet, 2012, p. 373). This confidence has also been strengthened by the close relationship between political right wing parties and business associations, while the political left never played a major role (Mach & Trampusch, 2011, p. 17). Additionally, the labor movement in Switzerland remained weak while the working class has been well organized early on and closely involved in the political decision process (Mach & Trampusch, 2011, p. 17). Last but not least, state interventionism never took place and new public policies and regulations have normally been pre-structured by private actors what also can be explained by the “limited policy capacity of the central state” (Mach & Trampusch, 2011, p. 16)

Most scholars explain the success of Switzerland's economy as a “combination of a privileged position at the heart of Europe, a neutrality status that preserved the country from the ravages of the World Wars, and successful integration in the international economy, combined with liberal economic policies” (Mach & Trampusch, 2011, p. 20). In addition to these features, the characteristics of the economy's diversity as well as the country's

willingness for reforms have to be added to explain its success (Mach & Trampusch, 2011, p. 20) and therefore its increasing GDP per capita and low rate of unemployment.

### 2.3.2.3 SOEs in Switzerland<sup>13</sup>

Since the 1990s a new understanding of the state and its responsibility to provide services has emerged in the Western world and also in Switzerland. For a long time Switzerland that comparatively has limited government involvement in its economy hasn't been the most active reformer among the OECD countries as "reform strategies are strong shaped by decentralized developments" (Schedler & Keller, 1998, p. 1). While Switzerland has never clearly defined government enterprises the public enterprises have been divided concerning their legal status (Schedler & Keller, 1998, p. 3). The Department of Finance further defined enterprises with outsourced tasks as by law independent, not part of the Public Administration, fully or partly owned by the government and responsible of the defined tasks (Eidgenössische Finanzverwaltung, 2006, p. 10). In general, SOEs in Switzerland can be subordinated to the public or the private law whereas the joint-stock company is the most common form of private law organizations. Nevertheless Switzerland has "no standard law for all government enterprises but instead, each government enterprises has its own law, regulating all the organizational elements individually" (Schedler & Keller, 1998, p. 4).



**Figure 12 Forms of task fulfillment (Steiner, Schweizer Debatte zu den Formen der Aufgabenerfüllung (Bsp. Bund), 2012, S. 14)**

Switzerland has never been a country with an interventionist government or a state-owned industry, at least not at the Federal level. Despite the rather reluctant behavior of the Swiss

---

<sup>13</sup> List of Swiss SOEs is in the appendix I

government, the cantons hold over 1'000 participations on over 600 companies (Müller et al., 2013, p. 19). The most important public enterprises are the Post (postal service), Swisscom (telecommunications) and SBB (Swiss Railway Services), while the state is also heavily involved in the banking sector as the cantons hold 40% of the Swiss National Banks's shares and the 24 cantonal banks are fully or partly owned by the respective canton (Kantonalbanken, 2014). The government further plays a crucial role when it comes to agriculture as well as power supply but less in the small business industry (unless there happens to be a structural crisis and it has to intervene by establishing an enterprise that is going to be dissolved again when everything is over<sup>14</sup>) (Schedler & Keller, 1998, p. 12). Finally, the Swiss government is also involved in the national media, as it is the owner of the SRG, the Swiss Radio and Television Company.

In 2006 the Swiss Federal Council published a Corporate Governance report wherein its members explained the strategy when it comes to out contracting or outsourcing tasks (Schedler et al., 2007, p. 8) (Schweizerischer Bundesrat, 2006). The members orientated themselves on the *4-Kreise Modell* (model of 4 circles) which arranges the different tasks into four different circles and defines whether outsourcing is possible/recommended or not (Schweizerischer Bundesrat, 2006, p. 8248). The first circle describes ministerial tasks/organizational units, which are steered by politics and therefore can't be outsourced. The second circle consists of tasks that are fulfilled by agencies and steered through performance agreement and global budget. These agencies have a bigger scope of action but remain part of the public administration. Institutions and businesses like that are fully owned by the Swiss Federation but have their own budget and are managed by their own management belong to the third circle. Finally, only the mixed-companies that are partially owned by the government are independent legal entities<sup>15</sup>. In general the Swiss Federal Council came to the conclusion that ministerial tasks aren't suited to be outsourced in contrast to services with the monopoly nature as well as economic and security tasks.<sup>16</sup>

In his corporate governance report the Swiss Federal Council formulated 28 guidelines how to steer and monitor outsourced units and what power instruments remain with the Federal Council (Schweizerischer Bundesrat, 2006). The Federal Council asks the units and companies to have small organizational structures and separated power while the Federal

---

<sup>14</sup> E.g. the participation in the Allgemeine Uhrenindustrie AG

<sup>15</sup> E.g. RUAG, Swisscom, Post

<sup>16</sup> The source of this paragraph is the *Schweizerische Bundesrat* (Schweizerischer Bundesrat, 2006)

Council appoints the Board of Directors either direct or in case of a stock company as major shareholder at the annual general meeting (Schweizerischer Bundesrat, 2006, p. 8270). Further the Swiss Federal Council has the right to appoint a representative in the Board of Directors and brief this person (Schweizerischer Bundesrat, 2006, p. 8272). The corporate governance report also defines the exact accountability and special competencies as well as the possibility to formulate strategic goals for the units and the controlling measures of the Swiss Federal Council (Schweizerischer Bundesrat, 2006, p. 8276). Finally, there are also guidelines concerning the units financial and tax regulations respectively.

## **2.4 Preliminary Summary**

At the beginning of this chapter SOEs and GLCs have been introduced. It was shown that SOEs are government owned enterprises that were established in order to reduce unemployment and boost the national economies. After a phase of privatization SOEs still dominate industries like energy, telecommunications or transportation – industries with high entrant costs. In contrast the Southeast Asian phenomenon of GLCs can be found in almost every industry. The difference compared to normal SOEs is the special and sometimes a bit complicated ownership structure of GLCs. Further they always act under the private law what can vary when it comes to SOEs, which act under diverse legal and corporate forms.

In a next step the theoretical framework of corporate governance and public corporate governance has shown the occurring principal agent problems. It became clear that the concept of corporate governance focus exclusively on private enterprises while public corporate governance deals with the situation of the state as an owner. Despite the different ownership situation both concepts deal with the separation of ownership and control and how a business should be managed in order to prevent principal agent problems.

The chapter shows that there exist many differences between the small European federal state of Switzerland and the Asian city-state of Singapore. While Singapore has a parliamentary one-party system with a Prime Minister and a more symbolic President of the Republic, in Switzerland many different political parties are responsible for the policies and work together in either the Federal Convention or the Federal Council. Nevertheless, both countries stick up with their healthy and successful economies although Singapore and Switzerland both have a lack of natural resources and are build on their people. While Singapore in this regard had and still has a rather interventionist role the Swiss government was more of a regulator and didn't invest in SOEs. But also the way the two countries steer and monitor the existing SOEs are

completely different. While Singapore established a holding company, Temasek, which is the government's investor that holds shares of the SOEs, which in turn can hold shares of further companies, the Swiss government is the direct and sometimes sole shareholder of its public enterprises and doesn't have the pyramid ownership structure like Singapore. Therefore also the guidelines differ from each other. Temasek monitors its portfolio companies and supports them in finding the right persons for the Board but doesn't intervene by giving them strategic goals. In contrast, the Federal Council of Switzerland is able to send a representative to sit on the Board and formulates strategic goals for a period of four years besides conducting its shareholders rights. Nevertheless, both countries have issued a Code of Corporate Governance. Here they differ from each other again as the Swiss corporate governance report is a summary of clear guidelines how the government steers, monitors and influences the companies, while the Singaporean code is a set of optional guidelines for all listed Singaporean companies and therefore not mandatory. But even without the direct intervention of the Singapore government, the GLCs are very successful run business and compete with each other as well as with foreign enterprises while they developed into MNCs.

### **3. Case Study**

The above chapter introduced the concept of corporate governance as well as the two ownership structures of SOEs appearing in Singapore and Switzerland. The following case study will be an in-depth examination of a public enterprise example. The two telecommunications companies SingTel and Swisscom have been partly privatized in the 1990s while the respective government still owns 52% of the company's shares. The examination of the two companies' corporate governance is based on the respective guidelines issued by the OECD (OECD, 2005). After introducing the history of the two public enterprises, the case study examines the corporate governance of SingTel and Swisscom by means of its corporate structure, the composition of Board of Directors as well as the state's role before having a look at the companies' performances. While performance is seen as a "multidimensional construct" (Steiner et al., 2013, p. 44) the following comparison focuses on the economical perspective. To evaluate SingTel and Swisscom's performance, the financial statements market share, ROE (return on equity), net income, net revenue, EBITDA (earning before interest, tax, depreciation and amortization), market capitalization, return on investment (ROI), return on asset (ROA) and the share price development of the two companies serve as indices to judge the efficiency and success.<sup>17</sup>

#### **3.1 Swisscom**

##### **3.1.1 History**

With the establishment of the Swiss Confederation the cantons were forced to relinquish their postal service monopolies to the central state and by the end of the 19<sup>th</sup> century it captures as well the function of telegraphy and telecommunication (Schedler & Keller, 1998, p. 4). The entire telecommunications in Switzerland was a state monopoly in form of the PTT<sup>18</sup>. The reasons to hold these services as a state monopoly were the high capital expenditures and therefore the risk that the postal as well as telecommunication service wouldn't be provided exhaustively (Fischer, 2004, p. 11). The government feared that if these services were to be provided by private companies, then they would only be concentrating on areas that are profitable and don't ask for high capital expenditures because of their remoteness (Fischer,

---

<sup>17</sup> Source of the performance figures are the annual reports of Swisscom and SingTel from 1998 until 2013 (SingTel, 2014)(Swisscom, 2014) as well as the financial statements from Reuters (Reuters, 2014)

<sup>18</sup> PTT means *Post, Telegraph und Telefon*

2004, p. 11). In addition to this fear, the state ensured through its ownership the high technical standards as well as the censorship and control (Fischer, 2004, p. 11). Based on the government's concerns post and telegraphy have been declared as federal matter in the Federal Constitution of 1874<sup>19</sup> (Bühler, 1998, p. 672). During almost the entire 20<sup>th</sup> century, PTT was the only supplier of networks and services as well as the telecommunications equipment in the country and asked for the same prices across Switzerland (Bühler, 1998, p. 672).

The PTT was fully owned and operated by the Swiss Confederation and under control of the Transport, Communications and Energy Department (EVED)<sup>20</sup> whereat it had to yield its profits to the Confederation (Schedler & Keller, 1998, p. 4). After 1990, discussions and developments in the telecommunications sector within the EU as well as in the US and Japan have started to arise and began to influence as well the telecommunication market in Switzerland (Fischer, 2004, p. 11). The Swiss Confederation saw itself forced to take action and liberalize the telecommunication sector in order to prevent the country from residues in innovation and therefore create disadvantages for the Swiss economy, which was (and still is) highly depended on telecommunication (Fischer, 2004, p. 11). In 1992 the *Fernmeldegesetz* (FMG) 92 came into action and partially separated the regulation and operation of the PTT through the formation of the new regulatory authority Federal Office for Communication (OFCOM) within the EVED (Bühler, 1998, p. 672). The FMG 92 additionally allowed the "freedom to purchase approved terminal equipment" and "free entry into value added services" (Bühler, 1998, p. 672).

The law had been criticized by scholars (Bühler, 1998, p. 673) for not going far enough and for going to be outdated after only a few years. They were right. The digitalization, the increasing international competition (e.g. internet telephony) and the international pressure through the liberalized telecommunication market of the EU-member states as well as the WTO negotiations forced the Swiss Confederation to adapt its policies (Bühler, 1998, p. 673) (Fischer, 2004, p. 12). The telecommunication sector wasn't a state monopoly anymore whereas every new entrant must fulfill certain technical conditions to receive the concession<sup>21</sup> (Die Bundesversammlung der Schweizerischen Eidgenossenschaft, 2010). Further the Swiss

---

<sup>19</sup> Art. 36 par. 1

<sup>20</sup> EVED is the former UVEK (*Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation*)

<sup>21</sup> Art. 4 part. 1 and Art. 6 part. 3 FMG



Confederation out-contracted the telecommunication from PTT and established the joint-stock company under special law - Swisscom - whereas it still holds the majority of the shares (Die Bundesversammlung der Schweizerischen Eidgenossenschaft, 2010) (Fischer, 2004, p. 12). In order to avoid conflicts of interests, as the OFCOM is regulator and exercises the owner rights of the Swiss Confederation, an independent regulator was formed – the Communication Commission (ComCom) (Fischer, 2004, p. 13). Additionally the FMG 98 defined the necessary universal service as well as the number profitability and free carrier selection (Bühler, 1998, p. 678) (Die Bundesversammlung der Schweizerischen Eidgenossenschaft, 2010).

<b>Characteristics of the distinctive Swiss regulatory frameworks in the 1990s.</b>	
<b>FMG 92</b>	<b>FMG 98</b>
<i>Partial separation of regulation and operation (OFCOM)</i>	<i>Full separation of regulation and operation (ComCom, OFCOM)</i>
<i>Network and voice services monopoly</i>	<i>Free entry (except for the mobile phone sector)</i>
<i>Internal (and external) cross-subsidies</i>	<i>Universal service fund</i>
<i>State-ownership of the monopoly operator Telecom PTT</i>	<i>Partial privatization of Swisscom</i>
	<i>Number portability and free carrier selection</i>

Figure 13 FMG 92 and FMG 98 (Bühler, 1998, p. 672)

Since 1998 Swisscom has been outsourced from the Swiss Federal Administration and acts as a joint-stock company while it fulfills public tasks (Steiner et al., 2013, p. 5).

### 3.1.2 Ownership

Swisscom AG has been partly privatized in 1998 when the Swiss Confederation decided to outsource the tasks of telecommunication. The way the telecommunication sector was liberalized and the company Swisscom was established is special in the way that the company is only partly private because the state still holds the majority of the shares while the rest are hold by other institutions or private people (Mastronardi & Taubert, 2004, p. 105). Since the establishment of Swisscom AG the joint-stock company acts under private law but is seen as a “special law joint-stock company” (*spezialgesetzliche AG*) that has a mixed owner structure as the state shares its ownership with privates (Mastronardi & Taubert, 2004, p. 105).

2014 Swisscom counted a total of 51'801'943 shares of which 48.9% are on free float (Swisscom AG, 2014). The 48.9% of the free floating shares are hold by natural persons (8.6%) and other institutions (40.2%) while the 51.2% of the bounded shares are hold by the

Swiss Confederation (Swisscom AG, 2014). As it is written in the Telecommunications Enterprise Act TEA<sup>22</sup> the Swiss Confederation must always hold the majority of the shares but is free to sell and buy shares as it is stated in the statutes of Swisscom (Die Bundesversammlung der Schweizerischen Eidgenossenschaft, 2000).

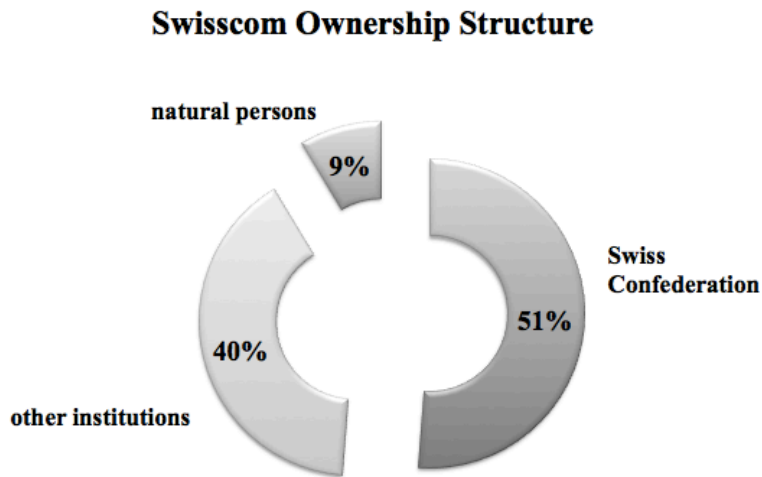


Figure 14 Swisscom ownership structure (Swisscom, 2014)

### 3.1.3 Corporate Governance

The corporate governance is examined based on the OECD corporate governance guidelines (OECD, 2005). Therefore the study looks at the corporate structure of the companies as well as their Board of Directors, how the Board is composed and its members elected. Further, the study focus on the Board's function and duties before examining the executive management.

#### 3.1.3.1 Corporate Structure

The Swiss Confederation stated in its Corporate Governance report of September 2006 that it steers the fulfillment of the outsourced tasks through laws and regulations as well as through contractual restrictions (Schweizerischer Bundesrat, 2006). In its report, the Swiss Confederation further claimed efficient and effective leadership whereas the responsible institutions need to have managerial and technical/functional knowledge to fulfill the profile of requirements. Only if the candidates fulfill the requirements, the general assembly is allowed to elect them into the Board of Directors, which in turn elects the executive management (Schweizerischer Bundesrat, 2006, p. 8270).

---

<sup>22</sup> TUG (*Telekommunikationsgesetz*): law for the telecommunications corporation

The joint-stock company Swisscom is a holding company “responsible for overall management of the Swisscom Group” that consists of six Group divisions as well as autonomous Group companies (Swisscom, 2013, p. 116). Further Swisscom is a shareholder of 66 different listed companies<sup>23</sup> in the world. The organization of the Group is based on the Board of Directors who is responsible for the overall management and determining the Groups strategy (Swisscom, 2014, p. 126). The Board of Directors further delegates the daily business management to the CEO of Swisscom “who, together with the Heads of the Group divisions [...] make up the Group Executive Board” (Swisscom, 2014, p. 30).

In general, the decision making bodies of Swisscom are: the general meeting which meets every year six months after the release of the annual report, the Board of Directors with representatives of the Swiss Confederation, the executive board to ensure the checks and balances as well as the statutory auditors (Swisscom, 2011).

### **3.1.3.2 Board of Directors**

#### ***Composition of the Board of Directors***

The Board of Directors of Swisscom is composed of seven to nine members whereby the number of members can temporarily increase (Swisscom, 2011, p. 13). As the Swiss Confederation is the major shareholder of Swisscom and the general meeting elects the Board of Directors, the Swiss Confederation sees the directors as (indirect) representatives of the government (Schweizerischer Bundesrat, 2006, p. 8269). Nevertheless, the Swiss Confederation is directly represented in the Board of Directors by two representatives who have the same power and duty as the rest of the Board members (Swisscom, 2011, p. 14). In addition to the government’s representatives the Board also consists of two representatives of the employees who are recommended by the employees themselves (Swisscom, 2011, p. 14). Finally, none of the Board members has held “an executive role within the Swisscom Group in any of the three business years prior to the period under review” nor had they a significant commercial link with Swisscom or the Swisscom Group (Swisscom, 2014, p. 119). Furthermore, none of the member (except for the representative of the Swiss Federal Council) has held a position in an other Swiss SOE or is a former civil servant.

The Board of Directors is further composed of a Chairman as well as a vice Chairman (Swisscom, 2014, p. 123). The Board meets as often as required and may invite members of

---

<sup>23</sup> List of all Group companies in appendix II

the executive board as well as auditors or other experts to report to the Board members. Further, the Board of Directors has three standing and one ad-hoc committee, which consist of four to six Board members (Swisscom, 2014, p. 123): the finance committee, the audit committee and the compensation committee. The ad-hoc committee is the nominations committee and is formed on ad-hoc basis in order to elect new members to the Board of Directors and the executive board (Swisscom, 2014, p. 125).

### ***Election of Board of Directors***

The Board of Directors member are elected individually by the shareholders during the annual general meeting (Swisscom, 2014, p. 123). This is also stated within the corporate governance report of the Swiss Federal Council: “The general meeting elects and supervises the Board of Directors in their field of responsibility [...]” (Schweizerischer Bundesrat, 2006, p. 8270). But while the shareholders elect the Board of Directors they can also recall it (Schweizerischer Bundesrat, 2006, S. 8270). Generally, the members are elected for a term of two years while they are allowed to retire or be discharged prior to expiry of the term (Swisscom, 2014, p. 123). To prevent so-called benchwarmers, the maximum term of office for the Board of Directors’ members is twelve years (Swisscom, 2014, p. 123). But if a member turns 70 years old, he or she has to retire at the next annual general meeting (Swisscom, 2014, p. 123).

The two representatives of the Swiss Confederation are not elected by the shareholders but appointed by the Confederation via Federal Council itself (Swisscom, 2014, p. 123) (Schweizerischer Bundesrat, 2006, p. 8271). The appointed representatives don’t have to be employees of the Swiss public administration but just a third person (Schweizerischer Bundesrat, 2006, p. 8271). They are beholden to preserve the interest of the Swiss Confederation and inform the Swiss Federal Council if necessary (Schweizerischer Bundesrat, 2006, p. 8272). In contrast, the representatives of the employees are only recommended through the employees but have to be elected by the annual general meeting (Swisscom, 2011, p. 9).

### ***Power and Duty of Board of Directors***

The main duty of the Board of Directors is stated in the TEA as the supervision and management of the persons who manage the company’s operations – the executive board (Die Bundesversammlung der Schweizerischen Eidgenossenschaft, 2000). The Board of Directors appoints and removes all members of the Group Executive Board of Swisscom and determines “the strategic, organizational, financial planning and account guidelines”

(Swisscom, 2013, p. 127). Further, the Board of Directors has to decide on major transactions of the Group e.g. acquisition or disposal of companies or investments with a financial exposure in excess of 50 million Swiss francs (Swisscom, 2013, p. 127). Additionally, the Board of Directors represents Swisscom in public, develops the financial controlling and planning as well as accounting system and provides the annual report (Swisscom, 2011, p. 13).

The representatives of the Swiss Confederation have the same power and duties as the other members (Swisscom, 2011, p. 13).

### **3.1.3.3 Executive Board**

The executive board of Swisscom must comprise one or more members (Swisscom, 2011, p. 15). The members are not allowed to be a member of the Board of Directors simultaneously but can be permitted for temporary membership in exceptional cases (Swisscom, 2011, p. 15). The executive board is composed of the Head Residential Customer, Head IT, Network & Innovation, Head Enterprise Customers, CFO Swisscom, CPO Swisscom as well as its head, the CEO (Swisscom, 2013, p. 129). The members of the board are appointed by the Board of Directors to take care of the overall executive management of Swisscom and to support the CEO in his role (Swisscom, 2011, p. 15).

The CEO as head of this board delegates his power to his subordinates (e.g. members of the executive board) and is responsible to conduct the decisions taken by the Board of Directors (Swisscom, 2013, p. 129). He meets the Chairman of the Board of Directors once or twice a month to “discuss fundamental issues concerning Swisscom and its Group companies” (Swisscom, 2013, p. 126) and has to report the general course of business, major events and measure taken to the Board of Directors (Swisscom, 2013, p. 126). Finally, the CEO is responsible for the efficient management of Swisscom.

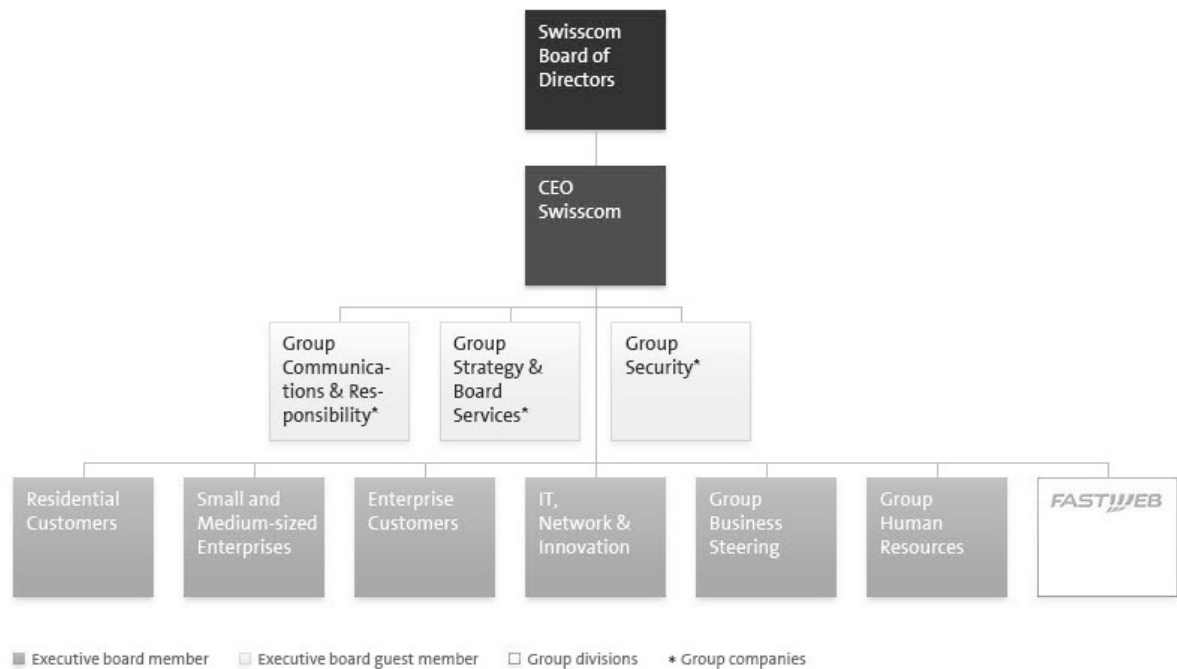


Figure 15 Swisscom corporate structure (Swisscom, 2014, p. 33)

### 3.1.4 The Role of the Swiss Confederation

After outsourcing the telecommunication and establishing Swisscom while remaining the major shareholder, the Swiss Confederation became three different roles: the regulator of the market who ensures competition, the supervisory control who ensures the compliance with technical standards and it has to prepare policies for political decisions (Steiner et al., 2013, p. 5). Nevertheless, the Swiss Confederation thinks that as owner it has to give the company some specifications concerning their tasks and management (Steiner et al., 2013, p. 6) (Schweizerischer Bundesrat, 2006, p. 8276). Therefore and in order to meet the interest as owner, the Swiss Confederation has the following instruments to influence the company's actions (Schweizerischer Bundesrat, 2006):

- As main shareholder the Swiss Confederation elects through the annual general meeting the Board of Directors
- The Swiss Federal Council<sup>24</sup> can appoint two representatives for the Board of Directors
- The Swiss Federal Council<sup>25</sup> determines the strategic goals of the holding
- As main shareholder the Swiss Confederation accepts the annual report

---

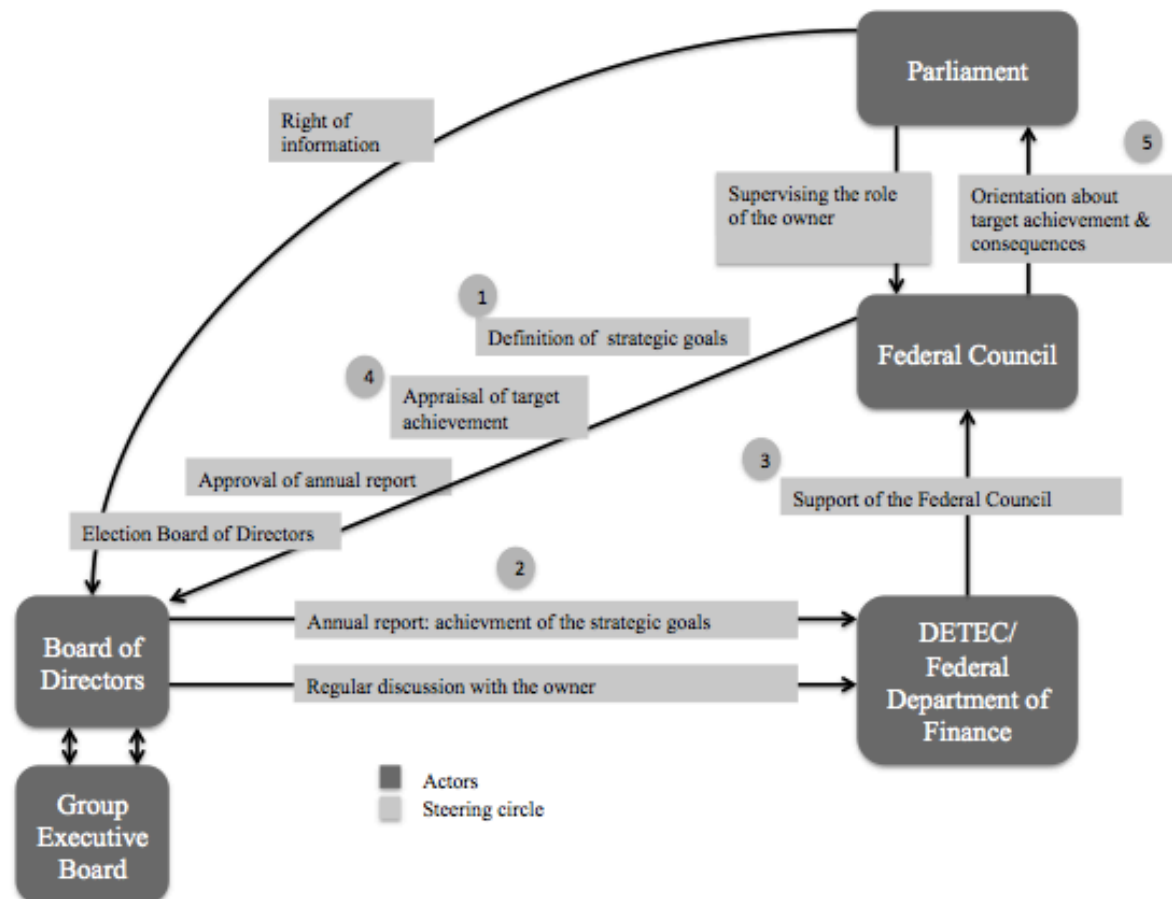
<sup>24</sup> In meet its duty the Swiss Federal Council is going to be supported by the Swiss Public Administration (e.g. general secretary of the DETEC) (Steiner et al., 2013)

The Swiss Federal Council formulates the strategic goals for a period of four years whereby the general secretary of the Department of the Environment, Transport, Energy and Communications (DETEC) is responsible to prepare it within a task force together with the Federal Financial Administration (Steiner et al., 2013, p. 12). The commission for traffic and telecommunication together with the regulator discuss the draft version of the goals before the revised version goes through the interdepartmental consultation process (Steiner et al., 2013, p. 13). Finally, the Swiss Federal Council and the Federal Financial Directorate decide on the final strategic goals of the holding company, Swisscom (Steiner et al., 2013, p. 13).

Despite the involvement of all this Federal units, a study by Steiner et al (2013) found that the formulation of the goals happen to be evolutionary through the analysis of documents and are mostly based on the goals from the previous period. Furthermore, the strategic goals are based on the information the Swiss Confederation gets from the company itself. Therefore, Swisscom is involved in the process and shouldn't experience any big surprises (Steiner et al., 2013, p. 13).

The goals are structured in four sections: strategic focus, financial and human capital goals and cooperation and participation (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK, 2013). The strategic goals are general goals concerning the company's direction, its risk management, some divisional goals as well as the goal to be sustainable and ethical (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK, 2013) (Steiner et al., 2013, p. 14). Further, the financial goals ask Swisscom to raise its company value, to have an attractive dividend policy and not to exceed a certain net debt (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK, 2013). Hence, the human capital goals are the most central goals that concern the company's human capital policies. In this period's goals the Swiss Federal Council asks the company to pursue a developed and social responsible human capital strategy, to be an attractive employer, to pay the employees usual market salaries as well as to promote sustainable trainings (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK, 2013). When it comes to corporations with other business participants the Swiss Federal Council doesn't formulate actual goals but states that a cooperation with another company is only allowed if it increases the company's value and not if it is with a foreign telecommunication company with the requirement of basic service

(*Grundversorgungsauftrag*) (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK, 2013).



**Figure 16 Swisscom and Swiss Confederation steering circle (Steiner et al., 2013, p. 32)**

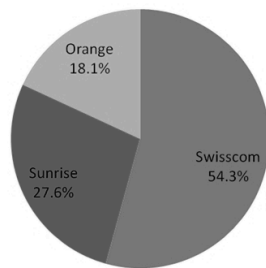
As is shown in the graphic above the Swiss Confederation controls the target achievement regularly. Therefore the Board of Directors has to hand over a report about the target achievement, annual reports as well as the financial statements to the general secretary of the DETEC and to the Federal Finance Administration FFA, which analyze the documents before inviting the Chairman and the CEO to the owner consultation (Steiner et al., 2013, p. 24). During these consultations the general secretary of DETEC, the FFA as well as the head of the DETEC give their feedback to Swisscom and ask several questions to complete and bring forward the motion to the Federal Council concerning the annual reports and financial statements (Steiner et al., 2013, p. 24). This report isn't for the Swiss public and is based on the information the administration gets from Swisscom (Steiner et al., 2013, p. 24).



In addition to all these controlling and monitoring instruments the representatives of the Swiss Confederation sitting in the Board of Directors have to give the agenda of the meeting of the Board of Directors in advance to ensure time for intervention (Steiner et al., 2013, p. 26). Furthermore, the representatives meet with the general secretary of the DETEC/FFA to discuss the agenda and hand over important annex (Steiner et al., 2013, p. 26). Normally the representatives don't get any clear instructions although it would be allowed.

Overall it becomes clear that Swisscom is steered and controlled by the Swiss Federal Council through standardized processes, which the general secretary of DETEC is accountable for.

Mobile market share in Switzerland, 1Q2014



**Figure 17 Mobile market shares Swisscom 2014 (Federal Communications Commission ComCom, 2013)**

### 3.1.5 Performance

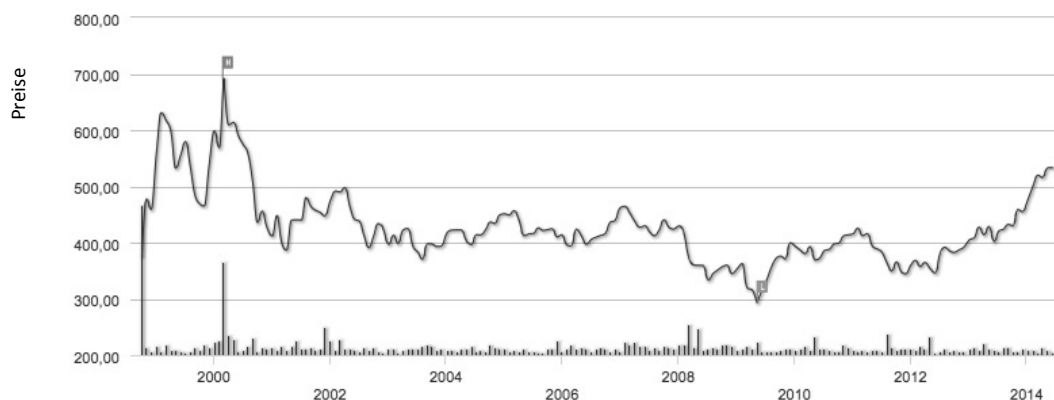
Since 1998, when Swisscom was privatized, the company has constantly achieved high net revenue as well as profit (see table 2). Also concerning the EBITDA there haven't been big changes. When looking at the ROE, the numbers show a good profitability of the company. Steiner et al (2013, p. 71) explained the good performance with the efficient cost management but also

the high market share: Swisscom had 2013 a Swiss market share in the mobile telecommunications industry of 54.3% while it covers 79.4% of the broadband connections in Switzerland (Federal Communications Commission ComCom, 2013). Nevertheless, Swisscom faces strong competitors on the mobile market.

	1998	2000	2002	2004	2006	2008	2010	2013
<b>Net revenue</b>	10'461	14'093	14'526	10'057	9'653	12'198	11'988	11'434
<b>Net income</b>	1'555	3'161	824	1'594	1'905	1'751	1'786	1'695
<b>EBITA</b>	4'472	4'039	4'413	4'388	3'786	4'789	4'599	4'302
<b>ROE<sup>25</sup></b>	18.2%	36.8%	11.3%	23.9%	35.4%	30.4%	28.4%	28.3%

**Table 2 Performance Swisscom (own diagram) based on Swisscom annual reports 1998 – 2013 (Swisscom, 2014)**

When looking at the business performance “on the use of simple outcome-based financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm” (Venkatraman & Ramanujam , 1986, p. 803), Swisscom’s management effectiveness<sup>26</sup> shows an average ROI in the last five years of 9.52% and a ROE of 31.33% while its ROA has been 7.57% during this time (Reuters, 2014). Furthermore, the company has a current market capitalization of 26.937 billion CHF (Reuters, 2014). Compared to the global telecommunications sector Swisscom’s ROI and ROA is only half of the sector average while its ROE is clearly above the average (Reuters, 2014).



**Figure 18 Share price Swisscom (Swisscom, 2014)**

<sup>25</sup> ROE has been calculated by the formula (net income / net assets) x 100

<sup>26</sup> Reuters defines management effectiveness as ROA, ROI and ROE

The development of the equity prices shows a good performance too. The equity price was 376.60 CHF at the initial public offering (IPO), while it is 531.50 CHF today<sup>27</sup> (Swisscom, 2014). Furthermore, Swisscom shows a higher stock performance when comparing the indices of the European telecommunications shares (Swisscom, 2014) (Steiner et al., 2013, p. 75).

Overall and also when considering the new entrants as well as the fact of the price erosion within the telecommunications sector, Swisscom has performed well and is still leader in this industry in Switzerland. Especially the high ROE as well as the good market capitalization show the good performance and profitability of the company.

## **3.2. SingTel**

### **3.2.1 History**

The history of Singapore's telecommunications industry goes almost back to the invention of the first telephone by Alexander Graham Bell when shortly after Mr. Bennet Pell started a private telephone exchange with 50 lines in Singapore in 1879 (Chia et al., 2008, p. 393). The Singapore telephone services were managed by the British interests when the country reached its independence and the Singaporean government established the Singapore Telephone Board, an incorporate statutory board responsible to operate the telephone services within the country (Chia et al., 2008, p. 393). Almost twenty years later the government further reorganized the former Telecommunication Department to a statutory board (Telecommunication Authority of Singapore TAS), which was responsible for the international telecommunication and merged with the Singapore Telephone Board in 1974 (Banerjee & Logan, 2008, p. 436). Only eight years later TAS was merged with the Postal Department.

Although the Singapore government announced plans to privatize the telecommunications and postal services already in the 1980s, it took the government a couple of years, when finally on March 28, 1992 Singapore Telecommunications Pte Ltd (SingTel) and Singapore Post Pte Ltd were incorporated (Chia et al., 2008, p. 393). TAS became "the national regulator, policy-maker, developer and promoter of the telecommunications and postal industry" (Banerjee & Logan, 2008, p. 436). In 1993 SingTel was privatized. From now on SingTel was a public

---

<sup>27</sup> Due date: June 16, 2014, 13:57

company and its shares were traded at the Singapore Stock Exchange. After the IPO Temasek, the national holding company still held 89% of SingTel's shares (SingTel, 2014). The government (Temasek) divested the other 11% of its equity to the public via three tranches (Group A, B and C) whereas Singaporean citizens "were able to purchase Group A shares at a discounted price as part of the Singapore Government's effort to share the nation's wealth" (SingTel, 2014). Further, the government gave SingTel a "15-year time horizon until 2007 to prepare for competition" (Tan Wee Hin & Subramaniam, 2002, p. 296). But only three years later, the Singapore government realized that this time horizon was too long when considering the developments of the Information Communications Technology (ICT) industry. Therefore SingTel saw itself confronted with competition by StarHub (Tan Wee Hin & Subramaniam, 2002, p. 296). In the meantime, Temasek continued to sell SingTel shares. As of today, Temasek is only holding 51.88% of the SingTel shares as result of the disinvestment strategy (Temasek, 2012).

Within less than 15 years, SingTel has become one of the largest listed companies on the Singapore Stock Exchange (Banerjee & Logan, 2008, p. 424) and since 2001 the company is also listed on the Australian Stock Exchange (Sainsbury, 2005, p. 242). SingTel defined a mobile strategy and accumulated minority interests in regional mobile companies in Asia (Sainsbury, 2005, p. 243). But the company's biggest purchase was buying Australia's number two telecommunications company Optus (Sainsbury, 2005, p. 243). Through its purchase and mobile strategy, SingTel has become Asia's largest multi-market mobile operator with investments and operation in 20 countries globally (Banerjee & Logan, 2008, p. 424).

### **3.2.2 Ownership**

SingTel has been partially privatized in 1993 when it was established out of the former TAS (Banerjee & Logan, 2008, p. 424). While Temasek held 89% of the SingTel shares and 11% were sold in a public offering, SingTel was still in government's hand, as Temasek is fully owned by the Republic of Singapore. Therefore, although SingTel was run as a private company, it was and still is a government-linked company (Tan Wee Hin & Subramaniam, 2002, p. 296). But the government and Temasek run the strategy to continually divest albeit not completely as the national telecommunications carrier "is important from the strategic viewpoint of security" (Tan Wee Hin & Subramaniam, 2002, p. 296).

Overall, SingTel has a total of 15'466'636'122 shares whereby only 97% are issued ordinary shares and 3% are held as treasury shares (SingTel, 2013, p. 1). Temasek is the main shareholder and holds 51.88% of the shares (SingTel, 2013, p. 1). Other major shareholders are Citibank Nominees Singapore Pte Ltd with 10.06%, DBS Nominees Pte Ltd with 9.89% and DBSN Services Pte Ltd with 9.15% (SingTel, 2013, p. 1). Geographically speaking Singapore private shareholders are holding 15%, US/Canada 17% and Europe 1% of ownership interest (SingTel, 2013).

#### SHARE OWNERSHIP BY GEOGRAPHICAL DISTRIBUTION

---

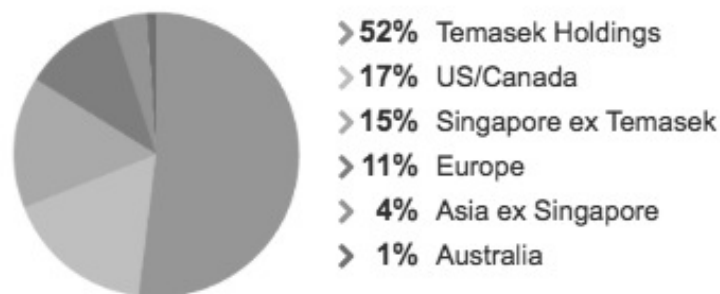


Figure 19 Share ownership by geographical distribution (SingTel, 2014, S. 71)

### 3.2.3 Corporate Governance

The corporate governance of SingTel is examined in the same manner as Swisscom and therefore also based on the OECD corporate governance guidelines (OECD, 2005). First the study looks at the corporate structure of the company as well as its Board of Directors, how the Board is composed and its members elected. Further, the study focus on the Board's function and duties before examining the executive management.

#### 3.2.3.1 Corporate Structure

The SingTel group is structured in three key businesses areas: Group Consumer, Group Digital Life and Group Enterprise (SingTel, 2014). The Group Consumer is responsible for all consumer-related functions including the company's international business, the Group Digital Life "drives the SingTel Group's efforts to be at the forefront of the digital arena (SingTel, 2014) and Group Enterprise handles innovative and comprehensive ICT solutions (SingTel, 2014). All three groups are overseen by SingTel's Board of Directors, which has many different responsibilities (Singapore Telecommunications Limited and Subsidiary Companies, 2013, p. 61). In fulfilling its duties the Board of Directors is assisted by six committees as

well as by a management committee that assures that the strategy as well as all policies are implemented (Singapore Telecommunications Limited and Subsidiary Companies, 2013, p. 61).

SingTel counts seven different subsidiaries, namely the Australian communications leader Optus, the Singapore market leader SingTel Mobile, the Internet provider SINGnet, the regional ICT solutions provider ncs, “the brainwave behind Singapore’s premier web” inSing.com, the corporate venture capital fund innov8, and finally the mobile advertising leader amobee (SingTel, 2014). Further, SingTel is an associate of SingPost, AIS, airtel Globe and Telkomsel and a member of the Bridge Alliance, a partnership of 36 leading mobile operators.



**Figure 20 Corporate governance structure SingTel (own diagram based on (Singapore Telecommunications Limited, 2013))**

In general, the SingTel consists of a general meeting, which meets every year, the Board of Directors, the separated management committee as well as the senior management (Singapore Telecommunications Limited, 2013).

### **3.2.3.2 Board of Directors**

#### ***Composition of Board of Directors***

The Board of Directors at SingTel consists of eleven members (Singapore Telecommunications Limited, 2013, p. 61). The size isn't fix as the Corporate Governance and Nomination Committee reviews from time to time the size and composition of the Board and adapts it if necessary (Singapore Telecommunications Limited, 2013, p. 61). Further the Board has to be diverse concerning “expertise, skills and attributes among the Directors, including relevant core competencies in areas such as accounting and finance, business and

management, industry knowledge, strategic planning, customer-based experience knowledge, and regional business expertise” (Singapore Telecommunications Limited, 2013, p. 61).

The members of the Board come from different countries, reflecting the Group’s business in the region (Singapore Telecommunications Limited, 2013, p. 61). Furthermore, the Board is open towards male and female members but ask for their independence in accordance with the guidance in the Singapore Code and ASX Code. Further, Temasek as major shareholder enforces that the Board has to be independent from the management (Temasek, 2014, p. 54). Nevertheless, considering the Singapore Code<sup>28</sup> and ASX Code, SingTel’s Board of Directors includes three non-independent directors, namely the Group’s CEO, the Chairman of the board and the Permanent Secretary of the MOF (Singapore Telecommunications Limited, 2013, p. 17).

The Board of Directors is composed of a Chairman and the Group CEO. The Chairman is a non-executive Board member, who leads the Board and is responsible “for ensuring the effectiveness of the Board and its governance process” while the Group CEO implements the Board’s strategies and policies and conducts the business (Singapore Telecommunications Limited, 2013, p. 62). In line with recognized good corporate governance standards one member of the Board acts as Lead Independent Director. This director assists the Chairman, acts as point of contact for shareholders if they have failed to solve a problem with the Chairman, the Group CEO or Group CFO, and coordinates activities of the non-executive directors “in circumstances where it would be inappropriate for the Chairman to serve in such capacity” (Singapore Telecommunications Limited, 2013, p. 63). Finally, six different committees assist the Board of Directors: Finance and Investment Committee, Audit Committee, Risk Committee, Executive Resource and Compensation Committee, Corporate Governance and Nominations Committee (CGNC), Optus Advisory Committee (Singapore Telecommunications Limited, 2013, p. 64).

The current Board is headed by the Chairman Simon Israel, who is a former executive director and president of Temasek Holdings Limited. He is further director of CapitalLand Limited, which is also owned by Temasek and member of the Governing Board of Lee Kuan Yew School of Public Policy (SingTel, 2014). Furthermore, five out of the eleven board members are directors or in the role of Chairman of Singaporean government-linked companies whereas Peter Ong is the Head of Singapore’s Civil Service, Permanent Secretary

---

<sup>28</sup> Singapore Code of Corporate Governance (Monetary Authority of Singapore, 2012)

of the MOF as well as Permanent Secretary (Special Duties) in the PM's Office and former executive Vice President of Temasek Holdings Limited (SingTel, 2014). In addition to these strong connections with Temasek, the Board member Kai Nargolwala is a member of the Singapore Capital Markets Committee of the Monetary Authority of Singapore. Therefore, seven out of eleven Board members have a relationship with either Temasek or the Singapore government. The Singapore Code demands that minimum one third of the members have to be completely independent:

*“An “independent” director is one who has no relationship with the company, its related corporations<sup>29</sup>, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company.” (Monetary Authority of Singapore, 2013).*

### ***Election of Directors***

The members of the Board of Directors are elected individually by the shareholders during the annual general meeting for a term of three years (Singapore Telecommunications Limited, 2013, p. 63). They can be re-elected (Singapore Telecommunications Limited, 2013, p. 63). Directors are allowed to resign or to be discharged prior to the expiry of the term. There is no maximum term of office for the Board members (Singapore Telecommunications Limited, 2013, p. 63).

The Corporate Governance and Nomination Committee reviews the candidates for the Board of Directors and makes recommendations to the shareholders (Singapore Telecommunications Limited, 2013, p. 67). The CGNC evaluates several different factors and for a re-nomination also the attendance, preparedness, and participation of the considered director (Singapore Telecommunications Limited, 2013, p. 67). The CGNC is responsible for ensuring that the Board members are in possession of the necessary experience, knowledge and skills in order to successfully fulfill their duties (Singapore Telecommunications Limited, 2013).

Before being recommended by the CGNC, the candidates must ensure “that they are able to give sufficient time and attention to the affairs of SingTel” (Singapore Telecommunications

---

<sup>29</sup> The Monetary Authority of Singapore defines „related corporations“ as a corporation that is the company's holding company, subsidiary or fellow subsidiary (Monetary Authority of Singapore, 2012)



Limited, 2013). Generally, a Director should not hold more than six principal board appointment (Singapore Telecommunications Limited, 2013, p. 63).

### ***Power & Duty of Board of Directors***

Besides being responsible for SingTel's corporate governance standards and policies, the board ensures "the long-term success of the Group by focusing on the development of the right strategy, business model, risk appetite, management, succession plan and compensation framework" (Singapore Telecommunications Limited, 2013, p. 61). In general, the board oversees all business affairs of the entire SingTel Group and "seeks to align the interests of the Board and Management with that of shareholders" (Singapore Telecommunications Limited, 2013, p. 61). It looks also for the interests of all stakeholders.

The Board meets regularly for a full day and invites senior management as well as external or internal consultants or experts to discuss strategic issues (Singapore Telecommunications Limited, 2013, p. 61). The Board approves policies and guidelines on remuneration, appoint the Group CEO as well as issues of shares, dividend distributions or other returns to shareholders (Singapore Telecommunications Limited, 2013, p. 61). Further, the Board of Directors approves transaction exceeding certain threshold limits, assumes responsibility for major funding and investment proposals, financial plans and annual budget, key operations initiatives and the accountability and compliance systems (Singapore Telecommunications Limited, 2013, p. 61). First and foremost, the Board of Directors is responsible for the Group's overall strategic plans and performance objectives (Monetary Authority of Singapore, 2013).

### **3.2.3.3 Management Committee and Senior Management**

SingTel has a management committee consisting of seven members including the Group's CEO (SingTel, 2014). The other members of the management committee are the CEO of Group Consumer, CEO Group Digital Life, CEO Group Enterprise, the Group CFO, the Group Chief Information Officer and the Group Director Human Resources (Singapore Telecommunications Limited, 2013, p. 21). Together they are responsible to run the Groups business in form of reviewing and direct the management on operations policies and activities (Singapore Telecommunications Limited, 2013, p. 67). The committee meets once a week and provides the Board of Directors information relevant to matters on the agenda for the board's meeting (Singapore Telecommunications Limited, 2013, p. 67).

In addition to the management committee, SingTel has a senior management team consisting of twelve managers. Although, this team is portrayed at the SingTel website there is no evidence concerning the team's exact responsibilities or position within the group.

### **3.2.4 The Role of the Republic of Singapore**

SingTel is listed on the Singapore Stock Exchange (SGX) while its major shareholder is Temasek with a 51,88% of the shares. Temasek acts under the Singapore Companies Act as an investor and shareholder, who owns and manages its assets and is completely owned by the Singapore MOF (Temasek, 2014, p. 52). Temasek is free in taking its investment, divestment or business decisions without the involvement of the President of the Republic of Singapore or the Singapore government (Temasek, 2014, p. 52). The appointment, reappointment or removal of the Board members is subject to the President's concurrence as shareholder's right as well as the appointment or removal of the CEO (Temasek, 2014, p. 53). Additionally, the board is accountable to the President and certifies the Statement of Reserves and Statement of Past Reserves to him. Further, Temasek declares dividends annually and therefore contribute to the Singapore government budget whereas the past reserves of the former governments term is always locked and needs the Presidents approval to draw on it (Temasek, 2014, p. 53). Overall, Temasek's current Board of Directors counts twelve members. Six of the Board members are former civil servants and eight held executive or Board positions in Singapore's GLCs (Temasek, 2014).

Concerning the company's portfolio companies Temasek states to manage these companies as an active investor "by increasing, holding or decreasing" the investment holdings (Temasek, 2014, p. 54). Temasek's involvement is limited to its promotion of corporate governance within the portfolio companies and its support concerning the "formation of high caliber, experienced and diverse boards to guide and complement management leadership." (Temasek, 2014). Thereby Temasek is generally not represented on the boards of its portfolio companies but supports them by leveraging its network of contact and suggesting "qualified individuals for consideration by the respective boards." (Temasek, 2014, p. 54). As shareholder, Temasek exercises its shareholder rights by voting at the shareholder's meetings, e.g. election of Board members (Temasek, 2014, p. 54). Apart from that, Temasek's portfolio companies like SingTel "are guided and managed by their respective boards and management" while Temasek itself does not direct their business or operations but only ask

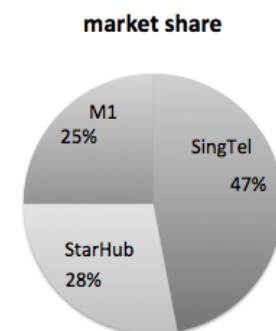
for the independency of the board and the management as well as the separated roles of Chairman and CEO in order to provide checks and balances (Temasek, 2014, p. 54).

Generally speaking, Temasek acts like any other shareholder of SingTel while it exercises its shareholder rights. There is no representative of Temasek Holding on neither the Board of Directors of SingTel or in the management. Nevertheless, the current Chairman of SingTel Simon Israel is a former executive director of Temasek, Peter Ong is current Permanent Secretary of the Singapore MOF and Kai Nargolwala is a member of the Singapore Capital Markets Committee of the Monetary Authority of Singapore (SingTel, 2014). Peter Ong as representative of the MOF “could serve as influential monitors” (Ang & Ding, 2006, p. 66).

Further, SingTel is not bound by public sector rules and regulations as the telecommunications company is a legally private business subject to common law principles (Sim, 2011, p. 65). The company is professionally managed by private sector executives without being obviously influence by Temasek or the Singapore government. Civil servants or former Temasek executives are only involved in SingTel’s business on board level where Temasek may exercise its shareholders rights through reviewing the appointment of the directors and the Chairman. Further, Temasek as shareholder has the right to ask questions during one-to-one meetings or conference call with SingTel which the company conducts with (all of) its shareholder (Singapore Telecommunications Limited, 2013).

### 3.2.5 Performance

Since 1993, when SingTel was privatized, the company has constantly achieved high net revenues as well as profit<sup>30</sup> (see table 3). Also the company’s EBITDA has increased since the 1990s whenever there has been a retracement during and right after the financial crises in 2008. However, when looking at the return on equity, as the statement that measures the company’s profitability (Investopedia), SingTel isn’t performing very well since its privatization as the percentage is decreasing since 2008. Despite of the decreasing ROE, SingTel’s mobile market share shows that the company still dominates the market with 47% while its competitors M1 and StarHub share the rest.



**Figure 21 Mobile market share SingTel (own diagram)**

---

<sup>30</sup> SingTel publishes the annual financial statements since 1996

	1998	2000	2002	2004	2006	2008	2010	2013
<b>Net revenue</b> <sup>31</sup>	4883.5	4925.5	7269	11994.7	13138	14844	18701	18183
<b>Net profit</b> <sup>30</sup>	1999.8	2006.3	1624.5	2517	3295	3681	3910	2989
<b>EBITA</b> <sup>30</sup>	2817.9	3290.2	3634.5	5744.9	6452.7	4530	4847	5200
<b>ROE</b>	27.8%	29.2%	14.0%	25.5%		18.9%	17.8%	14.8%

Table 3 Performance SingTel (own diagram) based on SingTel annual reports 1998 – 2013 (SingTel, 2014)

Further SingTel has a high market capitalization of 61.54 billion SGD while its ROI of the last five years has been 11.68% on average what is under the global sector trend of 18.46% (Reuters, 2014). Also the ROA was with 9.74% in the last five years under the global telecommunications sector average of 12.32% (Reuters, 2014).

The development of the equity prices shows a good performance. The equity price was 1.00 SGD at the IPO, while it is 3.80 SGD today<sup>32</sup>. Furthermore, SingTel shows a higher stock performance and higher share prices when comparing the indices of it competitors StarHub and M1 (Google Finance, 2014).



Figure 22 Stock Price SingTel, StarHub, M1 (Google Finance, 2014)

Overall SingTel is the leader in the telecommunications industry in Singapore and shows a good performance.

<sup>31</sup> Numbers in millions

<sup>32</sup> due date: June 23, 2014, 10:15

## **4. Discussion of Research Questions**

### **Research Question 1: *What are the similarities and dissimilarities of the public enterprises in Singapore and Switzerland?***

To understand the differences between the public enterprises in Switzerland and Singapore the first chapter explained the differences between state-owned enterprises and the concept of government-linked companies before introducing the two countries and how their government handles their ownerships. It became clear that the ownership structure of Singapore's SOEs differ from the Swiss'. Singapore has two different forms of SOEs: government-linked companies and statutory boards. While the statutory boards are directly linked and therefore accountable to the respective ministry, GLCs are monitored through the state's investment company Temasek. The Singapore government doesn't hold the shares of its GLCs but transferred all its shares to the 1974 established Temasek Holding, which from then on took care of the states investments as well as the monitoring of its portfolio companies. This ownership structure doesn't exist in Switzerland. The Swiss government is through its role as major or sole shareholder the direct owner of its public enterprises while these are accountable to the Federal Council. Therefore, while Singapore has a middle layer (Temasek), which is responsible for the state's investments and monitors them, Switzerland doesn't have such a layer but directly owns, steers and monitors its SOEs.

In addition to the different ownership structure, the Singaporean and Swiss SOEs also differ in the way they are managed. While the Singapore government doesn't intervene in the GLCs business and Temasek only protects its own and therefore the state's interests by exercising its shareholder's rights, including voting at annual meetings, the Swiss government is stronger involved in the SOEs business. In its corporate governance report the Swiss Federal Council defines its right to send representative to the SOEs Boards as well as to formulate strategic goals for a period of four years. Furthermore the Federal Council also votes at the annual general meetings and therefore decides on the composition of the Board of Directors. This form of intervention, monitoring and steering haven been pictured through the case study in chapter 4. However, the case study showed that the Board members of SingTel have a closer/different relationship to its owner than their colleagues at the Board of Swisscom. The current Board of Directors of Swisscom does not have a connection to the state through a

former position in the public administration or in another SOE. This is not the case with the SingTel Board members.

A further difference between the two countries public enterprises lies in their legal form. While in Singapore GLCs act under private law the Swiss SOEs can appear in legal mixed forms like the special legal joint stock companies e.g. Swisscom. Furthermore, the Swiss Federal Government restricted the cross-boarder investments with clear guidelines whereas in Singapore all GLCs are completely autonomous in doing cross-boarder investments. Finally, Singapore has more public enterprises as Switzerland while they make an important contribution to the country's GDP.

The similarities of the two countries public enterprises lie in the fact that these are efficient and successful businesses showing good financial performances. Some of the public enterprises are successful conducting and developing their cross-board business through subsidiaries in foreign countries. All of the examined companies have a system of checks and balances with non-executive and independent directors while either the state as shareholder or in Singapore Temasek makes use of their shareholder rights to monitor the companies. Further, in Switzerland as in Singapore public enterprises may be listed at a stock exchange and therefore must have a transparent corporate governance and be transparent concerning their businesses. Finally, neither in Switzerland nor in Singapore are public enterprises protected concerning competition and therefore must succeed on the market under normal market conditions.

Similarities	Dissimilarities
<ul style="list-style-type: none"> <li>- Code of Corporate Governance</li> <li>- Good performance</li> <li>- Competition</li> <li>- No special treatments by the government</li> <li>- No special advantages on the market</li> <li>- Checks &amp; Balances</li> <li>- Listed at the Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>- Ownership Structure</li> <li>- State's intervention</li> <li>- Composition of the Board of Directors</li> <li>- Legal form</li> <li>- Cross-boarder investments</li> <li>- Amount of public enterprises</li> </ul>

**Table 4 Similarities/Dissimilarities Public Enterprises Singapore/Switzerland**

**Research Question 2: *Is there a link between the governance structure and the entrepreneurial behavior of government-linked companies?***

Neither the Singaporean nor the Swiss public enterprises seem to be less entrepreneurial than their private competitors. As seen in the case study, both enterprises show a good financial performance since their privatization and are dominant players on the market without experiencing any (official) special treatments. Further, in both countries public enterprises work in cross-boarder environments and have subsidiaries and investments in other countries.

An explanation for the entrepreneurial behavior of the public enterprises could be that the Board of Directors as well as the management committees of the companies are composed of independent members. While the government can appoint two representatives to the Board to bring in the state's perspective in Switzerland, these representatives won't be able to change the managerial way of the company by themselves. On the other side, in Singapore Temasek uses its big network to support its portfolio companies in finding the right people for their businesses. This fact could lead to more entrepreneurial thinking employees in Temasek's portfolio companies.

The literature research shows that GLCs aren't less successful than private enterprises. Also when looking at the case study above and at the performance and market share of the two telecommunications companies it is obvious that Swisscom as well as SingTel are run by entrepreneurial thinking managements and Board of Directors as the companies show a constant high performance as well as high market shares. Nevertheless, SingTel may be seen as more successful as it is a big market player in Australia and other Southeast Asian countries whereas Swisscom only plays a dominant role in Switzerland and suffers from bad publicity with its subsidiary Fastweb in Italy. Concerning the cross-boarder investment strategy SingTel has the freedom to invest and making business in every other country, while the Swiss Federal Council formulated some limitations when it comes to these investments. Here the governance structure may influence the entrepreneurial behavior of the public enterprises.

When having a deeper look at the performance statements of the two companies, one might guess that SingTel is more successful and therefore has a stronger entrepreneurial thinking than Swisscom as it had a higher growth since its privatization concerning its revenues as well as EBITDA and net profits. Also the current market capitalization of SingTel is with over 60

billion SGD higher than the market capitalization of Swisscom with approx. 26 billion CHF<sup>33</sup>. However, especially concerning the market capitalization one has to be careful in drawing conclusions. The market capitalization can be influenced by the company's environments like the ongoing propensity to invest in the respective country and SingTel and Swisscom hereby act in different environments as Singapore is currently experiencing a hype when it comes to investments. Additionally, the index number ROE, shows a big difference. Hereby, Swisscom displaces SingTel with an average ROE in the last five years of 31.33%. The high ROE of Swisscom, as index number concerning a company's profitability, let one assume of a more effective management with the available instruments while SingTel doesn't seem to work that profitable. Therefore, Swisscom seems to have a stronger entrepreneurial thinking than SingTel. Nevertheless, when considering the ratios concerning management effectiveness based on Reuters definition<sup>34</sup>, the two companies show a similar performance, except for the abovementioned ROE.

When further going through the literature concerning SOEs in Singapore and Switzerland no sign for a link between governance structure and a less entrepreneurial behavior of government-linked companies could be found. But one can assume that because of the signal the government ownership might send to the market, the listed public enterprises like SingTel or Swisscom have to better proof their willingness to succeed on the market and therefore they might behave more entrepreneurial than private companies. Nevertheless, to have a strong investor like the government may also lead to laziness of the management. But no matter what, the companies are accountable for their behavior and have to compete with other companies on the market under the same regulations and without any special benefits like tax reduction, and so on, what asks for entrepreneurial behavior.

Overall, and especially because of the cross-boarder investment limitations by the Swiss Federal Council, and its four-year strategic goals, it might be that the governance structure of Switzerland leads to a less entrepreneurial behavior than the structure in Singapore. At the same time the higher profitability of Swisscom allows to draw the conclusion that Swisscom handles its business more effective and therefore on a stronger entrepreneurial basis. Therefore, the influence of the Swiss Federal Council doesn't seem to interfere with the entrepreneurial behavior of Swisscom. But also SingTel doesn't show any sign of restriction in their entrepreneurial behavior when looking at their performance in the last years. These

---

<sup>33</sup> equals 36.2 billion SGD

<sup>34</sup> Reuters management effectiveness consists of ROI, ROA and ROE



points allow the conclusion for now that the governance structure of SOEs doesn't have a significant influence on the enterprises' entrepreneurial behavior.

### **Research Question 3: *Would the SingTel governance model fit to Swisscom and vice versa?***

The SingTel governance model differs from the Swisscom model concerning the ownership structure and the government's intervention. SingTel is a government-linked company whereby 51.88% of the shares are held by the state-owned investor Temasek. In Switzerland the Swiss Confederation is the major shareholder of Swisscom with 51.2%. While SingTel operates completely independent of the state or Temasek's influence, Swisscom gets its strategic goals from the Federal Council. Further, in contrast to SingTel, Swisscom has a representative of the Federal Council on its Board. This puts the Federal Council in the position to bring in the government's view and in turn gets the necessary information about what's happening within the company. Apart from these differences, the two telecommunications companies are run in a similar way while showing good performances since its privatizations.

While SingTel and Swisscom are not so different when it comes to what they do and how they are managed, the contextual differences, meaning the political environment as well as the historical background of these two public enterprises differ from each other. While Singapore is a city-state without local authorities and therefore doesn't have to meet demands from many different stakeholders, Switzerland as a federal state has not just to meet needs of the central state but also the requirements of the 26 cantons. Further, the political participation in Switzerland isn't restricted to the political class as the feature of a direct democracy allows the people of Switzerland to vote. Referring to this a change like establishing a holding company would be a politically sensitive decision and if going along with a change of Federal Law therefore probably hard to find a majority among the cantons, the parties as well as the public. Additionally, the Swiss government known for its resistance when it comes to state interventions doesn't hold as many investments in different companies as Singapore does. Therefore it is possible to take care of its few investments by the respective departments. Nevertheless, the Southeast Asian trend to have state-assets "under one roof" would probably make things more transparent as there would be the same rules for every SOE.

Adapting the Swisscom model in Singapore would be possible as the ministries already hold on office the role as owner when it comes to the other SOEs statutory boards. Therefore the

ministries don't have a lack of ownership experience. Nevertheless, as there are so many GLCs in Singapore it would be hard to transfer all the shares from Temasek back to the MOF or other ministries. Furthermore it would result in less transparent governance if the SOE were under different ministries and therefore maybe different rules. Considering the amount of GLCs it would be a real challenge to formulate strategic goals for all the companies.

## **Conclusion**

The two most competitive economies in the world show a big difference when it comes to state interventions. While Singapore is known as an interventionist state with its numerous government-linked companies and statutory boards, Switzerland never shared this cultural approach and waited to privatize and outsource/out-contract some of its former administrative units until the happening of the NPM reforms. But the two countries don't just differ concerning the amount of public enterprises but also in their political context as well as how they live their role as enterprise owner.

This study examined the ownership structure of Singapore and Switzerland's public enterprises as well as their corporate governance. The study showed how the SOEs are steered and monitored by its major shareholders, namely Temasek, the investor company of Singapore, and the Swiss Federal Council in the name of the Swiss public. It was the study's aim to picture the similarities and dissimilarities of the two different PCG. Through reviewing existing literature and studies as well as annual reports and articles of incorporations or laws the corporate governance of public enterprises could be drawn. Further a case study with the two telecommunications companies SingTel and Swisscom gave deeper insights in what actual role the government plays in steering and controlling the daily business. It became apparent that the Swiss government takes a more active role by appointing one to two representative on the Board of Directors, formulating strategic goals while neither the Singapore government nor Temasek formulate any goals or appoint representatives to any of the GLCs Boards. They only ask to have the role of the CEO separated from the role of the Chairman.

The second aim and research question of this study was to find out whether the governance structure has an influence on the entrepreneurial behavior of government-linked companies. Here the study was limited by existing literature and available documents, as at least in Singapore none of the asked parties was willing to participate in in-depth interviews. Based on the available material there couldn't be found any evidence on influence of the governance structure on the entrepreneurial behavior. Both examined companies showed a good performance and dominate the market since their partly privatization. Nonetheless, Swisscom faced some limitation concerning cross-boarder investments and therefore might be restricted in the company's business plans. Despite this limitation, Swisscom shows a higher ROE than

SingTel and therefore strong focus on profitability and hence entrepreneurial behavior. Apart from that, in both companies the Board of Directors and executive management members mostly have a private market background and therefore don't show lack of entrepreneurial thinking. Furthermore and except for the overall and very general strategic goals formulated by the Swiss Federal Council both companies set their own achievements and have to compete on the market. Finally, no proof has been found in the existing literature that one of the Swiss or Singaporean public enterprises is less efficient or entrepreneurial than private companies what would have led to the assumption that the governance structure might have an influence on the entrepreneurial behavior.

In a third step the study tried to answer the question if the SingTel governance model would fit to Swisscom and vice versa. As such an important institutional change would be a sensitive political issue and would be a legal as well as economical challenge, the study came to the conclusion that it would technically be possible but probably not very efficient. While it would cause a heated political discussion among the various Swiss political stakeholders it may bother SingTel's investors.

Finally, the study showed that even though Switzerland has a much less interventionist approach when it comes to market intervention than Singapore, the government exercises more influence on the public enterprises than the interventionist state Singapore. Hence, Singapore holds more investments/participation through its holding company Temasek but exercises less influence on its corporations than Switzerland does on its few public enterprises.

Overall, the study contributed to a better understanding of the two different governance structures of Singapore and Switzerland as well as to the ongoing discussion about public corporate governance. The literature review on the topic of public enterprises summarized the existing knowledge while the case study served as practical example and gave some insights. Unfortunately, the research was limited to existing documents and literature and therefore didn't allow any first hand experience to be part of the paper. Future research should get away from documental analysis and concentrate on the actual practices of the respective companies. It would be interesting to speak to the Board members as well as executives from Temasek and the ministries/departments to actually learn and measure the possible unofficial and off-the-record influence of the major shareholder and owner of SOEs. It would be interesting to see how much weight the Board members give the inputs of the governments representatives

of Swiss public enterprises and if ex-Temasek executives as Board members or also the Permanent Secretary of the MOF bring in the wishes of Temasek or the government and how this might influence the strategic direction of the companies.

## **Appendix I: Lists of Public Enterprises in Singapore and Switzerland**

### **List of Temasek's Investments (first tier GLCs)**

#### **Financial Services:**

<b>Company</b>	<b>Shareholding (%) as at 31 March 2013</b>
AIA Group Limited	2
Bank of China Limited	<1
DBS Group Holdings Ltd	29
Industrial and Commercial Bank of China Limited	1
Ping An Insurance (Group) Company of China Ltd	1
PT Bank Danamon Indonesia Tbk.	67
Standard Chartered PLC	18

#### **Telecommunications, Media & Technology**

<b>Company</b>	<b>Shareholding (%) as at 31 March 2013</b>
Shin Corporation Public Company Limited	42
Singapore Technologies Telemedia Pte Ltd	100
STATS ChipPAC Ltd.	84
Bharti Airtel Limited	5
MediaCorp Pte Ltd	100

Singapore Telecommunications Limited	52
--------------------------------------	----

### **Transportation & Industrials**

<b>Company</b>	<b>Shareholding (%) as at 31 March 2013</b>
Evonik Industries AG	5
Keppel Corporation Limited	21
Neptune Orient Lines Limited	66
PSA International Pte Ltd	100
Sembcorp Industries Ltd	49
Singapore Technologies Engineering Ltd	50
Singapore Airlines Limited	56
Singapore Power Limited	100
SMRT Corporation Ltd	54

### **Life Sciences, Consumer & Real Estate**

<b>Company</b>	<b>Shareholding (%) as at 31 March 2013</b>
Olam International Limited	23
Capital Land Limited	39
Celltrion, Inc.	11
Li & Fung Limited	3
M + S Pte. Ltd.	40
Pulau Indah Ventures Sdn Bhd	50

Mapletree Investments Pte Ltd	100
SATS Ltd	43
Surbana Corporation Pte Ltd	60
Wildlife Reserves Singapore Pte Ltd	99

### **List of Switzerland's SOEs<sup>35</sup>**

Identitas	Service and monopoly nature	Joint stock company	Major shareholder
Post	Service on the market	Special joint stock company	Sole shareholder
RUAG Holding AG	Service on the market	Joint stock company	Sole shareholder
SAPOMP Wohnbau	Service and monopoly nature	Joint stock company	Sole shareholder
Skyguide	Service and monopoly nature	Joint stock company	Main shareholder
Swiss Railway Service	Service on the market	Special joint stock company	Sole shareholder
Swisscom	Service on the market	Special joint stock company	Major shareholder

---

<sup>35</sup> Without public institutions



## Appendix II: List of Swisscom Group Companies

Registered name	Registered office	Shareholding in %	Currency	Share capital in millions
<b>Switzerland</b>				
Alphapay Ltd	Zurich	100	CHF	0.5
Axept Ltd	Opfikon	100	CHF	0.2
BFM Business Fleet Management Ltd	Ittigen	100	CHF	1.0
Billag Ltd	Fribourg	100	CHF	0.1
cablex Ltd	Berne	100	CHF	5.0
CT Cinetrade Ltd	Zurich	75	CHF	0.5
Curabill Treuhand GmbH	St. Gallen	100	CHF	–
Datasport Ltd	Gerlafingen	100	CHF	0.2
DL-Groupe GMG AG	Geneva	67	CHF	0.1
kitab kino-theater Ltd	Zurich	75	CHF	1.0
local.ch Ltd	Berne	51	CHF	3.0
LTV Yellow Pages Ltd	Zurich	49	CHF	10.0
Medgate Holding Ltd	Zug	40	CHF	6.2
Mona Lisa Capital Ltd	Ittigen	99.5	CHF	5.0
MyStrom Ltd	Ittigen	80	CHF	0.1
Plazavista Entertainment AG	Zurich	75	CHF	0.1
Swisscom Banking Provider Ltd	Muri bei Bern	100	CHF	5.0
Swisscom Broadcast Ltd	Berne	100	CHF	25.0
Swisscom Directories Ltd	Berne	51	CHF	1.5
Swisscom Energy Solutions Ltd	Ittigen	50.1	CHF	4.0
Swisscom Event & Media Solutions Ltd	Ittigen	100	CHF	0.1
Swisscom Real Estate Ltd	Ittigen	100	CHF	100.0
Swisscom IT Services Ltd	Berne	100	CHF	150.0
Swisscom IT Services Finance Custom Solutions Ltd	Olten	100	CHF	0.1
Swisscom IT Services Sourcing Ltd	Münchenstein	100	CHF	3.0
Swisscom Switzerland Ltd	Ittigen	100	CHF	1,000.0
Teleclub AG	Zurich	75	CHF	1.2
Teleclub Programm AG	Zurich	25	CHF	0.6
Transmedia Communications Ltd	Geneva	21.8	CHF	0.8
Wingo Ltd	Fribourg	100	CHF	3.0
Worklink AG	Berne	100	CHF	0.5
<b>Belgium</b>				
Belgacom International Carrier Services	Brussels	22.4	EUR	1.5
Hospitality Services Belgium SA	Brussels	100	EUR	0.6
Swisscom Belgium N.V.	Brussels	100	EUR	4,330.2
<b>China</b>				
Swisscom Hospitality Hong Kong Ltd	Hong Kong	100	HKD	–
<b>Denmark</b>				
Swisscom Hospitality Denmark A/S	Hellerup	100	DKK	0.6
<b>Germany</b>				
Abavent GmbH	Kempten	100	EUR	0.3
Hospitality Services Germany GmbH	Munich	100	EUR	0.1
Swisscom Telco GmbH	Eschborn	100	EUR	–
<b>Finland</b>				
Swisscom Hospitality Finland Oy	Helsinki	100	EUR	0.1
Vilant Systems Oy	Espoo	20	EUR	–

A Comparative Analysis of the Corporate Governance of Public Enterprises in Singapore and Switzerland  
**Appendix II: List of Swisscom Group Companies**

Registered name	Registered office	Shareholding in %	Currency	Share capital in millions
<b>France</b>				
Hospitality Services France SA	Paris	96	EUR	5.6
Sicap France SA	Lyon	100.0	EUR	0.5
<b>Great Britain</b>				
Hospitality Networks and Services UK Ltd	London	100	GBP	1.6
<b>Italy</b>				
Fastweb S.p.A.	Milan	100	EUR	41.3
Fastweb Wholesale S.r.l.	Milan	100	EUR	5.0
Hospitality Services Italia S.r.l.	Milan	100	EUR	0.1
Metroweb S.p.A. <sup>1</sup>	Milan	10.6	EUR	28.9
Swisscom Italia S.r.l.	Milan	100	EUR	2,502.6
<b>Liechtenstein</b>				
Swisscom Re Ltd	Vaduz	100	CHF	5.0
<b>Luxembourg</b>				
Hospitality Services Luxembourg SA	Luxembourg	100	EUR	–
<b>Malaysia</b>				
Sicap Malaysia SdnBhd	Kuala Lumpur	100	MYR	0.5
<b>Netherlands</b>				
HSIA Hospitality Services Netherlands B.V.	The Hague	100	EUR	–
NGT International B.V.	Capelle a/d IJssel	100	EUR	–
<b>Norway</b>				
Swisscom Hospitality Norway A/S	Stavanger	100	NOK	0.3
<b>Austria</b>				
Hospitality Services GmbH	Vienna	100	EUR	0.3
Swisscom IT Services Finance SE	Vienna	100	EUR	0.1
<b>Philippinen</b>				
Swisscom Hospitality Philippines, Inc.	Makaki City	100	PHP	8.2
<b>Portugal</b>				
HSIA Hospitality Services Portugal	Lisbon	100	EUR	1.1
<b>Romania</b>				
Deuromedia s.r.l.	Brasov	100	RON	0.2
Hospitality Services s.r.l.	Bucarest	100	RON	–
<b>Spain</b>				
Hospitality Networks and Services Espana SA	Madrid	100	EUR	0.1
<b>Singapore</b>				
Sicap Asia Pacific Pte Ltd	Singapore	100	SGD	0.1
Swisscom IT Services Finance Pte Ltd	Singapore	100	SGD	0.1
<b>South Africa</b>				
Sicap Africa Pty Ltd	Johannesburg	100	ZAR	0.1
<b>USA</b>				
Hospitality Services North America Corp.	Dulles	98	USD	1.6
Swisscom Cloud Lab Ltd	Wilmington	100	USD	0.3

<sup>1</sup> Investment is accounted for using the equity method. See Note 25.

## **Declaration of Independence**

“I hereby declare that I have written this thesis without any help from others and without the use of documents and aids other than those stated above. I have mentioned all used sources and cited them correctly according to established academic citation rules. I am aware that otherwise the Senat according to the law is entitled to revoke the degree awarded on the basis of this thesis”

Original signature

Date and place of issue

first name and last name

## **Declaration of Publication**

“I hereby declare that I agree to publish the master thesis that I have written, if the grading is 5.0 or above, in the library catalog IDS Basel Bern, in the specialized library of the Center of Competence for Public Management (KPM) as well as on the homepage of the KPM. The thesis is publicly available.”

Original signature

Date and place of issue

first name and last name

## References

- Abeyasinghe, T., & Choy, K. M. (2007). *The Singapore Economy: An Econometric Perspective*. Singapore: Routledge.
- Allen, R., & Vani, S. (2013). Financial Management and Oversight of State-Owned Enterprises. In R. H. Richard Allen, *The International Handbook of Public Financial Management* (pp. 685-706). New York: Palgrave Macmillan.
- Ang, J. S., & Ding, D. K. (2006). Government ownership and the performance of government-linked companies: The case of Singapore. *Journal of Multinational Financial Management* , 16, pp. 64-88.
- Bühler, S. (1998). Regulatory reform of telecommunications in Switzerland. *Telecommunications Policy* , 22 (8), pp. 671-680.
- Banerjee, I., & Logan, S. (2008). *Asian Telecommunication Handbook*. Singapore: Wee Kim Wee School of Communication and Information Nanayang Technological University.
- Basu, P. K. (2009). *Reinventing Public Enterprises and Their Managment as the Engine of Deveolpment and Growth*. New York: United Nations Publications.
- Becht, M., Bolton, P., & Roell, A. (2002). *Corporate Governance and Control*. Cambridge: National Bureau of Economic Research.
- Bellows, T. J. (2006). Economic Challenges and Political Innovation: The Case of Singapore. *Asian Affairs* , 32 (4), pp. 231-255.
- Berle, A. A., & Means, G. C. (1932). *The Modern Corporation and Private Property*. New York: Macmillan Publishing.
- Boundless. (2013). *Government Cooperations*. Retrieved June 30, 2014, from boundless.com: <https://www.boundless.com/political-science/bureaucracy/the-organization-of-bureaucracy/government-corporations/>
- Bozec, R., & Dia, M. (2005). Board structure and firm technical efficiency: Evidence from Canadian state-owned enterprises. *European Journal of Operational Research* , 177 (2007), pp. 1734-1750.

- Budäus, H., & Hilgers, D. (2009). Public Corporate Governance. In H. P., H. K. J., & v. W. A., *Handbuch Corporate Governance* (2 ed., pp. 757-778). Stuttgart: Universität Hamburg.
- Butcher, K. (2011). *FOREX MADE SIMPLE: A BEGINNER'S GUIDE TO SHAREMARKET SUCCESS*. Melbourne: Wrightbooks.
- Cadbury, A. (1992). *The Report of the Committee on the Financial Aspects of Corporate Governance*. UK: Cadbury Committee.
- Central Intelligence Agency. (2014). *The World Factbook*. Retrieved July 1, 2014, from cia.gov: <https://www.cia.gov/library/publications/the-world-factbook/geos/sn.html>
- Chia, K., Tan, C., Baker & McKenzie, & Wong&Leow. (2008). Singapore. In D. Campbell, *International Telecommunications Law* (pp. 393-396). Yorkhill Law Publishing.
- Choo, C. B. (2013). City of Industry. (P. C., Interviewer, & Brunswick, Editor) Hong Kong.
- Davis, J. H., Schoorman, D. F., & Donaldson, L. (1997). Toward Stewardship Theory of Management. *The Academy of Management Review* , 22 (1), pp. 20-47.
- Department of Statistics Singapore. (2014, May 26). Statistics. Singapore.
- Department of Swiss Statistics. (2013). *Migration and Integration - Data, indicators*. Retrieved July 1, 2014, from bfs.admin.ch: <http://www.bfs.admin.ch/bfs/portal/en/index/themen/01/07/blank/key/01/01.html>
- Department of Swiss Statistics. (2014). *Press Release: Population Size 2013*. Bern.
- Die Bundesversammlung der Schweizerischen Eidgenossenschaft. (2000, October 3). Bundesgesetz über die Organisation der Telekommunikationsunternehmung des Bundes. *Telekommunikationsgesetz, TUG 784.11* . Bern, Switzerland.
- Die Bundesversammlung der Schweizerischen Eidgenossenschaft. (2010, July 1). Fernmeldegesetz. 784.10 . Bern, Switzerland. Retrieved May 11, 2014, from Fernmeldegesetz 784.10: <http://www.admin.ch/opc/de/classified-compilation/19970160/index.html>
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management* , 16, pp. 49-64.

Eidgenössische Finanzverwaltung. (2006). *Erläuternder Bericht der Eidgenössischen Finanzverwaltung zum Corporate-Governance-Bericht des Bundesrates*. Bern: EFV.

Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation UVEK. (2013, November 20). Strategische Ziele für die Swisscom. Bern: Schweizerische Eidgenossenschaft.

Eisenhardt, K. (1989). Agency Theory: an assessment and review. *The Academy of Management Review* , 14 (1), pp. 57-74.

Fama, E. F., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics* , 26 (2), pp. 301-326.

Federal Communications Commission ComCom. (2013, December 31). *Facts & Figures*. Retrieved June 16, 2014, from [www.comcom.admin.ch: http://www.comcom.admin.ch/dokumentation/00439/00565/index.html?lang=en](http://www.comcom.admin.ch/dokumentation/00439/00565/index.html?lang=en)

Fischer, T. M. (2004). *Die Entbündelung der letzten Meile in der Schweiz im Lichte des GATS*. Bern.

Funston, J. N. (2001). *Government and Politics in Southeast Asia*. Singapore: Seng Lee Press Ltd.

Gilian, S. L., & Starks, L. T. (2003). *Institutional investors, corporate ownership and corporate governance*. University of Delaware, New York.

Google Finance. (2014, June 23). *Singapore Telecommunications Limited*. Retrieved June 23, 2014, from Google Finance: <http://www.google.com/finance?chdnp=1&chdd=1&chds=1&chdv=1&chvs=maximized&chdeh=0&chfdeh=0&chdet=1403514000000&chddm=1176910&chls=IntervalBasedLine&q=SGX%3AZ74&ntsp=0&fct=big&ei=-N-nU9j3FIqKwwP2roC4CQ>

Haque, S. M. (2004). Governance and Bureaucracy in Singapore: Contemporary Reforms and Implications. *International Political Science Review* , 25 (2), pp. 227-240.

Hart, O. D. (1995). Corporate Governance: Some Theory and Implications. *Royal Economic Society* , 105 (430), pp. 678-689.

- Hofstede, G. (1991). *Cultures and organizations: Software of the mind*. London: McGraw-Hill.
- Huat, T. C. (1990). Privatisation in Singapore: the success of public sector management. *International Journal of Public Sector Management*, 3 (1).
- ICC. (2005). *Why Corporate Governance*. Retrieved May 6, 2014, from iccwbo.org: <http://www.iccwbo.org/CorpGov/whycorpgov.asp>
- IMF. (2014). *Government Finance Statistics Manual 2014 - Pre-publication Draft*. USA: International Monetary Fund.
- International Business Publications. (2008). *Singapore - Diplomatic Handbook*. Washington: International Business Publications.
- International Business Publications. (2012). *Switzerland*. Washington: International Business Publications.
- Investopedia. (n.d.). *Return on Equity - ROE*. Retrieved July 3, 2014, from investopedia.com: <http://www.investopedia.com/terms/r/returnonequity.asp>
- Investopedia. (n.d.). *State-Owned Enterprises*. Retrieved May 5, 2014, from investopedia.com: <http://www.investopedia.com/terms/s/soe.asp>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3, pp. 305-360.
- Kantonalbanken. (2014). *Kantonalbanken*. Retrieved July 1, 2014, from kantonalbank.ch: <http://www.kantonalbank.ch/d/gruppe/kantonalbanken/index.php>
- Kew, L.-K. (2000). *From Third World to First: 1965-2000*. Singapore: Harper Collins.
- Khan, A. (2007). Reinventing Public Enterprises. In U. Nations, *Public Enterprises: Unresolved Challenges and New Opportunities*. New York: United Nations Publication.
- Kirkpatrick, G. (2014). *Managing State Assets to Achieve Developmental Goals: The Case of Singapore And Other Countries in the Region*. OECD. Paris: OECD.
- Kolbe, P. (2006). Public Corporate Governance: Grundsätzliche Probleme und Spannungsfelder der Überwachung öffentlicher Unternehmen. In B. K., M. C., v. M. P., & S.



- P., *Public Management - Eine neue Generation in Wissenschaft und Praxis* (pp. 61-74). Potsdam: Universitätsverlag Potsdam.
- La Porta, R., Lopez-de Silanes, F., & Shleifer, A. (2002). Government Ownerships of Banks. *The Journal of Finance* , 57 (1), pp. 265-301.
- Laegreid, P., Roness, P., & Rubecksen, K. (2006). Autonomy and Control in the Norweign Civil Service: Does Agency Form Matter? In C. T., & L. P, *Autonomy and Regulation: Coping with the Modern State* (pp. 237-267). Cheltenham: Edward Elgar.
- Lee, E. W., & Haque, S. (2006). The New Public Management Reform and Governance in Asian NICs: A Comparison of Hong Kong and Singapore. *Governance: An International Journal of Policy, Administration, and Institutions* , 19 (4), pp. 605-626.
- Lienhard, A. (2008, October 31). Grundlagen der Public Corporate Governance. 3. *Wissenschaftliche Tagung der Schweizerischen Vereinigung für Verwaltungorganisationsrecht (SVVOR)* . Bern.
- Lienhard, A. (2013, February 28). Rechtliche Grundlagen der Public Corporate Governance. *Seminar Public Corporate Governance* . Bern: KPM.
- Linder, W. (2005). *Schweizerische Demokratie*. Bern: Haupt.
- Linder, W., & Vatter, A. (2001). Institutions and outcomes of Swiss federalism: The role of the cantons in Swiss politics. *West European Studies* , 24 (2), pp. 95-122.
- Low, L. (2001). The Role of the Government in Singapore's Industrialization. In K. Jomo, *Southeast Asia's Industrialization - Industrial Policy, Capabilities and Sustainability*. New York: Palgrave.
- Müller, R., Schedler, K., & Sonderegger, R. W. (2013). *Führung, Steuerung und Aufsicht von öffentlichen Unternehmen*. Bern: Haupt Verlag.
- Mach, A., & Trampusch, C. (2011). The Swiss political economy in comparative perspective. In M. A., & T. C., *Switzerland in Europe* (pp. 11-27). Oxon: Routledge.
- Malik, W. H. (2007). *Judiciary-Led Reforms in Singapore*. Washington: The World Bank.
- Mastronardi, P., & Taubert, D. (2004). *Staats- und Verfassungstheorie im Spannungsfeld der Disziplinen*. St. Gallen: Franz Steiner Verlag.

Mauzy, D. K., & Milne, R. S. (2002). *Singapore's Politics Under The People's Action Party*. London and New York: Routledge.

Monetary Authority of Singapore. (2012). *Code of Corporate Governance*. Singapore: MAS.

Monetary Authority of Singapore. (2013, November 3). *Code of Corporate Governance*. Retrieved July 3, 2014, from mas.gov.sg: <http://www.mas.gov.sg/regulations-and-financial-stability/regulatory-and-supervisory-framework/corporate-governance/corporate-governance-of-listed-companies/code-of-corporate-governance.aspx>

Morck, R., Wolfenzon, D., & Yeung, B. (2005). Corporate governance, economic entrenchment, and growth. *Journal of Economic Literature* , 65, pp. 655-720.

OECD. (2005). *Corporate Governance of State-Owned Enterprises - A survey of OECD Countries*. Paris: OECD Publishing.

OECD. (2005). *OECD Guidelines on Corporate Governance of State-Owned Enterprises*. Paris: OECD Publishing.

Omran, M. (2004). The Performance of State-Owned Enterprises and Newly Privatized Firms: Does Privatization Really Matter? *World Development* , 32 (6), pp. 1019-1041.

Parliament of Singapore. (2011). *Members of Parliament*. Retrieved May 30, 2014, from parliament.gov.sg: <http://www.parliament.gov.sg/members-parliament>

Pigou, A. C. (1932). *The Economics of Welfare* (4th edition ed.). London: Macmillan Publishing.

PSDC. (1987). *Report of the Public Sector Divestment Committee*. Singapore: Singapore National Printers.

Quah, J. (2010). *Public Administration Singapore Style*. Bingley: Emerald Group Publishing.

Rajan, R. S., & Thangavelu, S. M. (2009). *Singapore - Trade, Investment and Economic Performance*. Singapore: World Scientific Publishing Co. Pte. Ltd.

Ramírez, C. D., & Tan, L. H. (2003). *Singapore, Inc. Versus the Private Sector: Are Government-Linked Companies Different?* International Monetary Fund.

- Razak, N. H., Ahmad, R., & Aliahmed, H. J. (2008). Government Ownership and Performance: An Analysis of Listed Companies in Malaysia. *Journal Corporate Ownership & Control* , 6(2). Malaysia.
- Reuters. (2014, July 4). *Swisscom AG (SCMN.VX)*. Retrieved July 4, 2014, from reuters.com: <http://www.reuters.com/finance/stocks/financialHighlights?symbol=SCMN.VX>
- Rodan, G. (2013). State - society relations and political opposition in Singapore. In G. Rodan, *Political Opposition in Industrialising Asia* (pp. 78-104). Australia: Routledge.
- Sadasivan, B. (2007). Singapore's Foreign Policy. *Estudio Internacionales*. 40, pp. 157-164. Chile: Instituto de Estudios Internacionales Universidad de Chile.
- Sager, F., & Zollinger, C. (2011). The Swiss political system in comparative perspective. In C. Trampusch, & A. Mach, *Switzerland in Europe: Continuity and Change in the Swiss Political Economy* (pp. 11-26). Oxon: Routledge.
- Sainsbury, M. (2005). SingTel Group - Multiple Services, Multiple Markets - Case Study. In M. L. Rao M., *Asia Unplugged: The Wireless and Mobile Media Boom in the Asia Pacific* (pp. 242-248). India: SAGE Publications .
- Samuelson, P. A. (1954). The Pure Theory of Public Expenditure. *The Review of Economics and Statistics* , 36 (4), pp. 387-389.
- Schedler, K. (2002). Government Budgeting and Accounting Switzerland. *OECD Journal on Budgeting* , 243-264.
- Schedler, K. (2003). Local and Regional Public Managemet Reforms in Switzerland. *Public Administration* , 81 (2), 325-344.
- Schedler, K., & Keller, F. (1998). *Reforming Public Enterprises - Case Studies: Switzerland*. OECD. Paris: OECD.
- Schedler, K., Gulde, A., & Suter, S. (2007). *Corporate Governance öffentlicher Unternehmen*. Institut für Öffentliche Dienstleistungen und Tourismus. St. Gallen: Universität St. Gallen.
- Schedler, K., Müller, R., & Sonderegger, R. W. (2013). *Führung, Steuerung und Aufsicht von öffentlichen Unternehmen*. Bern: Haupt.

Schweizerischer Bundesrat. (2006). *Bericht des Bundesrates zur Auslagerung und Steuerung von Bundesaufgaben (Corporate-Governance-Bericht)*. Bern: Bundesverwaltung.

Shleifer, A., & Vishny, R. W. (1997, June). A Survey of Corporate Governance. *The Journal of Finance* , 52 (2), pp. 737-783.

Sim, I. J. (2011). *Does State Capitalism Work in Singapore?* Australia: The University of Western Australia.

Singapore Department of Statistics. (2001). *Contribution of Government-Linked Companies to Gross Domestic Product"*. Ministry of Trade and Industry . Singapore: Singapore Publisher.

Singapore Economic Development Board. (2009). *Our History*. Retrieved July 1, 2014, from edb.gov.sg: <http://www.edb.gov.sg/content/edb/en/why-singapore/about-singapore/our-history/1960s.html>

Singapore Government. (2013, November 1). *About Us*. Retrieved 30 May, 2014, from gov.sg: [http://www.gov.sg/government/web/content/govsg/classic/about\\_us](http://www.gov.sg/government/web/content/govsg/classic/about_us)

Singapore Telecommunications Limited and Subsidiary Companies. (2013, March). Corporate Governance. *Annual Report 2013* . Singapore.

Singapore Telecommunications Limited. (2013). Corporate Governance. *Annual Report 2013* . Singapore.

Singapore Telecommunications Limited. (2013). Organisation Structure. *Annual Report 2013* . Singapore.

SingTel. (2014). *Annual Report 2014*. Singapore: SingTel.

SingTel. (2014). *Annual Reports*. Retrieved July 3, 2014, from info.singtel.com: <http://info.singtel.com/about-us/investor-relations/annual-reports>

SingTel. (2014). *Board of Directors*. Retrieved July 6, 2014, from <http://info.singtel.com/annualreport/2012/board-of-directors.html>

SingTel. (2014). *Company Profile*. Retrieved July 1, 2014, from info,singtel.com: <http://info.singtel.com/about-us/company-profile>

SingTel. (2013, March 31). *Investor Relations*. Retrieved June 17, 2014, from singtel.com: <http://info.singtel.com/annualreport/2013/operating-and-financial-review/investor-relations.html>

SingTel. (2014). *Management Committee*. Retrieved July 1, 2014, from info.singtel.com: <http://info.singtel.com/about-us/management-committee>

SingTel. (2014). *Our Subsidiaries*. Retrieved July 1, 2014, from info.singtel.com: <http://info.singtel.com/about-us/our-subsidiaries>

SingTel. (2013). *Shareholder Information*. Singapore.

SingTel. (2014). *SingTel Share History*. Retrieved July 1, 2014, from info.singtel.com: <http://info.singtel.com/about-us/investor-relations/singtel-share-history>

Steiner, R. (2012, October 5). Schweizer Debatte zu den Formen der Aufgabenerfüllung (Bsp. Bund). *Organisation der staatlichen Aufgabenerfüllung*. Bern.

Steiner, R., & Huber, E. (2012). Autonomy of the Federal Organizational Units. In SGVW, *Yearbook of Swiss Administrative Sciences* (pp. 141-160). Winterthur: SGVW.

Steiner, R., & Huber, E. (2012). Switzerland. In V. K., V. T. S., B. G., & L. P., *Government Agencies - Practices and Lessons from 30 Countries* (pp. 191-202). Hampshire: Palgrave Macmillan.

Steiner, R., Finger, M., Huber, E., & Reist, P. (2013). *Praxis des Bundes bei der Steuerung von Post, SBB und Swisscom*. Bern: KMP Schriftreihe.

Swiss Confederation. (2011, September 29). Bundesverfassung der Schweiz. Eidgenossenschaft. Berne, Switzerland.

Swisscom AG. (2014, January 23). *Ownership Structure - Who does Swisscom belong to?* Retrieved July 1, 2014, from swisscom.ch: <http://www.swisscom.ch/en/about/investors/shares/ownership-structure.html>

Swisscom. (2014). *Annual Report 2013*. Bern: Swisscom Ltd.

Swisscom. (2013). *Corporate Governance*. Bern: Swisscom.

## References

---

Swisscom. (2014). *Financial Reports*. Retrieved July 3, 2014, from swisscom.ch:  
<http://www.swisscom.ch/en/about/investors/reports.html>

Swisscom. (2014). *Financial Reports*. Retrieved June 16, 2014, from swisscom.ch:  
<http://www.swisscom.ch/en/about/investors/reports.html>

Swisscom. (2014). *Ownership structure Ownership structure – who does Swisscom belong to?* Retrieved June 27, 2014, from swisscom.ch:  
<http://www.swisscom.ch/en/about/investors/shares/ownership-structure.html>

Swisscom. (2014, June 16). *Share Price*. Retrieved June 16, 2014, from swisscom.ch:  
<http://www.swisscom.ch/en/about/investors/shares/share-price.html>

Swisscom. (2011). *Statuten der Swisscom*. Bern: Swisscom.

Tan Wee Hin, L., & Subramaniam, R. (2002). Information and Communication Technology in Singapore: Lessons for Developing Nations on the Role of Government. In T. F., *Advanced Topics in Global Information Management* (pp. 293-312). London: Idea Group.

Tan, C. H. (1975). The Public Enterprise as a Development Strategy: The Case of Singapore. *Annals of Public & Co-operative Economy* , 46 (1), pp. 61-85.

Tan, K. P. (2003). Crisi, Self-Reflection, and Rebirth in Singapore's National Life Cycle. *Southeast Asian Affairs* , pp. 239-258.

Tan, K. P. (2008, January). Meritocracy and Elitism in a Global City: Ideological Shifts in Singapore. *International Political Science Review* , 29 (1), pp. 7-27.

Temasek. (2014). *Beyond Investment - Temasek Review 2013*. Singapore: Temasek.

Temasek. (2014). *Beyond Investing: Temasek Review 2013*. Singapore: Temasek.

Temasek. (2014). *Board of Directors*. Retrieved June 23, 2014, from About Temasek:  
<http://www.temasek.com.sg/abouttemasek/boardofdirectors>

Temasek. (2014). *FAQS*. Retrieved May 2014, 02, from temasek.com.sg:  
<http://www.temasek.com.sg/faqs>

Temasek. (2014). Governance Framework. *Temasek Review 2013* . Singapore.

- Temasek. (2012, September 25). *Statement - Temasek has entered into an agreement to sell 400 million shares in Singapore Telecommunications Limited ("SingTel")*. Retrieved June 29, 2014, from [temasek.sg.com: http://www.temasek.com.sg/mediacentre/medialetters?detailid=18119](http://www.temasek.com.sg/mediacentre/medialetters?detailid=18119)
- The Economist. (2013, November 23). *From SOE to GLC*. Retrieved June 29, 2014, from [economist.com: http://www.economist.com/news/finance-and-economics/21590562-chinas-rulers-look-singapore-tips-portfolio-management-soe-glc](http://www.economist.com/news/finance-and-economics/21590562-chinas-rulers-look-singapore-tips-portfolio-management-soe-glc)
- Thynne, I. (1998). Government companies as instrument of state action. *Public Administration and Development* , 18, pp. 217-228.
- Toninelli, P. A. (2000). The Rise and Fall of Public Enterprises. In P. A. Toninelli, *The Rise and Fall of State-Owned Enterprises in the Western World* (pp. 3-25). New York: Cambridge University Press.
- Vagliasindi, M. (2008). *Governance Arrangement for State Owned Enterprises*. Washington: World Bank Publications.
- Vallet, G. (2012). Should I Stay or Should I Go? Switzerland and the European Economic and Monetary Integration Process. *Journal of Economic Integration* , 27 (3), pp. 366-385.
- Vatter, A. (2007). Federalism. In K. U., K. P., K. H., L. W., P. Y., & S. P., *Handbook of Swiss Politics*. Zurich: Neue Zürcher Zeitung Publishing.
- Venkatraman, N., & Ramanujam , V. (1986, October). Measurement of Business Performance in Strategy Research: A Comparison of Approaches. *The Academy of Management Review* , 11 (4), pp. 801-814.
- Wicaksono, A. (2009). *Corporate Governance of State-Owned Enterprises: Investment Holding Structure of Government-Linked Companies in Singapore and Malaysia and Applicability of Indonesian State-Owned Enterprises*. St. Gallen: Difo Druck.
- Wilson, P. (2011). Introduction. In P. Wilson, *Challenges for the Singaporean Economy after the Global Financial Crisis* (pp. 1-14). Singapore: World Scientific Publishing Co. Pte. Ltd.
- World Economic Forum. (2013). *Global Competitiveness Index 2013-2014: Country Profile Highlights*. Geneva: World Economic Forum.

Yahaya, F. (2012, May). Divesting State Owned Enterprises. *International Review of Business Research Papers* , 8 (4), pp. 195-206.

Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008, January 1). Corporate Governance in Emerging Economies: A Review of the Principal-Principal Perspective. *Journal of Management Studies* , 45 (1), pp. 196-220.

Zutshi, R. K., & Gibbons, P. T. (1998). The internationalization process of Singapore government-linked companies: A contextual view. *Asia Pacific Journal of Management* , 15, pp. 219-246.