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Abstract: The increasing diversity of organizational types involved in government action in many countries calls for the development of a comprehensive typology of such organizations. This paper critically reviews both scholarly efforts to classify organizations in general and those based on the public-private distinction in particular, in order to draw implications for developing a better typology of organizational tools. While none of the existing typologies has been completely successful in providing guidance for understanding organizational tools for government action, some of them provide valuable insights, including the importance of taking the incongruence approach seriously and the need for more conceptual and empirical work on political and governmental variables in organizational analysis.

Keywords: Organizational Typology, Public-private Distinction, Incongruency Approach

Governments use a variety of policy tools to achieve public goals. Christopher Hood (1986) once identified four types of policy tools: informational, financial, coercive, and organizational tools. In the real world of government action, however, each of these four types has many sub-types or variants, which often dictate the development of classificatory schemes for each type of tool. Traditionally, students of public administration and public policy have sorted organizational tools for government action in terms of the public-private distinction (see Rainey 2003). As a consequence, the notion of division of labor between public and private organizations has often dominated debate over which type of organization should do what. However, the

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increasing diversity of organizational types involved in government action makes this simple dichotomy less and less relevant.

Indeed, there seems to be a worldwide trend away from the use of governmental organizations and towards the use of various forms of nongovernmental and quasi-governmental organizations in policy implementation and public service delivery. The production of goods and services funded by taxpayers is no longer an exclusive task of typical government agencies. It is now discharged by various forms of governmental (Seidman 1991), paragovernmental (Hood and Schuppert 1990), and nongovernmental organizations (Savas 2000). This movement has proceeded on the premise that different types of organizations show important differences in achieving the goals of public policy and that typical government agencies operate less effectively and efficiently. From the standpoint of organizational analysis, however, this premise is built on another assumption—that we have a well-developed and agreed-upon organizational typology of government action, a typology that may highlight important differences among organizational tools in a theoretically and practically significant way. Unfortunately, organizational analysts have frequently observed that this is not the case (see Hall 2002). Given the plurality of organizational options for achieving public goals, it seems obvious that the worldwide privatization movement needs a better typology of organizations.

Without a good typology of organizational tools, the variety of organizational options for achieving public goals may mean little for either academics or practitioners. This variety may be advantageous for policy-makers, in that now they have a toolbox full of organizational options. In general, the more tools we have, the easier the job becomes. This would be the case, however, only if we knew the distinct characteristics of these tools and the best use of each. Without such knowledge, the organizational form for achieving a given public goal might be chosen based on only political judgment or ideological conviction.

The purpose of this paper is to review scholarly efforts to classify organizations in general and nongovernmental and quasi-governmental organizations that have been used as tools of government action in particular—and, based on this review, to find some theoretical implications for developing a better typology of organizations. First, this paper reviews notable typologies and approaches. Then, the discussion focuses on a classificatory scheme, the public-private distinction, that is more directly related to the issue of the organizational tools of government action. Then, some theoretical and practical problems of the public-private distinction are discussed. The paper concludes by discussing implications and research directions for future studies.
APPROACHES TO ORGANIZATIONAL TYPOLOGY

An organizational typology aims to identify significant variations in organizations on the basis of one or several critical variables (Hall 2002). Yet it is not easy to build a relevant typology of organizations. While simplification is a great virtue of taxonomic approaches, most typologies have an inherent danger of oversimplification. Organizational typologies could be viewed as a double-edged sword in this regard.

Despite the risk of oversimplification, however, most theorists accept the necessity to use classificatory schemes. A good typology of organizations may contribute substantially to building theories that explain and predict relations among important variables. The value of any typology depends on how critical the categorizing variables are in differentiating the phenomena under investigation. However, any judgment about critical variables is inherently subjective, since it primarily depends on the interests of researchers. Consequently, many critical variables have served as the basis of classification, and this has resulted in the lack of a comprehensive and agreed-upon organizational typology like those found in such disciplines as botany and zoology.

Richard Hall (2002) noted that there are three approaches to classifying organizations: common-sense typologies, empirical taxonomies, and intentional classifications. A typical example of common-sense typology is classification by societal sector, such as education or health. From the perspective of organizational analysts, such a common-sense typology has many problems. First of all, it contains dimensions that may overlap in unpredictable ways. Moreover, it is unscientific in that categories are not related to each other systematically. Most importantly, it fails to effectively classify organizations. To avoid these problems, students of organizations and management have developed two more sophisticated approaches—empirical taxonomy, which focuses on organizational characteristics themselves, and intentional or special typology, which pays attention to a limited aspect of the organization.

Proposing an empirical taxonomy, Pugh, Hickson, and Hinnings (1969) analyzed a broad range of structural characteristics in 52 British organizations. Their main classificatory dimensions were the structuring of activities, the concentration of authority, and the line control of work flow. They suggested seven types of organizations based on various combinations of these three dimensions. However, McKelvey (1982) criticized their study in that it involved overly small populations of organizations. As another advocate of the empirical taxonomic approach, he emphasized the concept of populations of organizations, which is equivalent to species of biological creatures. Borrowing concepts and logic from biology, he argued for the importance of “dominant competence”—the technical and managerial knowledge and skills that enable an organization to survive. While McKelvey’s suggestion seems promising due to its
emphasis on empirical analysis, the empirical taxonomy approach has not been very successful, especially when it comes to comprehensiveness. Golembiewski (1996) noted that without a general and comprehensive taxonomy, we would get only mixed and confusing results in organizational analysis. However, it would be a daunting challenge to develop such a comprehensive typology, because organizations are so complex and varied. As a matter of fact, previous efforts to build a general taxonomy based on empirical analysis have not been helpful in capturing significant variations among organizations.

A notable example of intentional typology is Blau and Scott’s (1962) classification based on the organization’s prime beneficiary. The types are as follows: mutual benefit organizations, which primarily benefit the members themselves; businesses, in which owners are the prime beneficiary; service organizations, with clients as the beneficiaries; and commonweal organizations, which benefit the public at large. However, researchers have reported that this typology is not of much use for empirical studies, because it is difficult to place organizations into the categories (Hall 2002). Etzioni (1975) provided another intentional typology. Based on the form of compliance, his typology classified three types of organizations: coercive, remunerative, and normative. However, his typology failed to relate well to important structural characteristics (Rainey 1984).

The public-private distinction is another well-known intentional classification. It pays primary attention to the political and economic environments of organizations. Since the public-private concept has a great deal of relevance in choosing organizational tools for government action, and since many believe that variations along this dimension are closely associated with organizational performance, the next section will discuss this classification in depth.

THE PUBLIC-PRIVATE CLASSIFICATORY SCHEME

The Generic Tradition in Organization Theory

The classificatory scheme that emphasizes differences between public and private organizations has not been a pervasive view in the field of organization theory. Organization and management research have been dominated by the generic approach that stresses commonalities, rather than differences, between private and public organizations. This generic tradition includes many important figures, such as Max Weber and Herbert Simon. In fact, the notion of the public-private distinction has mainly developed not in organization and management studies but in political science and economics.
Political scientists, especially those who have examined the role of public bureaucracy in the larger political system, almost always assumed that public organizations had a distinctive character. For them, the political environment in which public organizations function has a tremendous effect how they work, and consequently the public-private distinction is almost self-evident. However, the literature on public bureaucracies in the field of political science tends to be characterized by too much anecdotal description and too little theory and systematic research.

Meanwhile, some economists also argued, or at least made implications, for significant differences among organizations along the public-private dimension. Based upon assumptions derived from economics, public choice theorists have emphasized the inefficiency inherent in the operation of public organizations, because public organizations have no economic market for their organizational outputs and politicians and bureaucrats pursue their own interests rather than the public interest (Niskanen 1971; Downs 1967). Another group of economists who took notice of the distinctive character of public organizations were property rights theorists. They have argued that private organizations, where rights to profits are clearly defined, tend to perform better than public organizations, where rights to profits are diffuse and uncertain (Milgrom and Roberts 1992). The economists’ view on public organizations concludes that they tend to pursue goals such as budget maximization and that they tend to show characteristics including risk aversion, overstaffing, and nonoptimal pricing and investment. Still, the arguments from the public choice and property rights literature are long on deductive reasoning and short on empirical substantiation. Just like the public bureaucracy theorists in political science, moreover, these economists have paid only limited attention to the internal structure and process of organizations (Rainey, 2003).

Development of the Public-Private Distinction

The views of political scientists and economists have a major influence on the development of the public-private distinction in the field of organization and management. This categorization scheme has played a crucial role in developing the body of knowledge of public organization and management. After all, it would be pointless to study public management if public and private entities could not be distinguished.

In the past three decades, many public management scholars have started to take notice of the influence of political and economic environments on public organizations. For example, Rainey, Backoff, and Levine (1976) observed that distinctive characteristics of public organizations, such as their lack of market exposure, have important implications for their management—for example, the vagueness of organizational goals and the difficulty of performance management. It is commonly asserted that
these distinctive characteristics of public organizations eventually result in technical inefficiency and poor organizational performance. For example, it has been argued that the absence of an economic market for organizational outputs and reliance on governmental appropriations for financial resources may reduce the incentive for cost reduction, operating efficiency, and effective performance. Further, oversight by government institutions constrains decision-making autonomy and flexibility and creates red tape.

However, according to Golembiewski (1996), the public-private distinction is based on the wrong research question. Emphasizing that there is solid evidence of successful interventions for organizational change in public as well as private organizations, he noted that the public-private distinction does not distinguish between essentially different types of organizations. He concluded that the public-private distinction is not a good taxonomy and is not useful in organizational analysis. Instead, he argued for a comprehensive taxonomy based on the following research question: “What panels of dimensions of reality permits distinguishing batches of organizations in terms of their comprehensive differences/similarities?” (Golembiewski 1996, 142). However, this goal turned out to be almost infeasible. Despite many significant efforts during the past decade, a general and comprehensive classification system for organizations has not yet developed. It seems that Golembiewski’s suggestion has little hope of being realized in the near future.

In contrast, Perry and Rainey (1988) argued that the public-private distinction has practical and theoretical significance. Theoretically, they noted, research based on this distinction can help incorporate important organizational characteristics into theory. Practically, research guided by this classificatory scheme may make it possible to understand “the proper roles of the public and private sectors, the implications of imposing public purposes on private corporations, and the transferability of management techniques” (1988, 182). These practical benefits have great relevance to the issue of the choice of organizational type in government action. The research based on this classificatory scheme may help in understanding the “goodness of the fit” between organizational tools and other important variables in policy implementation and public service delivery. Despite such potential benefits, however, the public-private distinction still has several theoretical and practical issues to be addressed. Without resolving these issues, it would be difficult to use it as a workable typology for organizational tools for government action.

**Limitations of the Public-Private Distinction**

Public management experts have pointed out several areas of confusion in organi-
izational research based on the public-private distinction. First of all, it is not easy to define the terms. What do we mean by “public” in organizational analysis? Traditionally, public organizations have often been regarded as governmental organizations, and private organizations have been equated with nongovernmental organizations. However, there has been a tendency for the public and private sectors to overlap and interrelate in a number of ways, thus blurring the distinction. Many nongovernmental organizations now work with government in various ways. This blurring of the distinction between public and private sectors complicates the definition problem and reveals its multidimensional characteristics. The simple public-private distinction needs better elaboration before it can be applied successfully to the reality of public management. There is clearly a need for a well-developed multidimensional typology of organizations in order to understand the complex array of organizational tools for government action.

Another source of confusion is the fact that the distinction between public and private organizations has been employed for diverse research purposes. Whereas the distinction is used as an environmental variable by many organizational experts, most political scientists tend to view it as representing different philosophical orientations rather than simple subsets of organizations (Perry and Rainey 1988). A result of this divergence in research purposes is the difficulty in accumulating research findings. The final limitation of the existing literature is that the distinction is not well related to the theoretical frameworks that are available for integrating empirical research. For example, Dahl and Lindblom’s polyarchy-market model (1953) has not been given an important role in empirical studies. To resolve these problems and to guide the choice of organizational tools for government action, we need a better organizational typology beyond the simple public-private dichotomy.

The public-private distinction also shows some shortcomings in empirical research. First of all, there are some typical problems in comparative studies. Much of the existing literature that has adopted the public-private distinction has limitations on generalization because it often neglects a critical formulation in comparative analysis, that is, ceteris paribus, or all other things being equal. The condition of ceteris paribus is more often than not ignored in empirical studies that adopt the public-private distinction. Organizational analysts often note that public agencies are “orphans,” which typically do things no one else can do and, in that case, a comparative study between public and private organizations is like comparing apples and oranges. More importantly, large variations may exist not only between public and private organizations but also within them. For example, the difference in job satisfaction between high-level public officials and low-level ones may be larger than the difference in job satisfaction between senior managers of public organizations and their counterparts in private
organizations (Golmbiewski 1995). To overcome these limitations, researchers need to carefully control the influence of third variables. However, it is not easy to get the well-represented large samples of organizations that would make it possible to control these alternative variables. While there are several well-represented samples of organizations from census data or large-scale social surveys (for an example, see Kalleberg et al. 1996), those samples often do not contain critical and well-articulated variables.

Another stream of empirical research based on the public-private distinction involves studies to examine organizational status change. If a certain organization changes from a public organization to a private one, then researchers would have a chance to verify the difference between the two types of organizations and its impact on organizational performance. According to Dunsire et al. (1988), however, empirical work of this sort is also fraught with difficulties. There are problems of the counterfactual (what would have happened in the absence of the status change), changes in objectives of an organization as it moves from public to private ownership, and the time it takes for change to occur.

Although the public-private distinction needs further theoretical and conceptual refinement, its problems do not diminish its theoretical and practical significance. Some ways of refining the distinction are discussed in the next section.

**Efforts to Refine the Public-Private Distinction**

Since the public-private distinction focuses on political and economic environments that affect organizations involved in government action, it has been considered a useful guide for the choice of organizational tools for government action. However, as a simple dichotomy it is too blunt to be of much use to policymakers in this rapidly diversifying world. As noted earlier, there are many hybrid, third-sector, and quasi-governmental organizations that cannot be classified by such a simple scheme.

One of the problems is defining the terms public and private. There have been several efforts to develop multidimensional typologies of organizations based on these concepts. First, Wamsley and Zald (1973) proposed a classification system based on two dichotomous variables: ownership and funding. They suggested four types of organizations: traditional government organizations (public ownership and public funding), traditional private organizations (private ownership and private funding), and two hybrid forms of organizations (public ownership with private funding and private ownership with public funding). While this typology provides a conceptual tool to analyze hybrid organizations, it still has room for improvement. For example, the two dichotomous dimensions, ownership and funding, could be viewed as a continuum rather than a dichotomy, since the variable of ownership or funding can be mea-
sured by interval scales. Also, this typology obscures the point that funding usually takes various forms—such as taxes, contracts, sales, and donations—each of which may have distinct influence on the organization. By the same token, ownership and governance can have various forms—such as direct ownership, an appointed board, and shareholders—each of which may have a different impact on the characteristics of an organization.

In another organizational typology based on the public-private concept, Perry and Rainey (1988) created an organizational classification system with three dimensions: ownership (public vs private), funding (public vs private), and mode of social control (polyarchy vs economic market). They argued that this type of multivariate taxonomy would help test empirically the validity of the public-private dichotomy. Since this typology was composed of eight organizational forms, they believed, research based on it would contribute to the development of middle-range theories relevant to each cluster of organizations. One of the strengths of this typology is that it enables organizational analysts to incorporate the influence of government regulation into the classificatory scheme through the addition of the polyarchy-market dimension suggested earlier by Dahl and Lindblom (1953). Despite such strengths, this typology has limitations in keeping pace with rapid developments in the real world. First, it would be very difficult for analysts to place quasi-government organizations and nonprofit contractors into the suggested categories. Further, as with Wamsley and Zald approach, each of the three dimensions of this classificatory scheme has its own variations, which could not be appropriately tapped by the public-private dichotomy. For example, it is unclear how organizations with mixed ownership or mixed funding would be classified in this typology (Koppell 2003). Finally, the concept of mode of control is so ambiguous that it is impossible to operationalize it in empirical research.

Dunsire et. al. (1988) suggested another interesting classificatory scheme based on the public-private distinction. They tried to specify the variations along the public-private dimension mainly based on the ownership variable. They chose to focus on ownership because their primary aim was to build a conceptual framework to test the central hypothesis of property rights literature: that private ownership improves the performance of organizations. They divided private-sector organizations into owner-managed firms, public-limited companies, and hybrid organizations. Included in the owner-managed category were sole proprietorships, partnerships, and private or family-owned companies. They divided public-sector organizations into central government and local government departments, trading funds, quasi-nongovernmental organizations, and public corporations. While their typology provides insights into important organizational variations within the public and private sectors, still it is limited by its focus on ownership, which is just one dimension of the public-private concept. As a
result of this limitation, their typology has little to say about nonprofit contractors, which play an increasingly important role in today’s government actions.

More recently, Koppell (2003) proposed another organizational typology based on the public-private concept—a simplified version of Perry and Rainey’s approach, in which the problem of organizations with mixed ownership and funding is solved by treating them as hybrid organizations. The ambiguity regarding mode of control is avoided by simply excluding the variable from the typology. Consequently, using the two dimensions of ownership and funding, his typology involved three categories: government agency, hybrid, and private entity. He defined a hybrid organization as one that “is . . . owned in whole or part by private individuals or corporations and/or generates revenue to cover its operating costs.” Koppell’s scheme was not without limitations; for example, it ignored contractual relationships. But given that his main purpose was to analyze a specific type of hybrid organization, the government-sponsored enterprise, this typology served his research purpose well.

**IMPLICATIONS AND LESSONS FROM THE REVIEW**

The existing typologies of organizational tools for government action have critical deficiencies. While the traditional public-private distinction has been broadly used as a cornerstone of theory-building for many years, the diversity of organizational tools now available raises a vexing problem for those who attempt to systematically understand their similarities and differences. It seems clear that the simple public-private dichotomy is not up to the challenge, because it runs the risk of overlooking significant variations among organizations involved in policy implementation and public service delivery. Still, it is also true that some refinements suggested by public management experts provide valuable insights by demonstrating creative and reasonable ways to deal with these conceptual and research challenges.

The purpose of this review is not to criticize previous contributions but to advance the study of organizational tools, and it is possible to draw some implications from it for future studies. One implication is the importance of the *incongruence* approach, which can help highlight seemingly inconsistent combinations of different elements of the public-private dimension. Another is the need for better work on conceptualizing and measuring the political and market environments of organizations involved in government action.
The Incongruence Approach

Many theorists have focused on congruent elements of the public-private dimension. For example, the absence of a market for organizational outputs is assumed to be automatically related to a high level of political control because of reliance on government appropriations. To be sure, in many cases such a congruence does exist. However, sector blurring and the emergence of hybrid organizations make the congruence approach less relevant. For those who attempt to understand the world of organizations based on the congruence approach, today’s new hybrid organizations are no more than transient anomalies that will sooner or later regress to more congruent organizational types such as typical business firms or typical government agencies.

The real world of organizations presents a different landscape, however. Recent organizations involved in government action are often inconsistent in various aspects of the public-private dimension. Such “incongruent” organizations are increasing in number and importance in achieving public goals. Their list is already a long and growing one, including government corporations, state-owned enterprises, government-sponsored enterprises, public authorities, executive agencies in the United Kingdom, performance-based organizations in the United States, and other hybrid organizations throughout the world (see Pollit and Talbot 2004). Since each form of organization may have sub-types that deserve special attention, and innovations in organizational design by governments continue, the actual range of organizational diversity may be even much wider than that illustrated here. The number of incongruent organizations is growing due to recent trends in governance such as autonomization, depoliticization, marketization, the recent bail-out and consequent nationalization of financial institutions, and agentification (Pollit et al. 2004), mainly driven by New Public Management. While these trends are actually countervailing, there is little indication that they are likely to stop or slow. What agendas follow from the recognition of the importance of incongruent organizations in achieving public goals?

The first step is to describe what types of organizational incongruences exist in the current world of policy implementation and public service delivery. The full documentation of important variations would be a daunting challenge. Still, a single incongruence to be noted is the decoupling of the political and market dimensions in the public-private concept. Traditionally, students of public administration treated the politicization of organizations the same as their demarketization, and the conceptual framework of the public-private distinction was developed mainly based on comparing two ideal types—politicized and demarketized agencies, and depoliticized and marketized firms (see Rainey 2003). However, the emergence of independent agencies and globally competing national flagship firms presents important incongruences—including orga-
nizations that are both depoliticized and demarketized or both politicized and marketized. For example, the decrease of political control in recently agentified organizations (Pollit et al. 2004) does not necessarily mean an increase in their market exposure, as opposed to the views of Dahl and Lindblom (1953) and many other theorists. How can these incongruent organizational tools of government action be classified in a systematic way that makes it possible to identify commonalities and differences among them?

Both longitudinal and cross-sectional descriptions of incongruent organizations are important. Little is known about the antecedents and consequences of their emergence. As Seidman (1997) once noted frustratingly, there have been no clear explanations for choices of organizational design for achieving public goals. Some have been based on carefully calculated reasons, while others suggest more irrational ones, including path-dependency, institutional norms, or policy fashions. Evidence from well-designed longitudinal research could help shed new light on this issue.

The final agenda item is a practical one. What are the prescriptive implications of such incongruences? What difference does it make if policy-makers design and use incongruent organizations rather than traditional congruent ones to perform a particular public function? Do congruent types perform better than incongruent ones? Is there any goodness of fit (Donaldson 2001) between organizational types and tasks? If so, what factors should be taken into account? The managerial implications of inconsistencies in organizational design need more attention, too. What challenges exist in managing incongruent organizations such as independent agencies? How can the managers of those agencies deal with failures in either market efficiency or political legitimacy caused by their demarketized and depoliticized design? Previous efforts by organizational analysts to address these issues appear to be limited mainly because the lion’s share of the literature focuses on congruent organizations, comparing typical public organizations with typical private firms. Answering the above questions requires systematic inquiry into the relationship of incongruence to performance.

Need for More Work on Political and Market Variables

Treating the incongruence approach seriously calls for better conceptualization and measurement of the political and market environments of organizations involved in government action, which is also likely to lead to systematic empirical research on the effects of those environments on the internal characteristics of the organizations. Despite the enduring belief that political and market environments are critical in understanding organizations, work on organizational typologies based on these dimensions has been less than successful, and research on the relationships between the

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environmental dimensions and internal characteristics has been discouraging.

Yet there are some promising directions for future research on the specific dimensions along which such political and market components vary and how these variations affect organizations. One useful line of inquiry would be the forms of control over individuals in public organizations, suggested by Hood (2004). He divided control over public organizations into four types: mutuality, competition, contrived randomness, and oversight. This was a more comprehensive and theoretically fruitful typology than the models discussed above, but it is still open to question whether it allows a workable operationalization of political and market environments. Policy tool literature (Salamon 2002; Eliadis et al. 2005) provides another opportunity to build on previous work on political and market dimensions of organizations. In particular, Salamon (2002) suggested several defining dimensions of policy instruments, including directness, coerciveness, automaticity, and political visibility—dimensions that could also be used as classifying criteria for organizations involved in policy implementation and public service delivery.

Undoubtedly, it would be a great challenge to analyze organizational tools for government action by linking developments in organization theory with contributions made by political science and public policy studies. But a better typology of such organizational tools could be very useful in the design of public policy. The recent developments in conceptualizing and operationalizing the public-private distinction represent both limitations and promises. The future task should be to specify which changes to components of the public-private dimension could make a difference in organizational life, and when and how they should be made. Such a body of knowledge would make it possible to make the best use of each organizational tool for government action.

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