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The gradual corporatization of transport infrastructure: The Danish case

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Abstract

The article introduces the theoretical perspective on gradual institutional change to the corporatization literature. This is achieved via a longitudinal case study on the institutionalization of the Danish state guarantee model (SGM) for transport infrastructure based on archival document studies of seven infrastructure projects and 31 interviews with elite actors and experts. The article explores with a detailed analysis how the gradual change mechanisms of layering, conversion and displacement coexist, are interrelated, and are coevolving over a long period. It contributes to the corporatization literature presenting the SGM as an alternative to public and private partnerships and government agencies.

1 | INTRODUCTION

> *Before last fall* [2017] *nobody truly understood how it actually works, the model you are about to describe.*
> (Manager, Sund & Bælt, 31 October 2018)

Over the past 30 years, Denmark's governance of transport-infrastructure provision has been revolutionized. However, these changes are not accounted for in the existing literature on public-sector reforms (Greve et al., 2016; Pollitt & Bouckaert, 2017). Not only are the key actors and mechanisms of this revolution largely overlooked in the theoretical state of the art, the prevalent emphasis on abrupt, rather than gradual, institutional change, misses the piecemeal emergence and transformation of new organizational forms and agents. With the implementation of new public management (NPM), the public sector has experienced a remarkable restructuring in recent decades (Pollitt & Bouckaert, 2017). Waves of privatization (G. A. Hodge, 2006) and corporatization (Wettenhall, 2001), driven by the ambition to transform the public sector in alignment with a more business-like model, with the ultimate purpose of

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increasing performance (Hood, 1991; OECD, 2005), have given rise to the development of new models of organization for public services and infrastructure, such as public–private partnerships (PPPs; G. A. Hodge et al., 2010).

To remedy the lack of research into state-owned enterprises (SOEs), both scholars and practitioners have recently turned their attention to the common form of SOE used in public service and infrastructure (Bernier et al., 2020; Bruton et al., 2015; Daiser et al., 2017; Grossi et al., 2015; OECD, 2017a). The OECD (2017b) estimates that commercial SOEs worldwide have a value of US $2.4 trillion and employ 9.2 million people,[1] where network industries account for around 50% by value and 70% by employment. These numbers alone indicate the relevance of studying SOEs and exploring corporatization in contemporary public administration (Voorn et al., 2017).

The existing literature on corporatization has focused on abrupt change (Pierson, 2000) in a public-reform context, in cases where public services undergo a legal transformation into corporate entities, often with the end-goal of privatization (Clifton & Díaz Fuentes, 2018; Thynne, 1994). This has inspired a raft of studies of the institutional drivers of the decision to corporatize public organizations (Andrews et al., 2020; Grossi & Reichard, 2008; Tavares, 2017). A few such studies have focused explicitly on the unintended effects of corporatization (Berge & Torsteinsen, 2021; Christensen & Lægreid, 2003; Haque, 2001). Recently, the literature has moved toward viewing corporatization as a question of hybridity of SOEs (Bruton et al., 2015; Grossi et al., 2015). However, hybridity is inherently dynamic (Christensen, 2017) and a gap exists in understanding the development of the corporatization process over time and scrutinizing the outcomes of this process in an explorative, longitudinal way (Daiser et al., 2017). The current study uses an historical institutional perspective on gradual change to close this gap (Streeck & Thelen, 2005). The perspective's attention to context and politics attracts increasing interest within public administration (Capano, 2019; Christensen, 2017; Christensen & Lægreid, 2011; Koreh et al., 2019; Polzer et al., 2016). This approach allows us to analyze how the corporatization process evolves over time (Christensen & Lægreid, 2011; Polzer et al., 2016) in a process of interpretation of reforms and not as moments of reforms (Hacker et al., 2015). The research questions are as follows: How has the Danish state organized new mega transport infrastructure projects over the past 30 years? What are the outcomes of the corporatization process in terms of novel institutional forms, and how did these forms interact with the prevalent institutional repertoire?

The institutionalization of the Danish state guarantee model (SGM) is selected via theoretical sampling (Eisenhardt & Graebner, 2007) as a case study of gradual corporatization. The SGM as governance model was developed in 1987 to realize a bridge off the balance sheets (Christensen & Greve, 2018). The basic elements of the SGM—the establishment of a special-purpose vehicle in an SOE; financing via government-guaranteed loans; and repayment via user payment (Holm & Horstmann Nielsen, 2018)—fundamentally break with the dominant principle of Danish transport policy, that is, that roads constitute tax-financed infrastructure organized within the Danish Road Directorate. The model has also been adapted to public-transport infrastructure, and, in the period 1995–2005, the model accounted for 50 percent of the state's investments in transport infrastructure (Danish Transport Infrastructure Commission, 2008). However, no reform of or policy in relation to the management and governance of the model has been developed (Ministry of Finance, 2019), nor do national auditor reports on the model exist, so the model has developed without public or academic scrutiny (Christensen & Greve, 2018). Notwithstanding, projects to a total value of around €30 billion have been approved by the Danish parliament. Adopting a gradualist perspective allows us to comprehend this "silent revolution" as institutionalization via corporatization that has a major impact on governance.

This article argues that the corporatization of the SGM begins initially as a layered model outside the existing dominant tax-based agency model. Over time via conversion new institutional actors in terms of sectorial SOEs arise that, in combination with the ongoing layering of the SGM, lead to a displacement whereby endogenous actors *inside* the agency model use the layered SGM to change the basic principles and norms of the tax-based agency model. To outline this argument, the next section reviews the existing literature on corporatization and presents a theoretical framework on historical gradual institutional change. Then, the methodology section outlines the design of the case study. This is followed by a longitudinal analysis of the institutionalization of SGM as a model of corporatization. The discussion presents the article's contribution to the literature on corporatization and gradual change. The conclusions include a short summary of the findings, their practical implications, and suggestion for future research.

2 | A GRADUAL INSTITUTIONAL CHANGE PERSPECTIVE ON CORPORATIZATION

This section reviews the public-management literature on corporatization and identifies a gap in the outcomes of corporatization and the need for qualitative longitudinal research that can be explored via the framework of gradual institutional change.

2.1 | Literature review

There has been a tendency for governments to create corporatized entities (Thynne, 1994). During recent years, there have been significant developments that have made corporatization the new template for pattern of public-service delivery (Wettenhall & Thynne, 2002). The traditional concept of "corporatization" relates to the transformation of government agencies into separate corporations (Clifton & Díaz Fuentes, 2018). The outcome of corporatization is the establishment of SOEs, in which the government retains majority ownership or control (Grossi & Reichard, 2008). Typically, corporatized entities are single-purpose organizations and have a high degree of autonomy in the recruitment of employees and reward systems, and in entering into collaboration with either public or private actors (Krause & Van Thiel, 2019; Voorn et al., 2017). Wettenhall (2001) identified several institutional factors as to why governments use the corporate forms under the influence of NPM. Tavares (2017) reviewed the determinants (service characteristics, regulatory settings, political influences, and financial models) related to the adoption of municipal corporations. Andrews et al. (2020) showed that financial pressures, socioeconomic complexity, and political control are factors positively related to corporatization.

Previous studies have highlighted the positive aspects of corporatization, but only a few have discussed the negative effect of a reduction in public interest, where the focus falls instead on profit maximization and commercial orientation (Van Genugten et al., 2020). Thynne (1994) argued that, given historically low levels of accountability of corporations, there is a need to secure the recognition of their publicness but also to reconcile this with their need for autonomy. Corporatization creates a change in terms of public accountability, from a general public interest to a more specific corporate interests tend to reduce their degree of, and public trust (Christensen & Lægreid, 2003; Haque, 2001). Several scholars in the field of public administration have recently encouraged a more nuanced view that considers SOEs as hybrid organizations that are market-oriented and operate according to business (or market) logics to provide public services using public resources, under political influence and controlled related by state (or community) logic (Berge & Torsteinsen, 2021; Bruton et al., 2015; Grossi et al., 2015). Hybridity of SOEs can be related to their objectives, finance, ownership structure, governance model and control by the state. An SOE in the field of infrastructure development may also have objectives (e.g., for employment, innovations or public policy) that are unrelated to profit and market value (Bruton et al., 2015). Such infrastructure projects are often based on funding from multiple private financiers, as well as taxpayers who have different interests in a project (Greve & Hodge, 2007). Daiser et al. (2017) recognized that existing studies on SOEs are often related to corporate-governance issues (e.g., transparency concerns, lack of public-service orientation, and unfair competition). Governance that consider the varying level of influence of the state over time, and that the evolution of SOEs is a dynamic process from central-planning models to corporatized models, thereby faces a complicated organizational challenge (Bruton et al., 2015; Christensen, 2017).

The literature lacks comprehensive longitudinal studies of the outcomes (in terms of accountability, finance, and governance) of state ownership, and empirical studies based on multiple sources and using different qualitative methods (which are useful for analyzing the characteristics of these organizations over time; Grossi et al., 2015; Daiser et al., 2017). Previous studies principally examine the institutional drivers or logics connected to corporatization. In our case, we adopted an historical institutional perspective, based on different gradual-change mechanisms (Mahoney & Thelen, 2010; Streeck & Thelen, 2005).

2.2 | Historical institutional perspective on gradual change in public administration

The perspective of gradual change (Mahoney & Thelen, 2010; Streeck & Thelen, 2005) has gained increasing attention across the Social Sciences (van der Heijden & Kuhlmann, 2017) and also in the area of Public Administration. The perspective is used to understand institutional characteristics and country variations (Bezes & Lodge, 2015), hybridity (Christensen, 2017; Christensen & Lægreid, 2011; Polzer et al., 2016) and policy changes, especially with regard to classical historical institutionalist areas of industrial relations (Graf, 2018; Koreh et al., 2019; Lambert, 2016) and social policies, where it is difficult to implement abrupt change to the status quo (Koreh et al., 2019). The gradual-change perspective focuses on formal institutions that can be enforced by calling upon a third party (Streeck & Thelen, 2005), but the formal rules are considered imperfect, with gaps detected in every stage of reform (Mahoney & Thelen, 2010). The gaps—in terms of cognitive limits, political compromise or contestation, the passage of time, and related changes in actors and/or context—are the point from which to understand institutional change (Conran & Thelen, 2016). This provides a space for the actors, such as the rule-makers (e.g., politicians, government departments, and regulators), and the rule-takers (e.g., companies and interest groups) to interpret how the institutions are to be understood (Hacker et al., 2015), which allows for gradual change (Mahoney & Thelen, 2010). The key variable that influences the actors' possibilities for change is the institutional context in which they operate. This context is given by the characteristics of the targeted institution and to what extent reinterpretation is possible. Another dimension is the degree of positive feedback that the institution produces in terms of building up organizations and constituencies that will have an interest in its preservation (Koreh et al., 2019).

Gradual change can happen via *layering*, *conversion*, *displacement*, *drift*, and *exhaustion* (Streeck & Thelen, 2005). In this article, three of these five mechanisms are relevant to explaining how corporatization takes place as a gradual process of institutionalization:

Layering is when a new institution is "put on top" of the existing institution because the old institution is unchangeable, and thereby a differentiated institutional setup is created. The point is that emerging institutional concepts are connected to old institutions (Mahoney & Thelen, 2010) as new rules (Conran & Thelen, 2016). Layering is one of the most frequently used gradual-change mechanisms (Capano, 2019; van der Heijden, 2011). Capano (2019) argued for a reconceptualization of layering, away from a change mechanism to a model of institutional design at a given point in time, through which new inclusions in the institutional models can lead to change or stability. Koreh et al. (2019), in contrast, developed a framework through which to understand layering, together with drift and conversion, as gradual-change modes that can be interlinked, because any single mode of change leads to transformation, which creates new opportunities for the actors.

Conversion is when an old institution is modified toward new goals, functions or purposes. Hacker et al. (2015) stress that conversion is dependent on ambiguity, which allows the possibility of interpretation by different actors (Hacker et al., 2015, p. 189) and of adaption of inherited institutional structures to new purposes (Hacker et al., 2015, p. 204). In the opinions of Graf (2018) and Koreh et al. (2019), layering can lead to conversion. This is when old elements are converted to the new institutional logic of layering. Hacker et al. (2015) pointed out that conversion reminds us that institutions are multipurpose tools that attract the attention of multiple interested groups.

Displacement occurs when new institutional models emerge as old institutional models are discredited and emerging institutional models are presented (Streeck & Thelen, 2005). This may occur in the form of radical change, or more gradual change that comes about as new institutions emerge in competition with older institutions (Mahoney & Thelen, 2010). In contrast with the layering model, displacement requires activity from endogenous actors that may be better served by exploring "new" institutional models (Streeck & Thelen, 2005). Layering can lead to displacement when the new layer becomes stronger than the previous institution (Conran & Thelen, 2016). Ellingsæter (2014) showed how the two mechanisms may coexist in one policy domain. Christensen (2017) showed how displacement, in combination with drift, can erode corporatized SOEs within marketization.

Where these mechanisms are originally described as distinct change mechanisms (Mahoney & Thelen, 2010; Streeck & Thelen, 2005), a branch of literature has contributed insights into how these mechanisms can be interlinked in a Public-Administration perspective (Capano, 2019; Graf, 2018; Koreh et al., 2019; Shpaizman, 2014) and how, over time, one gradual-change mechanism can lead to the next (Graf, 2018; Hacker et al., 2015; Koreh et al., 2019; Shpaizman, 2014). Lambert (2016) showed how layering leads to conversion, which leads to displacement. From this perspective, we analyze the corporatization via SGM in Danish governance of transport infrastructure.

3 | CASE-STUDY DESIGN AND METHODS

This article is based on a longitudinal case study of the gradual institutionalization of the SGM for transport infrastructure (Eisenhardt & Graebner, 2007) as a case study of corporatization and its outcome over time. It is based on an archival document study of all seven transport-infrastructure projects that were approved by the Danish parliament using the SGM in the period 1987–2016 (Danish National Bank, 2018) and 31 interviews with elite actors and experts to triangulate the document study. The analytical strategy has been to focus on the SGM as a corporatization model in each of the seven projects and to analyze the gradual institutionalization of the SGM as a process of corporatization across the projects and over time. The case selection was guided by theoretical sampling (Eisenhardt & Graebner, 2007). The SGM has developed gradually as a new public-management model for individual mega infrastructure projects, as an alternative to traditional private-finance models (ITF, 2018), at a time where most countries, in light of NPM, have turned to private finance for infrastructural development (Christensen & Greve, 2018). Consequently, the Danish SGM represents a gradual corporatization *alongside and outside* the existing governmental agencies and corporatized utilities (Christensen, 2015). The longitudinal case study makes it possible to contribute to the literature on corporatization with analytical generalizations (Eisenhardt, 1989; Flyvbjerg, 2006) on gradual corporatization and outcomes thereof, and a rich and detailed exploration of corporatization (Bruton et al., 2015; Daiser et al., 2017) while, on a more conceptual note, the article contributes to the literature on gradual change with a case study from the infrastructure sector that shows new perspective on the interplay between the mechanisms next to sequence.

The institutional context or targeted institution is the governance of the Danish transport infrastructure sector based on the agency model that is the dominant model for organizing and financing transport infrastructure. The agency model is politically controlled by the Danish parliament via the Ministry of Transportation; it is financed via taxes within the framework of the annual budget; it covers a well-developed transport-network infrastructure of roads, rail and bridges, where established agencies (the Danish Road Directorate since 1949 and the Danish Rail since 1997, but with a legacy framework going back to 1885) have had responsibility for the road and rail networks, respectively. There is strong national legislation in place to govern the financing and construction of public infrastructure. Other transport infrastructure and related service areas have been privatized in the same period as harbors and airports, the corporatization and privatization of the old rail utility, and outsourcing of bus services (Christensen, 2015). However, road and rail infrastructure has maintained the agency-based model.

While conducting the longitudinal case study, one of the authors was based in an SOE as an industrial researcher; this position has been central to our study of the SGM. As the research was initiated in August 2018, it transpired that there were no policies or national audit reports in relation to the model, only background material at project level, such as prescreenings and environmental impact assessments and constructions acts for each infrastructure project. In April 2019, the Danish Ministry of Finance officially called for the development of a policy on the SGM for the first time. The position as industrial researcher gave privileged access to members of the management, authorities, stakeholders and former key actors involved in the institutionalization process of the SGM. The liaison with the company was at the same time making some of the interviewees insecure about the data handling—for example, they did not want interviews recorded. This made triangulation of the data to validate and strengthen the reliability of the research important.

Because of the lack of policy and auditor reports, the in-depth qualitative longitudinal case study of SOEs was based on archival document studies of the construction acts and legal proposals of the SGM at project level (Figure 1). This was triangulated with 18 interviews with the former and current executive managers and top-level bureaucrats responsible for the projects, and with 13 interviews with specialists and managers within one SGM company. First, six exploratory interviews were conducted with experienced sector experts, to identify key periods of institutionalization; the results of these were then used to design the interview guide for the later, semi-structured interviews. The interviewees were chosen purposely because of their many years of experience in the Danish transport sector and as they were central actors in the initial development of the SGM. The second part of the analysis consisted of archival document analysis used to identify and examine the central periods and understand the variations in the SGM in the individual projects. Each project was analyzed over time and a case report—including a table for each project on decision points and central actors—was developed, to better understand the institutionalization process and identify the justifications for choosing the SGM. The third part of the research was based on 12 semi-structured interviews with senior executives and managers from the owner's side (public authorities) and directors from the companies in the seven projects, in order to triangulate the archival document study. These interviewees were specifically chosen for their positions within the projects and companies. Both the owner and the company side of all the projects were initially willing to participate, but some showed reluctance to allow the interviews to be recorded and one ended the interview after 20 min. The interviews dealt with the following three themes: the background of the specific infrastructure project and choice of SGM; the governance challenges and advantages of the specific SGM project; and the general governance challenges associated with the Danish SGM. Each interview was adapted to the specific interviewee. Ten of the interviews centered around a diagram of a basic SGM structure (Figure 2) which was adapted to the individual project.

The interviews were transcribed verbatim and sent out for review and approval by the participants. Next, the figures were analyzed and compared across cases and an additional document analysis of the legislative proposals was conducted in order to triangulate the interview data.

4 | THE INSTITUTIONALIZATION OF THE STATE GUARANTEE MODEL AS A GRADUAL MODE OF CORPORATIZATION

Since its invention in 1987, the SGM has been used in several infrastructure projects and adapted along the way. Figure 3 shows a timeline and size comparison of politically approved SGM projects. Below, the development is analyzed as an institutionalization of the SGM as a model for corporatization from a gradual-change perspective.

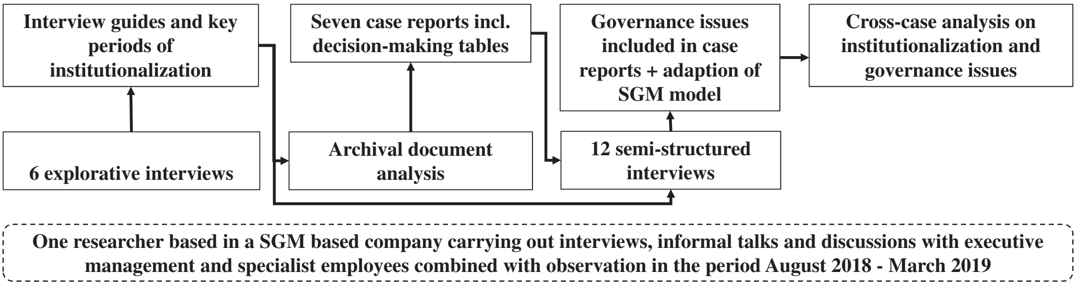

FIGURE 1 The qualitative longitudinal case of the institutionalization of the state guarantee model (SGM)

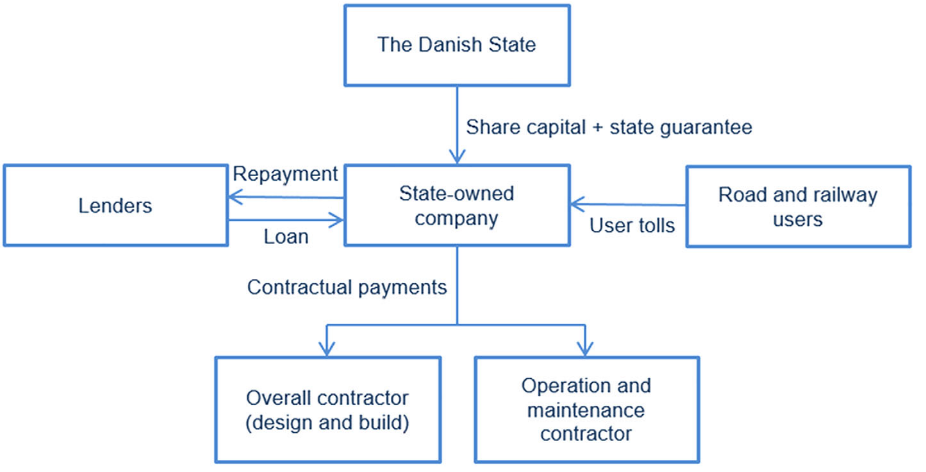

FIGURE 2 Basic state guarantee model (Holm & Horstmann Nielsen, 2018)

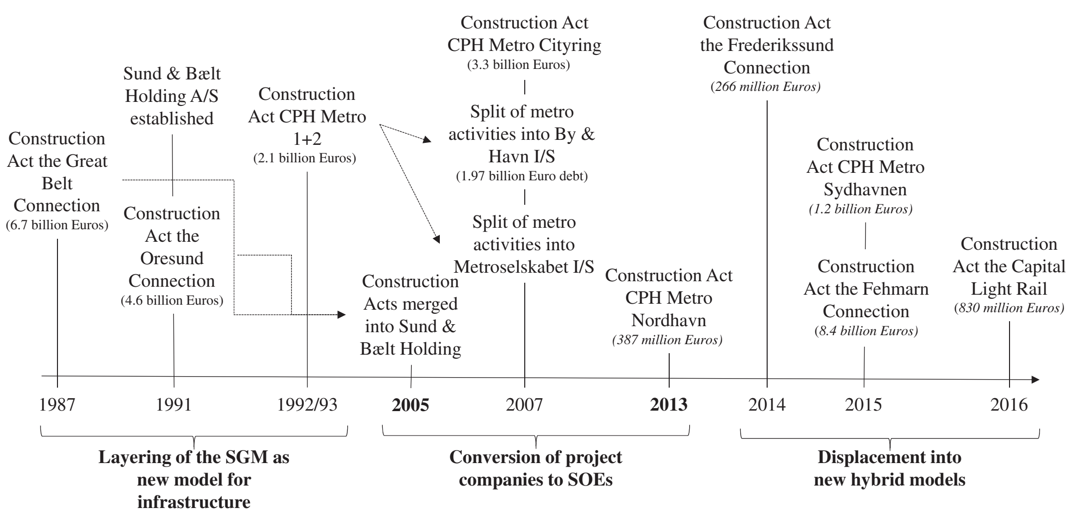

FIGURE 3 Timeline of politically decided SGM projects. SGM, state guarantee model; SOE, state-owned enterprise

4.1 | Layering of the SGM as a new model for mega infrastructure projects (1987–)

After decades of discussing an infrastructure project to connect the main parts of Denmark, in 1987 the construction act for the Great Belt Bridge was passed, and construction work started the following year. This was a period of economic downturn, and the dominant institutional form was the agency model, with powerful government agencies and SOEs with public funding of infrastructure projects over the annual budget. The basic SGM made it possible for the politicians to get the project funded outside of the public budget via state-guaranteed loans and user payments. The activities were organized in a separate limited company, outside the existing institutional setup of agencies and utilities. This was done to separate the project's finances from the public budget and to enable the road projects to handle user charges. The old agency model still existed, and the creation of the SGM as a separate corporatization model can be understood as a *layering* process that led to a new form of governance as a new institutional layer.

The discussion of the construction of the Oresund connection to Sweden commenced shortly afterwards, and, in 1991, a state agreement between Denmark and Sweden was signed; later that year, the construction act was passed by the Danish parliament. The project was based on the SGM but co-ownership with Sweden was established, strengthening the *layering*. The project and the organization were based on a state agreement, and the Danish activities were placed in a newly established SOE, Sund & Bælt Holding A/S (Sund & Bælt), together with the project company for the Great Belt Bridge. The purpose of this was to reduce the cost of the extremely expensive projects, to strengthen learning between the two projects, and to ensure that coordination of the institutionalization of the SGM was strengthened. Sund & Bælt was created independently of the existing agency, the Danish Road Directorate.

During the same period, the SGM was introduced and modified to cover a public-transport project by the political decision in 1992/93 to build Copenhagen Metro 1+2: in total, this comprised 31 stations to connect the western outskirts of Copenhagen with the southern parts of the city, including the airport. To keep the project funding separate from the public budget, a new element was added to the basic SGM: passenger revenues were combined with urban development and, later, divestment of publicly owned land as a commercial income stream. The company that executed the project was co-owned in a partnership by the state, the municipalities and the county involved, in which the owners were jointly and severally liable. Again, the SGM for public-transport infrastructure was *layered* outside the existing agency model for rail, which, at that point in time, was the National Rail Utility (Christensen, 2015). As demonstrated by this case study, the SGM is introduced as a corporatization model in a layering process outside the existing institutional setup of agencies and utilities. This corporatization as a *layering* process differs from the traditional models of corporatization through the transformation of the existing government agencies into separate corporations (Grossi & Reichard, 2008).

4.2 | Conversion of the project companies into state-owned enterprises (2005–)

In 2005, the construction acts governing the project companies involved with the Great Belt connection and the Oresund connection were merged into the Sund & Bælt legal act. This emphasized the shift from the construction phase to the operational phase for both projects, and the corporatization went from project status to an institutionalized SOE in Danish transport infrastructure governance, alongside the existing agencies and utilities. Sund & Bælt's position as a competence center for mega transport infrastructure projects was consolidated, as a state agreement between Denmark and Germany was ratified in 2008 and, later, as the first law on planning the 18-km Fehmarn Belt Fixed Link that will connect Denmark to Germany was adopted by the Danish parliament in 2009. The Danish activities were organized into two new project companies within the holding structure of Sund & Bælt.

The shift from project organization to institutionalized SOEs based on the SGM can be understood as a *conversion*, where the orientation of a given infrastructure project is redirected to a more general purpose, where the SOEs are given competencies and assigned new sectorial tasks over time, and where the SOEs become involved in discussions and the initial planning of other new infrastructure projects with the SGM. A manager in the ministry explained:

> An expertise has been built up, in this case in Sund and Bælt [Holding A/S], which has the planning, operation, maintenance and financing of user-paid infrastructure as a core business. Not on all sorts of other things. [...] I also think that it is a success element to have a focused organization that specializes right to the fingertips [...] in bridge and tunnel structures that are important for subsequent operation. (Interview, manager and staff, Danish Ministry of Transport, October 1, 2018)

Sund & Bælt became involved in the planning of the local 10-km bridge project, the Fjord Link Frederikssund. For Sund & Bælt, the *conversion* also meant that they began to receive tasks from the existing infrastructure network, based on the agency model. The *conversion* was also about access to finance. In 2005, a political coalition decided to transfer the responsibility for rail operations and maintenance in the connection from Rail Net Denmark to the project company for the Great Belt connection: that is, from the agency model to the SGM. The same political coalition also began to use its influence to reduce the price level of user charges on the Great Belt connection. This was followed by the political decision in 2009 to earmark €1.2 billion of Sund & Bælt's dividends to the owner of a national infrastructure fund to finance infrastructure projects outside the company during the period 2009–2022.

A similar *conversion* from project to institutionalized SOEs started with the Copenhagen Metro activities, which, until 2007, were based on a complex corporate structure of three separate but interdependent SOE project companies. With the adoption of the construction act for the Copenhagen Metro Cityringen, the area-development activities and the metro activities were divided between two separate corporate entities, in the form of a partnership between the state and the municipalities of Copenhagen and of Frederiksberg. By & Havn I/S (2007/08) became specialized in area development and the later divestment of land to finance the metro. Metroselskabet I/S (2007) became responsible for the construction, maintenance and operation of the metro. The metro also received sectorial tasks and became involved in the initial planning of the Capital Light Rail project (for which it later became the executive organizational structure) and, subsequently, a center of expertise for metro and light-rail activities outside the existing agency and utility structure.

With the Metro Cityringen construction act in 2007, the SGM for public transport was further adapted. The project involved the construction of 17 new metro stations in a ring, connecting the inner neighborhoods of Copenhagen. As there was no land available to develop and divest in the densely populated area designated for the new metro project, the SGM for public transportation on this occasion included public cofinancing of the construction costs. This constituted a fundamental break with the basic SGM and the off-the-balance-sheet approach, which had been the main driver of the SGM from the beginning. The introduction of public finances created a hybrid public- and private-funding model, which increased in the subsequent phase.

In this phase, the layered corporatization project model is *converted* into more general SOEs. The conversion is both a legal change of the company structures, but also a gradual process whereby they are allocated more sectorial tasks in relation to the planning of new SGM projects. Further, for the Sund & Bælt companies, the state transfers activities to them and takes out dividends to the owner in an infrastructure fund outside the SGM projects. Hence, the agency-based transport network starts to become partly SGM-financed and organized.

4.3 | The displacement of the layered SGM and agency model into hybrid models (2014–)

In 2014, with the adoption of the construction act for the regional bridge, the Fjord Link Frederikssund, the institutionalization of the *layered* SGM and the *conversion* of the modern SOE lead to a new direction that challenged the principles of the basic SGM and the agency-based network and is arguably a process of displacement.

> […] for a long time, it was [the Ford Link Frederikssund], a project that was made for Sund & Bælt, and they had done a lot of the preparation, so it could have just as well been with them. And then it became a political decision that they [the politicians] would try something different, and maybe it was also to see if there was another model that one could use in other contexts. (Interview, manager, Road Directorate, November 2, 2018)

This was a smaller local road-bridge project with competing public infrastructure, which was partly an SGM and partly publicly funded. It was located in a temporary SOE in the Danish Road Directorate—that is, within the agency model. The Road Directorate is responsible for the maintenance of the project and will take over the bridge when users have paid back the construction costs via a relatively low user fee, over a limited period. The model was developed because national politicians left it to their local counterparts to choose between a new connection upfront via the SGM (with some state cofinancing, but incorporating user charges), or to wait for public financing via the agency model on an uncertain time horizon. The local politicians chose the first option, which led to a model that combined elements from both the SGM and the agency model and thereby deviated significantly from the agency model. This hybridity between the SGM and the agency model can be explained as an institutional *displacement*, where institutional elements from institutionalized layered SGM are used to realize infrastructure projects that normally would have been realized within the agency model. The *layered* SGM in this phase is used in new ways by new endogenous actors to gradually change the dominant agency model with public financing of the infrastructure from within.

With the adaption of the construction act for the Fehmarn connection in 2015, the *conversion* of the SGM SOE in Sund & Bælt—including taking over tasks from the agency model—was intensified, with the SGM becoming a way of financing the existing transport network and the operational phase of existing projects. In the construction act for the Fehmarn connection, Rail Net Denmark's role was limited to providers of the extension and upgrading of the existing 115-km railway section of the land works. By contrast, it is the SGM-financed project company of the land works that will be responsible for 80 km of the existing railway line, in terms of its financing, operation and maintenance. In 2015, Danish politicians further decided to hand over the maintenance and operation of the rail section of the Danish land works of the Oresund connection from the agency, Rail Net Denmark, to the SGM project company and, in 2016, this was followed by a reduction in Rail Net Denmark's payments to use the railroad. In 2017, the user payments on the Great Belt connection were further reduced and the politicians decided that Sund & Bælt was to pay for an upgrade of a public highway on Funen, which is part of the Danish Road Directorate's transport network.

In 2015, the institutionalization of the SGM continued in the direction of greater hybridity in a *displacement process* between the SGM and the agency model with public cofinancing, with the construction act for the extension of the Copenhagen metro, with two stations in Sydhavnen and, in 2016, with the construction act for the 28-km-long Capital Light Rail, connecting the suburbs of Copenhagen. For the metro extension to Sydhavnen, a change of ownership interests from the state to the city of Copenhagen was included to finance the metro, in combination with a political agreement that increased By & Havn's debt. They became a financing mechanism for a metro in an area where they had no land to develop and sell. For the Capital Light Rail, the SGM was adapted even further in the direction of the agency model. The SGM was a borrowing mechanism that enabled the 11 municipalities owning the project company to spread the construction costs over a longer period than would have been the case with the annual budget: therefore, this mechanism falls within the agency model.

> [One the one hand], as long as there is a willingness to pay, the model has no restrictions […]. Then, in principle, there is no limit to the State Guarantee Model. On the other hand, there will be a political boundary if, at some point, user-funded infrastructure begins to take up so much space that it requires a fundamental settlement of the way we have traditionally financed our infrastructure. I think there is a limit to how long one can have hybrid models, where something is user-funded and something is state-funded, but it is a political consideration. (Interview, manager and staff, Ministry of Transport, October 1, 2018)

This phase shows how the SGM as a corporatization model continues the layering process and the conversion process into sectorial SOEs with the construction act of the Fehmarn connection. The layering creates a new institutional model, and the conversion leads to the initiation of new actors that open up for a displacement within the agency-based model. When two models coexist, but where the availability of the SGM calls into question the primacy of the old institutional repertoire of the agency-based model (Streeck & Thelen, 2005). The actors use the SGM to bypass the existing institutional setup in the form of the agency model's financing; paradoxically, over time, this leads to public cofinancing. The hybrid SGM projects are not outside the public budget but are intertwined with the agency model, and there is still no policy as to when and how to use this hybrid model.

Further, the prevalence of SGM projects affects the discretionary room for the politicians when it comes to pricing. With the Fehmarn connection and a new mega SGM project, the Kattegat Bridge, proposed in 2018, the politicians cannot reduce the prices over the Great Belt connection as stated in the legislation because the pricing mechanisms on the connections are mutually dependent. The SGM projects need a certain income to pay back the loans and, if one connection is cheaper than the others, the traffic will move to the cheapest one. The new hybrid projects are moving away from the general policy of no user charges on roads and harmonized prices on public transportation. The Fjord Link Frederikssund has a temporary, low user fee for a new connection, next to a public and free bridge. The opening of the Metro Cityringen has resulted in differentiated pricing, with a quality charge for the use of metros on top of the standard pricing system for public transportation.

Table 1 summarizes the analysis and clarifies how the gradual-change mechanisms interplay over time, highlighting the key outcomes of the corporatization process on the prevalent institutional repertoire.

5 | DISCUSSION

The analysis of the gradual institutionalization of the Danish SGM conceptualizes and demonstrates in detail the development of a model of corporatization that breaks with the traditional understanding of corporatization as a process of transforming public services that were previously organized and delivered directly by the state with an SOE (Christensen & Lægreid, 2003; Clifton & Díaz Fuentes, 2018). Obtaining finance via state-guaranteed loans and having the users pay for a part of the service is a common method of financing and organizing public services and infrastructure. The contribution to the public-administration literature is that this corporatization model is organized *alongside* and *outside* the existing agencies, in independent project companies. Consequently, the SGM as a corporatization model constitutes an alternative to both private-finance initiatives such as PPPs (G. Hodge et al., 2017; Roumboutsos, 2016) and as an alternative to corporatized agencies. This article argues that this corporatization can be understood as *layering* (Streeck & Thelen, 2005). The analysis illuminates how the project companies are *converted* over time into a contemporary form of SOE, distinct from the traditional SOE (Grossi et al., 2015; Thynne, 1994). They fulfill sectorial tasks parallel to the specific project execution and finance the agency-based transport network. A parallel *displacement* process, based on the layered SGM, leads to hybrid finance models and, over time, the SGM starts to replace the methods of organizing and financing *within* the agency-based model. As such, the SGM corporatization model assumes a hybrid governance form (Denis et al., 2015; Skelcher & Rathgeb Smith, 2015). This conceptualization contributes to an analytical understanding of the ways in which corporatization can move toward more public dependency and away from privatization (McDonald & Ruiters, 2012).

This analysis also holds further implications for the public-administration literature on corporatization. The article analyses, with a longitudinal perspective, the creation and evolution of a hybrid model of corporatization to provide infrastructures and public services with mixed public and private resources and under political influence (Bruton et al., 2015; Grossi et al., 2015; Thynne, 1994). Where the literature on corporatization anticipates a loss of control from political leadership to professional management and commercial orientation (Haque, 2001; Van Genugten et al., 2020), this analysis points to a more general loss of control over public-sector policies, such as transport-infrastructure governance. Politicians lose control over the pricing mechanisms because of the market mechanisms linked to the SGM (i.e., the loans that have to be paid back in order to keep them off the balance sheets). This highlights the importance to focus on a specific policy development to investigate the impact of state ownership over time (Bruton et al., 2015; Daiser et al., 2017).

On a more conceptual note, this case study of corporatization in the field of physical infrastructure contributes to the literature on gradual institutional change in public administration (Capano, 2019; Koreh et al., 2019; Lambert, 2016; Polzer et al., 2016) with a detailed analysis of how the mechanisms of *layering*, *conversion* and *displacement* coexist, are interrelated, and are coevolving over a long period (see Figure 4). Where Capano (2019) argued that layering is a mode of policy design at a given point in time (e.g., the invention of the SGM), our findings support the thesis proposed by Koreh et al. (2019) that *layering* is a gradual-change mode that can be enforced over

TABLE 1 The analysis summed up in relation to the framework of gradual change

	Layering	Conversion	Displacement
Time frame	1987 and onwards	2005 and onwards	2014 and onwards
Characteristics of targeted institution: Level of discretion	*Agency-based model*: Low, as the traditional agency model is dominant	*Layered SGM*: High, as the layered elements of the project company are converted into overarching SOEs with sector responsibilities	*Agency-based model*: Low, as the agency-based model is gradually replaced from within by SGM elements
Characteristics of the political context	Strong veto defenders, as a change in government approved the construction of the Great Belt Bridge, outside the public budget to safeguard the agency model	Weak veto defenders of the layered basic SGM, as the political and bureaucratic actors have a common interest in getting access to finance and expertise	Weak veto defenders of the agency model because new endogenous actors and existing actors find a way to expand the public budget by introducing the layered SGM elements within an agency-based model
Result of change process	Layering of a new financing and organizing project model for mega infrastructure outside the agency model	Conversion of layered SGM into: • SOE with general responsibilities beyond completion. of the infrastructure project • New financing source to use outside the projects in new SGM-based projects and in agency-based model	Displacement of layered SGM elements within the agency-based model: • New hybrid models combining SGM institutional features within agency-based model
Outcomes of the corporatization process	*Low*: No influence on the public budget New project SOEs under direct political control via ownership and steering committee Payment for ferries were substituted for a lower user charge for crossing the bridges Prices for metro same level as public transportation in the capital Building of new mega "standalone" infrastructure projects in the transport network	*Medium*: New actors in the institutional context in terms of the corporatized entities with expertise that is increasingly involved in the planning of the transport network A finance mechanism to take over tasks and finance upgrades of the existing transport network originally based on and financed by the agency-based model A new hybrid model for the Copenhagen Metro Ring, where the construction costs are paid by the state owners (and are within the public budget)	*High*: New models mixing agency and SGM developing Projects with hybrid finance and also subsidies Norms for user charges and harmonization of price changes in the agency model Politicians no longer control the prices over the Great Belt Bridge because of the infrastructure network effect of building more SGM-based mega bridges/ tunnels

Abbreviations: SGM, state guarantee model; SOEs, state-owned enterprises.

time but can also lead to conversion and displacement (Lambert, 2016). As Figure 4 shows, the novel contribution is that the mechanisms not only lead to one another in a sequence but are also interrelated and coevolving.

The contribution to the literature on gradual change is that the analysis findings break with the sequential thinking in several studies, where one mechanism is present and then followed by another mechanism (Graf, 2018; Koreh

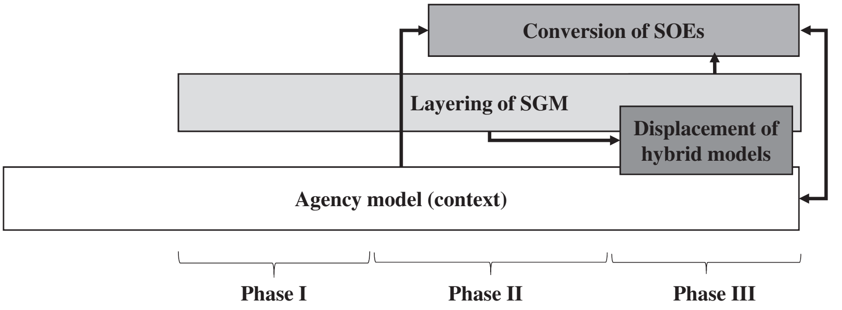

FIGURE 4 The interplay of the mechanisms of gradual institutional change

et al., 2019). This analysis finds that the three mechanisms coexist over time, thereby substantially altering the institutional context. The analysis alludes to a possible explanation stemming from the case study, which involves a limited tensions between few actors. In Danish infrastructure governance, there is a high level of consensus and state control, few actors, and little formalization. The gradual-change perspective is related to how actors strategize over time in light of new coalitions (Mahoney & Thelen, 2010). It seems that they do not pay attention to situations where more types of institutional change are at play simultaneously with the same agents involved, which might constrain their ability to change strategy. The interpretation of the institutions is as much about puzzling to solve policy issues, such as provision of infrastructure (Blyth, 2007; Christensen, 2017) than of powering and, optimization and strategizing (Streeck & Thelen, 2005).

Thus, the article shows the value of using cases on infrastructure networks within the perspective of gradual change, where most cases are on social policy (van der Heijden & Kuhlmann, 2017). At the same time, gradual change expands the explanations in the area of infrastructure governance on how institutions, in terms of governance models, are altered by the agency of politicians, which strives for more infrastructural development (Wegrich & Hammerschmid, 2017).

6 | CONCLUSION

This article introduces the perspective on gradual change in the area of corporatization and thereby derives analytical generalizations about corporatization as a gradual process and the outcome thereof, with an in-depth qualitative and longitudinal case study of the institutionalization of the SGM. This article builds on and contributes, on a conceptual level, to explaining the interplay of gradual-change mechanisms (Capano, 2019; Graf, 2018; Koreh et al., 2019; Lambert, 2016; Shpaizman, 2014). In particular, it does so by exploring how these three gradual-change mechanisms coexist, coevolve, and influence each other.

The practical implications of our study relate to demonstrating the value of carrying out case studies on transport-infrastructure networks from the perspective of gradual change, and how the perspective explains how governance mechanisms enable and constrain change, thereby influencing the political control and, consequently, the agency of both politicians and bureaucrats (Hacker et al., 2015). This is relevant in the field of corporatization in relation to large infrastructure investments (European Commission, 2018). We recommend that future research, in addition to including more cases, should include transport-infrastructures services in various institutional contexts. There is a need for comparative studies of different infrastructure-network governance structures across different countries. There is also currently a paucity of studies concerning the role of the individual actors in promoting or hindering institutional change in the case of SOEs. Finally, to the extent that corporatization leads to depoliticization, an examination of the implications of corporatization for democratic and public governance control with public-service-provision would be useful.

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CONFLICT OF INTEREST

There are no conflicts of interest.

DATA AVAILABILITY STATEMENT

Data that requires protection (e.g., data from interviews and observations) were stored by individual teams with procedures aligned with their internal security protocols for storing sensitive research. The data management practices were compliant with GDPR regulations.

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ENDNOTE

[1] This excludes China, where SOEs are estimated to have a value of US $29.2 trillion and employ around 20.2 million people.

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