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THE INFLUENCE OF THE REGULATORY ENVIRONMENT ON THE DEFINITION OF 0RGANISATIONAL PERFORMANCE - THE EXAMPLE OF THE SPORT BETTING AND LOTTERY SECTORS

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THE INFLUENCE OF THE REGULATORY ENVIRONMENT ON THE DEFINITION OF ORGANISATIONAL PERFORMANCE

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THE EXAMPLE OF THE SPORT BETTING AND LOTTERY SECTORS

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IMPRIMATUR

Le Directeur de l'Institut de hautes études en administration publique, sur proposition d'un jury formé des professeurs Jean-Patrick Villeneuve, Martial Pasquier, Guido Palazzo et Michèle Charbonneau, sans se prononcer sur les opinions de la candidate, autorise l'impression de la thèse de Madame Lea Rahel Meyer, intitulée :

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Working on this thesis has been very much like a marathon. When I decided to go back to study and engage in a thesis, the motivation was huge, but as was the race that I had taken on. Having developed the research question and discussed it with other scholars at international conferences, I perceived the weather conditions and temperature to be good and I felt very motivated: the research advanced well, as did the interesting and exciting research project about the gambling sector that I was involved in, in parallel. During the past year, the thesis took form and the finish line came in reach. The opportunity to be a visiting research scholar at the Earth Institute, affiliated to the School of International and Public Affairs at the Columbia University in New York, was fascinating, interesting and motivating, boosted my work and provided the ideal working environment for diving deeply into my thesis and concentrating fully on that one piece of work. The last ten kilometres were more complicated however, as obstacles materialised along the race: external conditions changed, and it was the moment to breathe deeply and concentrate on each individual step, all in view of that final goal.

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Abstract

This thesis examines the interplay between state regulation and the way organisations define performance. Performance is generally understood to be a multidimensional concept, but the extent to which its different facets are shaped by regulation remains an understudied question. This thesis aims to address this question and provide at least a partial answer to it. To do so, it examines whether the level of regulation amplifies or abates the multidimensionality of regulated entities' performance definition, i.e. the way they define the concept of performance. The leading question is whether an organisation's performance definition can be associated with the regulatory intensity its environment confronts it with. Moreover, the study explores whether the type of ownership—public or private—plays a role in regard to how a regulated entity defines performance. In order to undertake this investigation, the thesis focuses on the performance definitions of organisations in six different sport betting and lottery regulations. Qualitative data is gathered from primary and secondary documents as well as through semi-structured interviews with chief executive officers (CEO), members of executive management and gambling experts in each of these countries.

The thesis concludes that the performance definitions of the organisations under study are indeed multidimensional, as well as clearly influenced by their respective regulatory environments. However, not all performance dimensions identified in the literature are present, nor can they all be estimated to be part of the performance definition. In addition, the public-private difference in defining performance—as conceptualised in the literature—seems to be abated in a regulated environment. The central role played by regulation in regard to the multidimensionality of the performance definition partially outweighs the effect of the nature of ownership.

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3BL	Triple Bottom Line
AAI	Autorité Administrative Indépendante
BSC	Balanced Scorecard
CAF	Common Assessment Framework
CEO	Chief Executive Officer
CHF	Swiss francs
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
CoSP	Core Service Performance
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBP	Evidence Based Performance
EFQUM	European Foundation for Quality Management
EMAS	Eco Management & Audit Schemes
EMS	Ecological Management System
EU	European Union
FDJ	Française des Jeux
GA	Gambling Act
GBP	Pound Sterling
GC	Gambling Commission
GGR	Gross Gaming Revenue
GPRA	Government Performance and Results Act
GREG	Governance, Regulation and Economics of Gambling
GRI	Global Reporting Initiative
HRI	Middle-High Regulatory Intensity
KPIs	Key Performance Indicators
LRI	Low-Middle Regulatory Intensity
LRD	Legal Requirement Dimension
MAF	Management Accountability Framework
MBO	Management by Objectives
MBOR	Management by Objectives and Results
MDPMs	Multi Dimensional Performance Models
NASA	National Aeronautics and Space Administration
NL	Netherlands
NOK	Norwegian Krones
NPM	New Public Management
NPR	National Performance Review
NYBMR	New York Bureau of Municipal Research
OE	Organisational Effectiveness
OECD	Organisation for Economic Cooperation and Development
PART	Program Analysis & Reporting Tool
PB	Performance Budgeting
PIs	Performance Indicators
PPBS	Planning Programming Budgeting Systems
PSA	Public Service Agreements
PSEM	Public Sector Excellence Model
PSS	Public Sector Scorecard
SBSC I	Sustainability Balanced Scorecard
SBSC II	Sustainable Balanced Scorecard (model of Hubbard 2006)
TQM	Total Quality Management
UN	United Nations
UK	United Kingdom
US	United States
USD	United States Dollar
WWII	Second World War
RA	Regulatory Approach
RCB	Rationalisation des Choix Budgétaires
RI	Regulatory Intensity
RI I	Regulatory Intensity—regulator level
RI II	Regulatory Intensity—organisational level
ROA	Return on Assets
ROI	Return on Investments
RQ	Research Question
RSc	Regulatory Scope
SRG	Sustainable Reporting Guidelines
ZBB	Zero Based Budgeting

1 INTRODUCTION

The success of organisations has been assessed through performance measures throughout the history of organisational research (Kennerley & Neely 2003). Indeed, all organisations, be they public or private, exist for a purpose, and those who take interest in this purpose will always query the extent to which it is in fact attained (Fried 1976; Talbot 2010; Venkatraman & Ramanujam 1986). At the same time, the study of organisational performance is in constant transformation. As organisations and institutions continue to grow and diversify, the past decades have witnessed an increased search for clarifications in regard to organisational performance, and this both for public and private organisations.

The definition of public performance has been a central focus of studies for decades, but despite this long research-history, there is still no consensus on the definition and terminology used. Scholars agree that there is no 'one-size-fits-all' solution to the measurement of the performance of organisations, programmes or policies (Venkatraman 1986; De Bruijn 2007; Summermatter & Siegel 2009; Talbot 2010). Across the literature, the difference between the public and the private sector has however been highlighted as being a key influence in terms of the way performance is defined and measured (Boyne 2002a; Child 1972; De Bruijn 2007; Dess et al. 1997).

This work argues that in addition to the public/private dichotomy, there may be other contexts that are equally influential in defining performance, such as for example the regulatory environment. The link between regulation, an organisation and its performance is recognised in literature (Genoud 2001; OECD 2002; Reger et al. 1992; Smith & Mick 1985; Stigler 1971), but this body of research has so far not focused on the definition of organisational performance, but seen it mainly in financial terms. Such an angle of approach bypasses the possibility that organisations diversify their objectives as a result of the regulatory environment, by including non-financial aspects such as equity or social impacts. Not only would such a reality indicate a need to decipher the multidimensionality of organisational performance in a regulated environment, but it would also suggest that a decreased influence of the public/private dichotomy on the definition of performance in a regulated environment.

Organisations—both public and private—are open systems which interact with the external world (Pfeffer 1982; Thompson 1967) and which are occupied with their survival and success (Child 1997; Hatch 2006; Pfeffer 1982). The price of this survival is the adaptation to demands and constraints imposed by the surrounding environment (Donaldson 2001; Mahon & Murray Jr. 1981). Further, an organisation adapts its structures in accordance with the external context, and this also affects its performance (Hannan & Freeman 1977; Lawrence & Lorsch 1967; Winter 2003). In framing this argument, this study makes use of the so-called contingency theory[1], looking at the relationship between organisations and their environment (Jenner 1999) in order to conceptualise the influence of the regulatory environment on the definition of performance.

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[1] Following Raffée (1993: 37-40), the contingency theory can be used as a meta theory illustrating

Taking a public management approach, the primary objective of this thesis is thus to question the extent to which the regulatory environment influences the definition of performance and steers organisations, regardless of their type of ownership, towards a broader application of performance. Simply put, does regulation amplify or abate the multidimensional character of the concept of performance? Do organisations faced with a specific type of regulation diversify their objectives and balance different dimensions of organisational performance?

1.1 DEFINING THE RESEARCH PROJECT: OBJECTIVES, QUESTIONS AND METHODS

When looking at such multidimensional areas as the relationships between the regulatory intensity and the definition of performance, the ways of approaching the subject first have to be settled, and the subject for study clearly defined. Whether and how regulation affects the definition of organisational performance is, by and large, an undiscovered territory. This thesis presents and examines a model exploring the influence of different regulatory intensities on the composition of organisational performance from the perspective of the organisations. Before these elements are presented more in detail in the sections below, the following table presents the various elements that structure the research project:

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TABLE 1: THE STRUCTURE OF THE RESEARCH PROJECT

It is argued here that the dimensions of performance targeted by the organisations, i.e. the areas through which they will evaluate their performance, will vary depending on the regulatory intensity that an organisation faces. The focus of this study lies in the link between the 'regulatory intensity' and the 'definition of performance'. Does the regulatory environment lead an organisation to adopt a definition of organisational performance that balances different dimensions, or is the definition of organisational performance more business-oriented in the sense that a dominant position of the financial dimension is observed? It is important to question whether, due to a controlled regulated environment, the boundaries are pushed beyond the predominance of the financial and shareholder focus

how some phenomena should be conceptualised. For this thesis, the contingency theory is thus used to guide the formulation and structure of the research question.

towards a more heterogeneous, stakeholder and society-oriented picture. The study examines these questions using qualitative case studies conducted in the European context of sport betting and lottery organisations.

1.1.1 The objective of the study

The primary objective and purpose of this thesis is to conceptualise the performance definition from the perspective of the organisation and assess to what extent the selection of performance dimensions is influenced by the regulatory intensity. Three distinct issues are looked at: performance dimensions, the regulatory intensity and the existence of a relationship between the two elements.

The dimensions of performance describe the areas or domains in which an organisation's activities are evaluated. An essential topic is to consider whether the performance focus is purely financial—i.e. looking to the economic value of the organisation—or whether other, more social or public, dimensions are taken into account. As these dimensions are therefore at the heart of this thesis, they will be extracted from previous research and practice, and then redefined as the study progresses. This will allow for the construction of a tool of different performance dimensions, based on which it will then be possible to identify how performance is defined.

A regulatory environment can be more or less restrictive. Different elements are evaluated in order to decide on the regulatory intensity, and they include, but are not limited to, the numbers of competitors in the market, the barriers to enter the market, the competences of the oversight body (i.e. the regulator) or the obligations imposed on the organisations facing regulation.

In order to examine the influence of state regulation on the performance orientation of public and private organisations, this thesis focuses on one specific sector, namely that of gambling, and more particularly the example of the sport betting and lottery sectors. Not only will this study thus contribute to the performance and regulation debates in literature, but it will also provide useful information for the field of gambling, which—though it has gained in attention over the recent years—can still benefit from further public management research.

1.1.2 A two step approach

This thesis is divided into two consecutive and cumulative methodological steps. The first step consists in developing a causal model representing the different organisational performance dimensions and the construction of the regulatory intensity. In this step the possible performance dimensions and the criteria for the construction of the regulatory intensity are identified and explained. The second step is to examine if organisations' selection of performance dimensions differs in relation to the regulatory intensity. This step consists in an exploration of the developed model through the use of a qualitative method evaluating the link between the regulatory intensity and the selected performance dimensions.

1.1.3 The research question

The research question (RQ) of this study queries:

- *RQ: Whether and how does the regulatory environment influence the selection of organisational performance dimensions by the organisation?*

This question focuses on the influence of regulation on the performance concept used by organisations. It directly queries how organisations manage the performance concept under the influence of a regulatory environment.

In order to explore this research question two sub-questions (Q1a and Q1b) can be formulated. Together, these questions guide the construction of a tool for analysing the main research question:

- *Q1a: What are the possible performance dimensions for organisations?*
- *Q1b: How to construct the index of regulatory intensity?*

These sub-questions call for an in-depth literature review in order to screen for findings with regard to performance dimensions and approaches towards the regulatory intensity. The literature review pertaining to these two questions will address the challenges of properly defining and differentiating the various elements of organisational performance and of regulatory intensity.

First, Q1a leads to the construction of an analytical tool for examining the multidimensionality of performance. Based on an international literature review, this tool, which consists of six performance dimensions, allows for a holistic identification of the performance concept used in organisations. The examination of the multidimensionality of performance is not limited to public organisations but is intentionally formulated to include all organisations, disregarding their type of ownership. In a regulatory environment the ownership of the organisation could be less decisive than the regulatory environment in defining organisational performance.

Second, Q1b leads to the construction of an analytical tool for evaluating the regulatory intensity of a specific regulatory environment. This allows for a comparison of different regulatory environments based on their estimated regulatory intensity.

By means of a qualitative analysis, the research question is then explored in light of six different sport betting and lottery regulatory environments in Europe. Sport betting and lottery activities are subject to state regulation in close to all countries around the world due to their socially sensitive and economically important nature. The levels of regulation vary from country to country, as do the types of ownership of the operators, but the games offered are more or less the same across jurisdictions. Hence, it provides for the ideal setting: not only does it contribute to the theory on performance and regulation by way of a sector-specific research, but it also provides new insights for the field of gambling.

1.2 THE MAIN FINDINGS AND CONTRIBUTIONS

As will be seen in the sections below, it can be said that in the European context of sport betting and lottery organisations, and as reflected in the cases studied, the regulatory environments do indeed have an influence on the definition of performance. In a highly regulated environment, public and private organisations adopt a multidimensional performance definition, treating several dimensions as being of equal importance. In low regulated environments, organisations also adopt a multidimensional performance definition, but in doing so they attribute a differentiated importance to the performance dimensions, evaluating the financial dimension as the most important aspect. Put succinctly, regulation abates the influence of the type of ownership on the definition of performance. Previous research has analysed the influence of regulation mainly on the level of performance *per se*, but this study adds that not only the level but also the definition of performance is affected by regulation. As will be seen, the study further contributes to theory by proposing a move away from the public/private dichotomy in defining performance, towards a broader view of performance, which includes a consideration of the environment, and more specifically of the regulated environment.

1.3 THE STRUCTURE OF THE THESIS

In order to facilitate the read, this section lays out the structure of what is to come in the rest of the document. The study has been divided into four sections.

The first section (chapter 2 and chapter 3) is dedicated to the literature review and the construction of the analytical tools. Chapter two focuses on the concept of performance, and in the first section the performance literature is outlined in order to present the origins of the concept. This consideration helps clarifying why the performance concept comes in such different shapes. In a second section the different definitions of performance are then presented, and the challenges linked to defining performance are highlighted. After this detailed discussion on the concept of performance, the study turns to the question of particular interest, namely the nature of performance and the possible dimensions of the performance definition that can be identified in theory and practice. Based on the previous sections, the different dimensions of performance are integrated into a purpose built tool for this analysis. In chapter three, the concept of regulation is discussed. In a first part, its changing nature over the last 70 years is thus identified. In a second part, the different definitions of regulation are then presented, and it is explained how the regulatory intensity is constructed. The reasons, motivations and potential deviances of regulation are presented, as these are all factors that are likely to influence the regulatory intensity.

The second section (chapter 4) introduces the conceptual model of the research. The different components of the model are presented, before turning to the research methodology and the different data collection and analysis stages.

The third section (chapter 5 and 6) presents the empirical aspects of the study. Chapter five outlines the regulatory regimes and intensities in which organisations operate and gives the results of the in-case analysis of the performance definition for the six cases under study. Chapter six presents the findings of the comparative analysis across the different cases. In doing so, this chapter constructs the in-group performance definitions and gives the results of the comparative analysis, based on the interviews and the content analysis. It further examines the main research question by first comparing the definitions of performance between the groups; second, by examining the interview and survey responses in regard to the influence of regulation on performance in general and third, by examining these responses for each dimension individually. It further analyses the role of the type of ownership in defining performance and examines whether it affects the relationship between the regulatory intensity and the definition of performance.

In a last section (chapter 7 and 8) the research is discussed and put in a wider context. Chapter seven discusses the results and links them back to the conceptual model. This chapter also contextualises the results in regard to theory and practice and in doing so highlights the theoretical and practical contribution made by this thesis. Chapter eight discusses the challenges faced in carrying out the research, as well as the limitations of the study and with a few recommendations for theory and regulated and regulating entities. The thesis closes some directions for future research and some final thoughts.

2 THE DIMENSIONS OF ORGANISATIONAL PERFORMANCE

The scholarly research on performance has changed focus over time, continuously emphasising different facets of the concept. This theoretical chapter first situates this strand of research (section 2.1), and provides an overview of the different performance movements that illustrate this ever-changing research-orientation (section 2.2). It then endeavours to provide a more general definition of performance, and explains the different reasons behind the variation in the understanding of the concept (section 2.3). The chapter then goes on to highlight the different performance dimensions identified in academic research and in practice (section 2.4). All of this paves the way for the construction of six performance dimensions that can together be used as a tool to define performance (section 2.5). Following this line of argument, the case is made for a holistic definition of performance, valid for private as well as public sector organisations. Such a holistic definition focuses on whether it is in fact the external context of organisations, and specifically their regulatory environment, that influences their definition of performance (section 2.6).

Performance is both a buzzword in popular culture and a subject of intense interest, and this for both the private and the public sector, where it has evolved as a key concept of public management (Amirkhanyan et al. 2008; Andrews et al. 2005b; Boyne 2003; Boyne & Law 2005; Boyne et al. 2005; Brewer & Selden 2000; Hvidman & Andersen 2013; Meier & O'Toole Jr. 2002; Meier et al. 2007; Moynihan & Pandey 2005; Richard et al. 2009; Schönbucher 2010; Van Dooren et al. 2010). An abundant literature on public performance has emerged, both from academics and from practitioners. It examines the concept as such from a number of angles, such as performance management (Bouckaert & Peters 2002; De Bruijn 2007; Heinrich 2003; Ritz 2013), performance reporting (Schatteman 2008; Yang 2009) or performance use (Kaplan & Norton 2008; Radnor 2008). Other studies have focused on the importance of performance more generally (Andrews et al. 2009; Behn 2003; Cohen 1993), while others still have concentrated on how performance is to be measured and monitored (Bouckaert & Peters 2002; De Bruijn 2002; Hatry 2006).

While the origins of the notion of performance reach back centuries (Fried 1976; Venkatraman & Ramanujam 1986), it was essentially introduced in public sector debates some thirty years ago. From the 1980s onwards, performance surfaced as an important topic in public sector theory and practice (Talbot 1999: 15), and it has even been claimed that *"if there is a single theme that characterises the public sector in the 1990s, it is the demand for performance"* (Radin 2000: 168). Indeed, Radin found that the 1990s witnessed the birth of a mantra, "*heard at all levels of government, that calls for documentation of performance and explicit outcomes of government action"* (2000: 168). The performance debate will remain important: the recent economic and financial crisis has emphasised the call for governments to spend less and better manage the scarce resources at their disposal, something which in turn explains a prevailing interest in performance management (Van Dooren et al. 2010). In the literature, authors agree that it is *a*—if not *the*—central concern of managers, both public and private. Those who are interested in how well organisations reach their goals do need performance information (Talbot 2010; Van Dooren et al. 2010).

2.1 SITUATING THE PERFORMANCE RESEARCH

The success of organisations, especially the factors that bring about organisational success, is subject to abundant research, mainly from a business management perspective. It is generally argued that several cause-effect relationships may contribute to organisational success (Jenner 1999). Research contributions have integrated different factors in their analysis. *Profit Impact of Market Strategy (PIMS)* projects have, for example, looked at the competitive position, the market environment, the lifecycle-stage, and the aim, capital and operating structure of a firm to identify how these various factors influence the performance of organisations defined along the lines of their profitability (Buzzell & Gale 1989).

Other studies have considered the question of organisational success in looking at variables such as the structure of the environment and organisational variables (Hansen & Wernerfelt 1989), industry effects (Rumelt 1991), or the combination of the environment, the organisational structure, strategies and funding of the organisation (Cameron 1986). Similarly, Jenner (1999) has examined the effect of the environment, resources, strategy, process of strategy formulation and organisational structure on the success of the organisation.

A number of other studies adopt a resource-based view in exploring the resources and capacities of an organisation and their effect on the profitability of organisations (Barney 2001; Wernerfelt 1984). The resources and capacities of an organisations in turn encompass several factors, such as market cultivation, customer proximity, flexibility, learning capacity, innovation capacity, cost efficiency, production capacity, quality, capacity to pursuit long term goals and capacity of continuing process improvements (Jenner 1999).[2]

Next to the effects of resources on organisational success, an abundant amount of literature concentrates on the effect of strategy on a firm's success. The work of Porter (1986, 1990), Mintzberg (2003) or Chandler (1962) with his famous thesis of 'structure follows strategy' are noteworthy in this regard as they have all concentrated on strategy content and its effect on organisational effectiveness.[3]

Another stream of literature has focused not on the strategy content but on the process of strategy formulation (Mintzberg 2003). In this perspective, the formulation of strategies and decision processes that lead to a successful strategy has been analysed. Studies have also argued that an organisation's success depends on its structure (Jenner 1999), or—the independent variable in this contribution—its environment.

The academic literature has long recognised the importance of the environment to organisations, resulting in a series of theories, such as resource dependence (Pfeffer & Salancik 1978), institutionalism (Powell & DiMaggio 1991), population-ecology (Hannan & Freeman 1989), and agency theories (Jensen & Meckling 1976), which in various ways analyse the link between the environment and the organisation. During the late 1950s, 'modernists' used systems theory to establish the idea that organisations are open to their

[2] For a discussion of each of these factors see Jenner (1999: 102-126).
[3] For a discussion see Jenner (1999: 137-161).

environments, and then went on to conceptualise and demonstrate the importance of this new concept (Hatch 2006). It was in this context that the contingency theory emerged.[4]

The contingency theory has become the prominent theory supporting the environment-organisation link (Cook et al. 1983; Reger et al. 1992), and Trkman (2010). Over the last 40 years, it has, for example, addressed the issue of fit between *"an organization and its strategy, structure, processes, technology and environment"* (Trkman 2010: 125). The central tenet of the theory is that there is no single organisational design that is universally valid for all organisations. What managers do is dependent upon the circumstances and the situations they are confronted with. It is argued that organisational effectiveness results from aligning characteristics of the organisation, such as its structure or strategy, to contingencies that represent the situation of the organisation (Burns & Stalker 1961; Lawrence & Lorsch 1967; Pennings 1975; Woodward 1965). The environment of an organisation affects the organisational structure and design and leads to adaptation of the organisational characteristics to the environment (Burns & Stalker 1961; Galbraith 1973; Lawrence & Lorsch 1967; Rouse & Putterill 2003; Thompson 1967). Several studies have argued that the external environment limits the range of viable strategic options (Hambrick & Lei 1985; Miller 1987; Venkatraman & Prescott 1990). Other authors (Mahon & Murray Jr. 1981; Reger et al. 1992; Thompson 1967) have stipulated more generally that managers have to match their firm's strategy to the environment.

Further, specific in regard to performance, management theorists tend to agree that the ways in which organisations are designed and the environments in which they operate make a difference in affecting organisational performance (Winter 2003; Yuchtman & Seashore 1967). In their study on organisational effectiveness, Yuchtman and Seashore identified the *"relations between the organisation and its environment as a central ingredient in the definition of effectiveness"* (1967: 897).

The context dependency of organisational performance has been the subject of various studies (Andrews et al. 2005a; Andrews et al. 2005b; Bozeman & Loveless 1987; Hamilton & Shergill 1992; Ritz 2013; Williams 2003), but this study focuses on the yet understudied area of the definition of performance in relation to the regulatory environment, which might lead away from the public-private dichotomy to a more general view of performance combining elements of both the private and the public world (Amirkhanyan et al. 2013; Boyne et al. 2005). Further information on this relationship will be useful for the political process when establishing a regulatory system, but also for managers and organisations operating in this sector. They are the ones facing the difficulties linked to develop an adequate performance strategy. Regulation is an important mode of governing economic activities. From a public management perspective, and public regulation point of view it is interesting to analyse its influence on the definition of organisational performance, it being a central concern for

[4] Researchers have focused on different contingent factors and contributed to the development of the theory. The environment is thus not the only contingent factor; mention can also be made for example of strategy (Chandler 1962) or organisational size (Child 1972). The environmental contingency theory is however of particular interest to this study, which is why it has been put in focus here.

organisations, both public and private ones. To sum up these studies, performance has certainly appeared as an important dependent variable in research. It is however no simple concept and definitions abound, reaching further than business performance defined in terms of 'simple' profitability.

The definition of performance: a variable concept

While the importance of performance is clearly recognised in theory and practice, its definition is not. Generally speaking, organisational performance can be seen to report an organisation's achievement of outputs with regard to set targets (Bouckaert & Peters 2002; De Bruijn 2007; Schick 2003). One difficulty in defining performance can be linked to the changing shape of the concept as such, especially in the public sector (Hubbard 2006). Indeed, the meaning, study and analysis of performance have been described as highly context and time dependent (Bouckaert & Halligan 2008; Summermatter & Siegel 2008a, 2009; Talbot 2010).

After a long one-dimensional focus on economic profit (Baetge et al. 2007), the concept of performance in the private sector developed towards more qualitative approaches in the 1980s. Attention shifted to culture and quality instead of structures, plans, and numbers. Traditional financial performance measures provide little indication of how that performance is achieved or how it can be improved (Kennerley & Neely, 2003; Talbot, 2010). The ultimate focus on financial performance was increasingly criticised and stakeholder value or value-driven management emerged in some sort of countermovement. The focus on shareholder value seemed to be a far too limited conceptualisation of performance and it was argued that the total values of the organisation includes more aspects than the financial one such as human assets, intellectual capital, sustainability and the generation of societal wealth (Pohlman & Gardiner 2000: 65).

In the public sector, after a focus on outputs and results, performance was conceptualised based on outcome and multiple objectives, acknowledging that an exclusive focus on financial performance does not correspond to public sector realities. Generally speaking, the definition of performance includes—besides financial/economic dimensions—operational and social dimensions reflecting the stakeholder and context dependency of the performance concept (Richard et al. 2009).

The following sections seek to contextualise the study of performance, and discuss the link between this definition and the environment surrounding an organisation. This is all in view of building an analytical tool, which will allow for the identification of different performance dimensions making up the performance definition. The following section outlines how the interest in performance has developed over time, and the different perspectives studies on organisational success took before adopting the current performance focus.

2.2 A CHANGING PERFORMANCE FOCUS OVER TIME

The significance of performance and how performance is currently conceptualised is the result of the ongoing interest in how governments and organisations achieve their goals. Governments and public organisations have undergone important changes in their governance structure, from unorganised systems where nepotism and amateurism were the norm, through a bureaucratic model based on the Weberian principles of rules and hierarchy, and towards a management based system (Hood 1995; Hughes 2003; Schedler & Proeller 2003; Weber 1922). These changes have affected different aspects of public services and public organisations, one of them being the definition of performance. The current understanding of performance is the result of a continuous emergence of performance theories, in both the public and the private sector. The following section will present the management reforms and related performance movements that have developed on the governmental level, with the aim of clarifying the origins of the current performance conceptualisation and of identifying the changing attributes linked to performance over time. The sections are in no means intended as an exhaustive discussion of the different movements, but rather as an overview of the different facets of performance, as it has been conceptualised from the end of the 19th century until today.

2.2.1 The public sector performance movements: since the end of the 19th century

It would be incorrect to claim that performance management emerged only in the second half of the last century. Performance ideas have been around far longer. Williams (2003) has, for example, studied management practices in early 20th century New York and could identify many elements of contemporary performance measurement. Different terms like accountability, control, savings, internal management or objective improvement have been used to refer to the performance of public administrations since the end of the 19th century (Talbot 1999). Generally speaking, it is true that performance management arrived quite late in the public administration debate. This despite the development of statistical systems and administrative procedures that have been essential to the development of the modern state. These developments were driven by a need to *administer* the state and were not yet linked to the measurement of the quality of actions and that of achievements (Desrosières 1998). It was only in the last half of the 20th century, and with the emergence of New Public Management (NPM) in the 1980s, that performance strategies were really introduced to public management. The following table presents four waves of performance movements that have been identified since the end of the 19th century. A certain continuity in performance movements can be observed, as previous movements have frequently heavily influenced subsequent ones.

	Performance Movement	Characterisation
1st wave: End of 19th–1940s	Social survey movement	Focus on social problems and targets social inequalities
	Scientific management & science of administration movement	Focus on the need for infrastructure and resource mobilisation that arose from industrialisation
	Cost accounting movement	Focus on the process of tracking, recording and analysing costs associated with the activity of an organisation
2nd wave: 1950s–1970s	Performance budgeting movement	Focus on outputs and objectives in the budgetary process instead of inputs
	Social indicators movement	Focus on the construction of standard measures of social issues
3rd wave: 1980s–2000	New Public Management (2nd generation performance budgeting)	Focus on private sector techniques in the public sector, on results rather than inputs and on performance strategies as part of management
	Evidence Based Performance	Focus on research and indicators rather than ideology and opinion have to accompany policy decisions
4th wave: since 2000	Democratic Governance	Focus on multidimensional performance as a result of the inclusion of different actors

TABLE 2: PUBLIC SECTOR MANAGEMENT REFORM & PERFORMANCE MOVEMENTS

I. The first wave of performance movements

The first wave of management reform and performance movements reached from the end of the 19th century until the 1940s and, as illustrated in the table, includes three different movements. These movements were responses to the social context of industrialisation, poverty and social unrest, and corruption in governments (Van Dooren et al. 2010). The aim was to rationalise policies and administration in order to respond to these societal issues. The first movement was the *social survey movement,* which emerged from social reformers who aimed to gather facts about social problems and inequalities (Bulmer 2001; Van Dooren et al. 2010). It was believed that the poverty debate was poor and the topic understudied. The social survey movement targeted three main questions: the magnitude of poverty, the reasons for poverty and solutions to poverty.

The second movement was the *scientific management* and *science of administration* movement, which aimed to satisfy the need for better infrastructure and resource mobilisation as a result of industrialisation (Heinrich 2003; Rose 1976; Van Dooren et al. 2010). Corrupt and biased governments were seen to hinder the development of infrastructures. Supporters of the scientific management and science of administration movement believed that government and its institutions required a professional, rational and efficient workforce. The bureaucratic model of Weber (1922) was seen as the solution, formalising the science of administration as a discipline, and public employment as a profession. Bureaucratic management was about rule based management and the respect of the law in order to achieve a political end (Van Dooren et al. 2010). In Weber's bureaucratic model of government, performance was important, even though it was differently defined, and the term performance was not used specifically at that time. For Weber (1922), who promoted the rule of law, clear hierarchies and processes, performance referred to the respect of rules and the correct accomplishment of tasks. In this conceptualisation, the financial perspective was not included in the performance definition. Performance focused on the processes of task accomplishment. This consequently allows the identification of a legal dimension of performance, i.e. that for bureaucracies' performance is measured based on the strict following of guidelines and hierarchies in accomplishing their tasks; and not in terms of financial returns or efficiency. The effectiveness of bureaucracy was not only emphasised by Weber (1922), but also Taylor (1911) and Fayol (1917).

The third movement of the first wave of management reform, *cost accounting*, emerged in the public and private sectors alike. As society requested more control and openness in both public and private organisations, stronger information systems were needed in order to manage these increasingly large and complex organisations. Cost accounting targeted the process of tracking, recording and analysing costs associated with the activity of an organisation (Pollit & Bouckaert 2004). The first output indicators were incorporated into the accounting systems of organisations. Pollit and Bouckaert (2004) have argued that whereas cost accounting has been completely institutionalised in the private sector, it is still in its infancy in the public sectors of OECD countries. These three movements were somehow coexisting and initiatives emerged to integrate all three movements (Williams 2003).

II. The second wave of performance movements

The second wave of performance movements spans from the 1950s to the 1970s, and includes two different movements (Van Dooren et al. 2010). The *performance budgeting movement* was a very important movement contributing to the establishment of performance strategies in the public sector. Its objective was established in the sixth finding of the first Hoover Commission (1947-1949).[5] The Commission highlighted the fact that budgetary processes of governments required improvement, and that instead of simply listing expenditures, it would be necessary to define the work to be done to reach organisational objectives (United States 1949: 6). Outputs and their associated costs were the primary focus of performance budgeting (OECD 1996: 158). Performance budgeting became well established and was adopted in several governmental departments of the United States (US). Based on performance budgeting different initiatives were implemented, one example of which being the US *Planning Programming Budgeting Systems (PPBS)*. Through this programme new expenditures had to be systematically weighted against the marginal benefits of each programme. Other performance budgeting programmes, inspired by PPBS, were the *Management by Objectives (MBO)* or the *Zero Based Budgeting (ZBB)*. MBO, still in use in public and private organisations, links organisational planning for performance goals with rewards for employees based on measurable organisational success (Heinrich 2003: 27). ZBB aimed to review total expenditures and not only the changes made year to year as in traditional budgeting. ZBB required budgets to be examined starting from scratch and not from the previous budget levels (Wetherbe & Montanari 1981). Performance budgeting movements spread around the world: Great Britain introduced performance budgeting from the late 1960s onward, notably in the Ministry of Defence. They soon extended performance budgeting to other departments such

[5] Officially named the 'Commission on Organisation of the Executive Branch of the Government'.

as education. In France, the *Rationalisation des choix budgétaires (RCB)* was implemented in 1968 in the Ministry of Defence and was later extended to other sectors such as energy and the postal service. Australia, Austria, Belgium, Canada, Ireland and Japan followed in implementing PPBS (Novick 1973). Despite the wide proliferation of performance budgeting practices it is difficult to judge the success of these initiatives. PPBS type systems were seemingly limited by their closed structure. This would arguably have been more appropriate in situations where clear goals can be formulated, something the public sector is not known for (Van Dooren et al. 2010). The limited number of variables in these frameworks did not necessarily correspond to the reality prevailing in government and public organisations. Hence, a move towards more open, adaptive and flexible models emerged, such as *Total Quality Management (TQM)* (Heinrich 2003).

Another performance measurement movement of the second wave is the *social indicators movement*. The movement was initiated in part through the publication of a book 'Social Indicators' that looked into the social side-effects of the *National Aeronautics and Space Administration (NASA)* space investment programmes (Bauer 1966). The social indicators movement aimed to construct standard measures on social issues like health, crime, or education. Even though the movement did not endure, mainly due to the economic crisis in the second part of the 1970s, and the restrictive budget management in the 1980s, it had an impact on governments as they started to take into account the social outcomes of governmental action (Van Dooren et al. 2010).

III. The third wave of performance movements

The third wave of performance movements includes two movements and started in the 1980s and was undoubtedly marked by the *New Public Management (NPM)* reforms. NPM spread globally and changed management techniques in governments fundamentally. It has to be noted that this new management reform was not exclusively a performance movement but a management reform with performance as one of its main constituents.

A central element of the NPM movement was the borrowing of private sector techniques for use in the public sector. This was believed to lead to increases in efficiency (Hvidman & Andersen 2013). Osborne and Gaebler (1993), for example, formalised ten principles characterising the NPM movement underlining the importance of clearly defining and separating political and the administrative tasks, adopting a market-based logic in delivering services and clearly defining organisations' mission and objectives (Osborne & Gaebler 1993). The emergence of NPM was a direct consequence of states' macro-economic difficulties. As well, a number of theories underlined the bloated nature of the public sector's share of the gross domestic product (Friedman 2009). From the perspective of NPM, the state involvement in the economy should be cut down and a focus on economy, efficiency, effectiveness, quality, customers, satisfaction and trust should solely frame public institutions' actions (Bouckaert 2001; Bouckaert & Peters 2002; Cole & Parston 2006; De Bruijn 2007; Heinrich 2003; Moore 1995; Pollitt & Bouckaert 2000; Radnor 2008; Summermatter & Siegel 2009; Talbot 2010). To counter the increasing debts of states, downsizing was seen as a solution (Bouckaert 2001). This led to a change in managerial approaches, shifting governmental focus away from the social indicators towards issues of savings, budget cuts and cost-control. Different initiatives were adopted, such the *United States President Private Sector Survey on Cost Control (Grace Commission)*. It resulted in a proposal for some 2'478 cost-cutting, revenue-enhancing recommendations which would cut 424 billion United States Dollar (USD) from the Federal deficits over a period of three years (United States 1984: 4). The United Kingdom (UK) launched a similar procedure, the *Financial Management Initiative* of 1982. It was designed to focus on objectives and to measure outputs and performance. An important innovation of this initiative was the introduction of performance indicators (PIs). The NPM movement underlined the governmental duty to account for their performance to both politicians and citizens (Bouckaert 2001; De Bruijn 2007).

Never before had performance been the main focus of a public management reform, but thanks to the NPM movement, it became of central concern to governments (Aucoin 1995; Behn 1998; Boyne 2001; Budäus et al. 1998; Christensen & Laegreid 2003; Hood 1995; Lane 2000; Maesschalck 2004; Osborn & Baughn 1990). For Van Dooren et al (2010) performance is a buzzword implying change and improvement in governments under NPM. Performance is the solution to inefficient and slow bureaucracies. Managers of public entities should adopt techniques of the private sector such as TQM, devolved management or tools such as performance-related pay (Boyne 2002a). Politicians, managers and citizens started to pay increased attention to the performance of organisations to evaluate their activities and their level of success. The effects of NPM reforms in public sectors in regard to performance were consequently far more comprehensive than in previous performance movements. In this view, performance information should be used in all management functions and not be limited to advice for future policies or to budget and planning goals as had been the case in earlier performance movements. The focus on results and objectives induced by NPM led to the development of different performance models in the public sector. The US *Government Performance and Results Act (GPRA)* of 1993, which required that federal agencies set targets for the outcomes of their activities (Boyne & Law 2005) is an example which still influences performance budgeting today (Moynihan 2008). Similar programmes are the *Output-Purchase Budgeting Systems* in New Zealand and Australia, and the British *Financial Management Initiative Public Service Agreements (PSA)*. The UK has seen performance measurement introduced across all public services. Other countries followed a more moderated path in their adoption of performance indicator systems. In general continental Europe had a much less far-reaching approach to the implementation of performance indicators. Nevertheless, reform models stressing the importance of performance indicators emerged for example in Germany (*Neues Steuerungsmodell*) and in Norway (*mål- og resultatstyringen*).

The downside associated with the performance measurement effort under NPM has been found to focus too much on measurable outputs, rather than on the performance measurement of social outcomes (Bouckaert & Peters 2002). The challenges in performance management are in this view to develop indicators that are not only more clearly related to the policy objectives, but also better linked to rewards and sanctions (Laegreid et al. 2008). Other critics of NPM have argued that business practices should not be transferred from the private to the public sphere because of the fundamental differences between private and public organisations (Boyne 2002a). The problem in exporting private sector performance techniques to the public sector is that the bottom-line criteria are often missing or insufficient in order to manage performance in public organisations; profitability is not the ultimate goal of public organisations (De Bruijn 2007). Despite these criticisms, NPM has had and still has an enormous impact on the public sectors and on performance management.

The second movement of the third wave of the performance movements is called *Evidenced-Based-Policy (EBP)*. EBP prescribes that facts and figures on outcomes should inform policy decisions and not ideologies or opinions. Through this movement the public sector shifted attention from inputs and processes towards results and outcomes (Boyne and Law 2005).

<u>IV. The fourth wave of performance movements</u>

In the view of this author, and as illustrated in the table on page twelve, it is already possible to define a fourth wave of management movements that will certainly have its effect: a movement which conceptualises performance in the framework of *democratic governance*. Indeed, democratic governance, referring to the processes of interaction between government and society at large in implementing public policies, has recently emerged as a new mode of management in the public sector (Talbot 2010; Walker et al. 2010). The implementation of public policies under democratic governance implies the need for a network of public and private sector organisations working together for the delivery of public services (United Nations Development Programme 2007). The governance mode of government does raise several issues in regard to the measurement of performance. Power in such a mode of government is decentralised, and distributed away from core executives branches towards a network of various actors (Frederickson & Frederickson 2006). Such actors refer not only to regional and international organisations, like the European Union (EU) or the United Nations (UN), but also sideways and downwards, through delegation and agencification. The result is a weakened core executive, or what has been referred to as 'the hollow state' (Frederickson & Frederickson 2006). This new configuration renders performance measurement and management even more complex as services and goods are now provided through the involvement of different actors at different levels of government and civil society (Frederickson & Frederickson 2006; Talbot 2010; Walker et al. 2010). This mode of management is likely to increase the number of dimensions of performance, and the relationships and variables used to evaluate performance. It is also likely to make the aggregation of performance data a complicated undertaking. While it is clearly not yet an attested performance movement as such, it undoubtedly already influences the conceptualisation of performance.

2.2.2 Concluding remarks

Performance measurement has become a fully embedded part of organisational management. The continuity in management and performance movements illustrates a move towards an increasingly outcome-focused performance management in the public sector. Nonetheless, the dimensions attributed to performance differ in their nature, depending on the context and perspective taken—as will be illustrated throughout the following sections—this will, in turn, influence the definition of performance.

2.3 THE DIFFERENT FACETS OF PERFORMANCE

Performance can refer to a number of meanings and situations, something which complicates the task of defining this core concept of management (Lebas 1995; Van Dooren et al. 2010). In the next section, different approaches to define performance of organisations are highlighted, and the sub-concepts involved are explained (section 2.3.1). In a second section (2.3.2), different explanations behind the existence of various understandings of the concept are discussed, emphasising further its complexity and multidimensionality.

2.3.1 The different definitions of performance

In its broadest meaning, performance can refer to any kind of actions. In this sense, Dubnick (2005) outlines that: "*(…) performance can be associated with a range of actions from the simple and mundane act of opening a car door, to the staging of an elaborate reenactment of the Broadway musical 'Chicago'. In all these forms, performance stands in distinction from mere 'behavior' in implying some degree of intent*" (Dubnick 2005: 391). In this definition, it is the simply undertaking an action that refers to performance.

Performance can also be defined based on the appraisal of the act that has been undertaken. Hence, it is not only the act that is important, but also the question of how well it was carried out. The basic idea behind performance is the evaluation of an action, task or undertaking, against a previously determined objective (Lorino 2001). One ingredient of performance is that it is about intentional behaviour.

Moreover, not only the quality of the acts but also the quality of the achievements resulting from them can be included in the definition of performance. Van Dooren et al. (2010) have classified performance into four perspectives (see table 3) based on two dimensions: first the quality of actions and second the quality of the achievements. A few years earlier Dubnick (2005) presented a similar conceptualisation of performance, but in his case using a benchmarking approach.

		Does the perspective imply quality of achievements?	
		No	Yes
Does the perspective imply quality of actions?	No	Performance as production (P1)	Performance as good results (P3)
	Yes	Performance as competence/capacity (P2)	Performance as sustainable results (P4)

TABLE 3: FOUR PERSPECTIVES OF PERFORMANCE (BASED ON VAN DOOREN ET AL. (2010))

The first perspective of performance (P1) refers to the tasks carried out by the performing person or organisation. It therefore includes all actions that are carried out: answering phone-calls, medical treatments, police control, teaching students, etc. Neither the success of the action nor the quality of the action itself is important. It is the simple execution of the action that is seen as performing. This is a very broad notion of performance and it is very neutral as it does not state any level of achievement or give any judgment on the level of success. The second understanding of performance (P2) takes the quality of actions into account but not that of the achievements. It is therefore about the capacity or competence of the performing agent or organisation. The underlying assumption is that the better the agent or the organisation in question is at undertaking the action, the higher the performance to be achieved. In this sense the second understanding of performance is process-orientated. The third approach towards performance focuses on the quality of the achievements (P3). In this perspective, performance equals the results or the achievements, notwithstanding the actions carried out to achieve these results. This result-focus coincides with the statement: ‘only results matter’ (Van Dooren et al. 2010). The fourth understanding of performance takes both dimensions into account: the quality of the actions and the quality of the achievements. Van Dooren et al. (2010: 3) call this perspective *“performance as sustainable results* (P4)*”*. Consequently, this last perspective implies a more holistic view of performance considering both capacity and results and merges the input and process-orientation with the result-focus. The four perspectives of performance illustrate that the focus of performance can be broadened depending on the measurement effort undertaken, but leaves two questions open in regard to the definition of performance: First, what constitutes an achievement? Are the achievements limited to direct outputs or are outcomes to be equally considered? Second, if performance is defined solely along the lines of the quality of actions and achievements and no indications are given in regard to the kind of actions and achievements, how can their nature be captured?

Similar conclusions can also be drawn when performance is defined along the lines of the production model. It is true that this model does provide for a higher level of specification than the four perspectives presented above (as it clarifies that performance is based on the production process), but the definition of performance nonetheless changes depending on which elements of the production process the performance measurement effort concentrates on. And if the outcomes of the production process are considered as well, this makes the definition of performance more varied still.

Is performance limited to inputs and processes or does it also refer to outputs and results or even outcomes? *The span of performance model* (also called the *production model of performance)* of Bouckaert and Halligan (2008: 18) provides further indications in this regard. The span of performance refers to *“the horizontal expansion of the results dimension”* (Bouckaert & Halligan 2008: 18) of performance and integrates and extends several previous performance conceptualisations and performance models, such as the *Input-Output-Outcome (IOO)*[6] or the *Economic-Efficiency-Effectiveness (3 E’s)*[6] models. In addition to the input, result and outcome, the span of performance integrates dimensions such as trust and the environment. Based on this analytical framework seven different relationships to conceptualise performance have been identified (Bouckaert & Halligan 2008: 15).

[6] For further discussion see Bouckaert and Halligan (2006); Boyne (2002b); Talbot (1999).

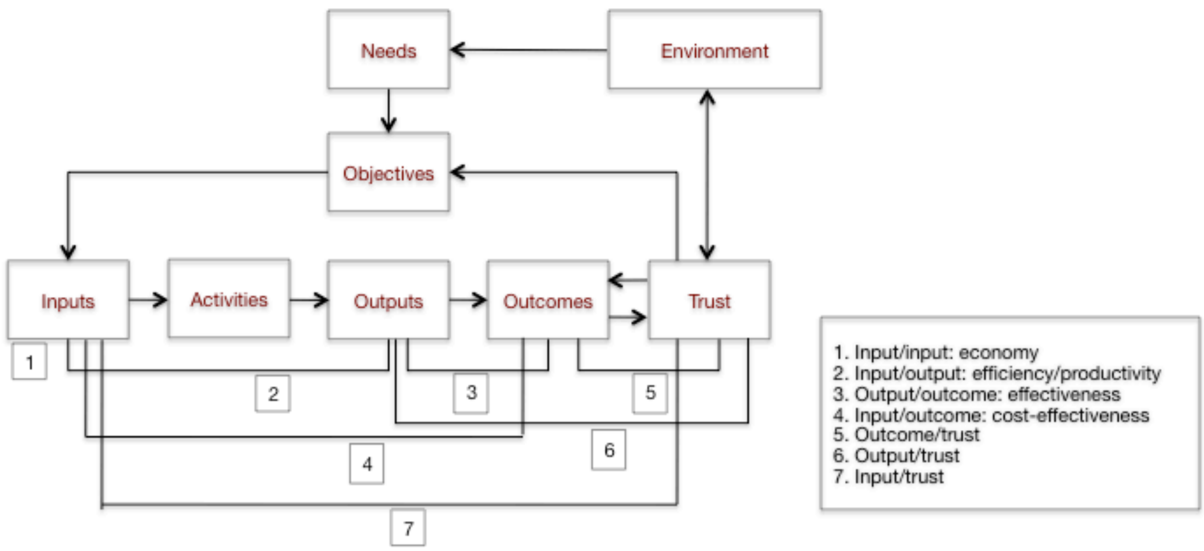

Figure 1: The span of performance (adapted from Bouckaert & Halligan (2010))

The span of performance is smaller when the focus is on one element such as economy or efficiency and remains inside the ‘black box’ of the organisation (links 1 and 2). The black box is a commonly used term to illustrate an internal structure or system in which inputs are entering and outputs are leaving without a profound understanding of what happened in the box itself. The performance definition is broadened when looking at the outcomes and effectiveness that go beyond the framework of the organisation, and enter the policy level by including the outcomes to be achieved (links 3 and 4). When stretching the span of performance even further to include the concept of trust (links 5, 6 and 7) the performance definition is broadened (Bouckaert & Halligan 2008). Several challenges remain however when defining performance along the lines of the production model for the public sector. The definition of outputs for the public sector is complex due to the high number of transactions between producers and consumers. Outputs and efficiency are adequate conceptualisations of performance in the private sector but not in the public one. In the private sphere the aggregation of the individual added values is the main component of the profit of the firm. Over the past years, the private sector has also enlarged its definition of performance beyond the financial performance (see section 2.4.1). The definition of performance is clearly linked to the perspective taken by the organisation in regard to that which is to be measured. Different performance frameworks further foster the argument of a changing definition of performance based on the focus one adopts. Three frameworks are identified in the literature concerning the performance focus: first a *systems resource perspective*, second, a *goal perspective* and third a *constituency perspective*. They are briefly presented in order to further advance the argument of a multiplication of performance definitions observed in literature (Schönbucher 2010).

First, from a *systems resource perspective* the focus remains on the inputs, and success is based on the capacity to guarantee the long-term survival of the organisation by securing the necessary resources and knowledge needed to fulfil an organisation’s purposes (Baetge et al. 2007; Selden & Sowa 2004; Yuchtman & Seashore 1967). This systemic view concentrates on the relationship between the organisation and its context (Yuchtman &

Seashore 1967). With the incorporation of the external environment, the systems resource approach attempts to resolve the problem of defining an appropriate success criterion (Schönbucher 2010). Compared to the categorisation of Van Dooren et al. (2010), the systems resource approach focuses on performance as competence and capacity (P2) neglecting the result dimension. In terms of the span of performance, the systems resource approach considers inputs and the environment of the organisations out of which resources are acquired. In this perspective, performance does not include any quality judgement of the achievements of organisational actions.

From the *goal perspective*, the success of the organisation depends on the degree to which the organisation has reached its goals (Baetge et al. 2007; Etzioni 1964). Any organisation, firm or company formulates a series of goals which direct their actions (Daum et al. 2007; De Kluyver & Pearce II 2012; Mishkin 2000). Outputs and goal accomplishment are the most frequently used criteria to assess effectiveness in this perspective (Cameron 1978; Hitt 1988). In other words, the focus on the quality of achievements is here identical with the P3 meaning of the model of Van Dooren et al. (2010) or the concentration on the outputs and outcomes of the production model of performance. One difficulty with the goal approach is arguably that there is not necessarily an agreement as to which goals are to be set among the various parties tasked with setting them (Lawrence & Lorsch 1967; Schönbucher 2010). Performance management is consequently more useful in product-oriented organisations than in service-delivery organisations (De Bruijn 2002). And even in cases where there is agreement on goals, it can be difficult to develop indicators which determine the performance of public policy objectives (Frederickson & Frederickson 2006). Goals in the public sector tend to be vague or difficult to operationalise (De Bruijn 2007). Furthermore goal ambiguity frequently occurs in the public sector and is an on-going research topic (Walker et al. 2010; Young & Rainey 2005). Goal ambiguity can emerge from the level of interpretive freedom of the organisational mission (Boyne & Chen 2007; Walker et al. 2010; Young & Rainey 2005). Secondly, goal ambiguity can result from organisations making use of a discretionary interpretation when translating mission or general goals into specific actions geared towards accomplishing the mission (Boyne & Chen 2007; Walker et al. 2010; Young & Rainey 2005). Finally, goal ambiguity also relates to the difficulty in defining priorities among multiple goals, something which can result in a hierarchy between the goals (Young & Rainey 2005).

Finally, from a *constituency perspective* performance is conceptualised based on the context the organisation or the individual is embedded in. It takes into account different external, but also internal, stakeholders that are vital for the survival of the organisation (Schönbucher 2010; Thompson 1967). In this view, performance is defined by the ability of the organisation to preserve the interest of multiple external and internal stakeholders such as employees, managers, customers, suppliers, shareholders or regulators. Obviously this task is not as straightforward as it may appear because the interests of these different stakeholders may not be aligned (Schönbucher 2010). Conflicting interests between external and internal stakeholders particularly need to be considered by the organisation when defining the direction to be taken. The point to make in regard to the constituency approach is that the external and internal stakeholders influence the definition of performance as a result of the incorporation of the different interests they represent and defend in the direction of the organisation. This is an aspect that is only indirectly recognised in the four perspectives on performance of Van Dooren et al. (2010) as it is related to the nature of the objectives defined by the organisation. For this reason, the constituency perspective integrates the nature of the acts and achievements to a certain extent, something that is absent in the four perspectives of performance defined along the lines of the quality of actions and achievements.

Some scholars integrate all of the three approaches in one performance definition when staking the claim of the multidimensionality of performance (Venkatraman & Ramanujam 1987). Such an integrated perspective of performance focuses on processes and outputs equally and tries to respond to the internal and external stakeholder of the organisation (Schönbucher 2010). Moreover, performance is not limited to the financial dimension but can integrate subjective measures (i.e. include non-monetary performance dimensions) next to the objective measures, thus further broadening the concept of performance. Several studies confirm that subjective measures of success correlate with objective measures of success to allow for the confirmation of the validity and reliability of the integration of both kind of measures (Dess & Robinson Jr. 1984; Schenk 1998; Schönbucher 2010; Slater & Narver 2000; Venkatraman & Ramanujam 1987).

In summary, performance can be defined narrowly, for example by focusing on the outputs of the production process, or broadly when concentrating on all elements of the span of performance (Boyne 2005; Bouckaert & Halligan 2008; Talbot 1999; Van Dooren et al. 2010). The different approaches presented above are the most popular when defining performance (Van Dooren et al. 2010). However, neither the four perspectives on performance of Van Dooren et al. (2010), nor the definitions of performance along the lines of the span of performance provide further information with regard to the nature of performance. Not only are the different characteristics in the private and public sector a cause for the different definition of the concept, but it also seems that there is not one unique definition of performance in the public sphere (Summermatter & Siegel 2009; Talbot 2010; Boyne 2003). The next section concentrates on different explanations behind the changing definition of performance and further strengthens the argument in favour of a multidimensional performance definition. Among other reasons the changing shape of the performance concept is a consequence of the objective of the performance management effort that is certainly not the same across organisations and the boundaries, especially in the public sector where they are not always clearly definable (Summermatter & Siegel 2010; Talbot 2010). In addition, despite the long tradition in studies of performance, there still exists no agreement in the definition and terminology used (Holton 1999b; Summermatter & Siegel 2008a, 2009; Talbot 1999, 2010; Venkatraman & Ramanujam 1986).

2.3.2 Explaining the variability of performance definitions

Several explanations are behind the fact that there is not one definition of performance but that rather it is a complex, multidimensional and context dependent concept. In the subsequent paragraphs, explanations behind the variability of the meaning of performance are highlighted. It will thus be explained that, first, there is the problem of the unit of analysis; second, the organisational boundaries are often not easy to define and third, concepts associated with performance are often not understood in the same way. Finally, the definition of performance is also dependent on the focus taken in each particular case. These four factors will be discussed below in turn.

I. The problem of the unit of analysis

The definition of performance depends of the units of analysis. States are in general not a unified, one level construct but contain different administrative or political layers. In federal states exist federal and local levels of government (e.g. federal, regional and local levels) and even in unitary states there are normally a central and a local level of government (Talbot 2010). Obviously, this structure complicates performance analysis because many public activities take place at several levels simultaneously. To measure performance on these different levels is complicated and requires the levels to be well defined, and this especially when performance data of public entities across different levels of government are compared. Apparently, the levels at which performance is measured are not easily limited. A linkage can be observed horizontally—performance of one policy sector may depend upon the performance of another policy sector or the performance of an organisation relies also on the performance of the suppliers (quality of the intermediate products)—or vertically—the performance of the organisation or ministry depends upon the performance of the sub-units.

Decisions taken on an upper level can influence the activities of lower levels. Schools are an example of where decisions on a central or national level impact the activities of local schoolteachers. This influence between the different levels need to be taken into account when analysing the performance of an unit, especially because the units cannot necessarily be treated as closed systems. In situations where cross-sectors or cross-country analyses are undertaken the problem is further amplified as the sectors and countries are not necessarily structured in the same manner (Talbot 2010: 28). Hence, it is crucial to define the level of the analysis when speaking about performance. The same problem occurs in private sector organisations as performance can be measured on an individual level, i.e. of one employee, on a unit level, i.e. one department or function, and on the level of the integral organisation. The presence of a linkage between the different levels of an organisation means that the performance of one level influences that on another level. Consequently, attention also has to be paid to the levels at which performance is evaluated or measured (Schönbucher 2010).

Bouckaert and Halligan call this distinction the "*depth of performance*" (2008: 8). The micro-level refers to the performance of an organisation and the organisation's interaction with other organisations or citizens. The meso-level is at the policy level and can include several organisations at the same policy level (Bouckaert & Halligan 2008: 18). The macro-level concentrates on the performance of a government as a whole (Bouckaert & Halligan 2008; Van Dooren et al. 2010). However, the terminology of micro, meso and macro in regard to performance management is not coherently used in literature. Some scholars identify a macro level—the evaluation of the public policy and the micro level—the organisational performance (Pasquier 2009). Moreover, the micro level of performance can be further separated into four levels of performance: organisation, process, subsystem or individual

(Bouckaert & Halligan 2008). Similarly, Boschken (1994) argues that performance analysis is executed at three different levels: the individual employee level, the program level and at the organisational level and hence applies another level-definition (Boschken 1994). This illustrates that for some scholars micro performance refers to the performance of the organisation, whereas for others the organisation is the macro level and the micro level is the performance of individuals (Morden 2007). As long as the level of analysis of the performance management effort is clearly defined the different use of the concept does not imply further difficulties. The aggregation of performance data from different levels further broadens the definition of performance. The performance of governments is a result of the aggregation of performance of various services such as health, infrastructure, security, environment etc., something which renders the performance management complex. The same problem can arise for the performance measurement of a single organisation or department, which carries out multiple activities and where the assessment of performance in these different activities is aggregated in a single performance analysis. Aggregation of performance data can be difficult, especially when individual performance data is not based on the same indicators, or in other terms, when defined differently.

II. The problem of organisational boundaries

Second, another definitional problem arises in terms of what is actually a public organisation. Public organisations are defined in this study as *"departments and ministries, agencies, units, programs, systems etc."* (Talbot 2010: 2) as well as public organisations not necessarily directly embedded in the administration. The degree of external influence on organisations in the public sector can vary widely across organisations and although the boundaries of public organisations seem to be clear, for example in schools or hospitals, they are more difficult to define when units of different departments are involved to achieve a single goal; this makes the issue of performance more complex (Talbot 2010). This is important insofar as the *organisational effectiveness (OE) movement* (1945 to early 1980s), the *excellence movement* (early 1980s onwards) and the current *performance studies movement* (early 1990s onwards) have focused on organisations in both public and private sectors (Talbot 2010). In the private sector the boundaries of organisations are relatively unproblematic although this is also questionable as the main form of modern private sector organisations—the limited liability joint stock corporation—has far more porous boundaries and is also shaped by external forces. But the boundaries of public organisations are far more difficult to define.

III. The problem of a varying use of terms

Another explanation of the variability of performance definitions lies in the different use of the term performance itself as well as of the different definitions of sub-concepts. For instance, a lot of different terms have been used to describe the same basic concept of performance such as 'excellence' or 'results' etc. (Bouckaert and Halligan 2008; Talbot 2010; Van Dooren et al. 2010). De Bruijn (2007) outlines that terminologies such as direct (outputs) and final effects (outcomes) are ambiguously used in the literature. For instance, the different meanings associated with concepts such as inputs, outputs and outcomes illustrate the variability of meanings of these concepts that are associated with performance. The following table compares four sources of definitions that outline the problem.

	Definition	Author
Inputs	"The financial, human and physical resources used to formulate and execute policy. An input to an activity may also be the output of an earlier activity; for example, hospital places are an output arising from the deployment of resources, but are also an input contributing to the final output of health care."	OECD (1996: 158)
	"The resources that contribute to the production and delivery of an output. Inputs commonly include things such as labour, physical resources and IT systems for example."	HM Treasury (2001: 29)
	"Resources (i.e. expenditures or employee time) used to produce outputs and outcomes."	Hatry (2006: 15)
	"Resources (expenditures or employee time) used to produce outputs and outcomes. Performance advocates often argue that organizations emphasize the importance of inputs to the exclusion of other elements and, as a result, equate the availability of these resources with success."	Radin (2006: 15)
Outputs	"Outputs the direct product of an organisation's activities in terms of goods or services (e.g. number of training person-days by type of training course). This says nothing about the actual outcome (e.g. skills absorbed, whether the skills helped gain long-term employment)."	OECD (1996: 158)
	"Outputs are the goods and services produced by the organization. Outputs are delivered to an external party (usually to the public either individually or collectively) and comprise the majority of day-to-day interaction between people and government. Outputs include things such as issuing licenses, investigations, assessing applications for benefits and providing policy advice.	HM Treasury (2001: 29)
	"Products and services delivered. Outputs refer to the completed products of internal activities: the amount of work done within the organization or by its contractors (such as number of miles of road repaired or number of calls answered)."	Hatry (2006: 15)
	"Products and services delivered. Outputs are completed products of internal activity: the amount of work done within the organization or by its contractors (such as miles of road repaired or number of calls answered). A focus on output is criticized as a way for organizations to continue to do the work they have always done without determining whether that work actually leads to desired outcomes."	Radin (2006: 15)
Outcomes	"Outcomes what is achieved in relation to objectives, to be distinguished from outputs, which measure what is produced or done. For example, using fewer resources compared with plans, previous performance or performance of other organisations, the outcome of a health publicity campaign might be a 5 per cent increase in awareness among those targeted. "	OECD (1996: 158)
	"Outcomes are the impacts on, or consequences for, the community, of the activities of the Government. Outcomes reflect the intended results from government actions and provide the rationale for government interventions. Improving the health status of the population is an example of an outcome. A distinction is sometimes made between intermediate outcomes and end outcomes. Intermediate outcomes are the more short term, easily measurable outcomes, which result from an activity, where as final outcomes are the longer term outcomes which may be harder to capture."	HM Treasury (2001: 29)
	"Events, occurrences, or conditions that are outside the activity or program itself and that are of direct importance to customers and the public generally. An outcome indicator is a measure of the amount and/or frequency of such occurrences. Service quality is also included under this category. While outputs are what work the organization does, outcomes are what these outputs accomplish."	Hatry (2006: 15)
	"An event, occurrence, or condition that is outside the activity or program itself and is of direct importance to program customers or the public. We also include indicators of service quality, those of importance to customers, under this category. While the definition of outcomes may emerge from organizational goals, the organization may not have the authority or resources available that allow it to actually reach for the goal."	Radin (2006: 15)

TABLE 4: EXAMPLES OF DEFINITIONS OF PERFORMANCE CONCEPTS

Hatry (2006) and Radin (2006) include in the definitions of inputs resources that are used to produce both outputs and outcomes, whereas the HM Treasury (2001) specifies that inputs are only related to outputs. The OECD (1996) goes even further by speaking of policy formulation and realisation. Moreover, none of these definitions accounts for resources that are not attributable to outputs or outcomes but are wasted during the production process. The definitions of outputs by Hatry (2006) and Radin (2006) do not necessarily refer to products and services delivered as they include for example issues such as the number of calls answered.

Comparing the definitions of outcomes also reveals differences. Hatry (2006: 15) and Radin (2006: 15) introduce a subjective element of *"direct importance to customers and the public"* that is not present in the definition of the HM Treasury (2001). In addition, Hatry (2006) and Radin (2006) include service quality in outcomes but in case it is related to the quality of the outputs it might be more adequate to include it in the output category than in the outcomes. The OECD (1996) speaks of outcomes in relation to the planned objectives and distinguishes them from outputs. Also Radin (2006) links the outcomes to the organisational goals. Outcomes of public services are either collective or consisting in externalities that are not taken into account by individual consumers. Outcomes can be intermediate or final. The final outcomes in particular are influenced by the environment, on which the organisation or the programme has a limited or no impact. The confrontation of the needs of the society and outcomes allow for an assessment of the sustainability and utility of the programme or the organisation (Talbot 2010; Van Dooren et al. 2010; Walker et al. 2010). However, it could be argued that also outputs can be measured against objectives. Besides, this definition excludes the unintended outcomes an organisation's activity may produce. The complexity of the issue is amplified when it is linked to the units and levels of analysis discussion presented above. Outputs and outcomes of a subunit are for example part of the inputs or internal processes of the organisation as a whole (Talbot 2010).

The quintessence of this brief outline reveals the necessity to carefully define these concepts for each study before entering the discussion on performance. The comparison of performance definitions that are not comparable must be avoided (Sartori 1991). Following this advice, in the framework of this study, the following definitions apply:

- Inputs: not limited to the resources that can be linked to an output but refer to all inputs going into a system.
- Outputs: defined, following the definition of the HM Treasury (2001) as the goods and services produced by an organisation.
- Outcomes: impacts on or consequences for the community, of the activities of organisations, a definition that extends the HM Treasury (2001) concept to any organisation, not just governments.

IV. The problem of a changing performance focus

The fourth explanation behind the heterogeneity of the performance definition lies in the different focus of performance. This is important insofar as it is crucial for the measurement and use of performance information to be clear on which aspects the performance management effort is concentrating on. One crucial issue is whether performance embraces both ‘drivers’ of performance and the ‘results’ or not? Drivers are measures or dimensions that sustain or increase performance in the result dimensions (Holton 1999b). For example, what happens inside the organisation between the inputs and outputs (i.e. within the black box) is often no concern of the performance management and only outputs and outcomes are important (Talbot 2010). Talbot argues that this is what *“found its way into phrases such as ‘output’ or ‘outcome-based government’”* (Talbot 2010: 38). This approach has been challenged both in public and private sectors and a stronger focus on process (both internal and outcome oriented) was added in performance management. Performance has recently been defined based on outcomes whereas the focus of performance used to be on the outputs. The increased focus on outcomes renders the task of performance measurement difficult as the boundaries are not limited to the boundaries of individual public agencies, but reach further and might involve several (public) entities. Although this may result in an increased understanding of performance and make performance data more robust, it also complicates the task of defining performance.

2.3.3 Concluding remarks

Performance can be defined along the lines of the quality of actions, quality of achievements as well as based on the components of the production process. In addition, the performance definitions are altered depending on the perspective taken. Three main performance frameworks have been identified in literature: a system resource perspective, a goal perspective and a constituency perspective. The chapter further explained the difficulties in defining performance linked to the identification of the unit of analysis, the focus of performance measurement and the different definitions of concepts related to performance. All of these issues result in different definitions of performance. The remaining question is that of the actual nature of performance? As long as the nature of performance is defined in terms of physical outputs or promised activities the definition of performance is straightforward and performance management should not face too many difficulties in practice. The situation alters in case performance refers to citizen-oriented, social or democratic outcomes. This complicates performance management in practice, especially when the measures of performance and the definition of performance diverge (Hatry 2002). Performance is often criticised for driving the focus of managers on efficiency, outputs and results, ignoring other dimensions performance could be related to such as social outcomes, rule of law, accountability, transparency, equity and democratisation. An expressed concern is that performance is founded on false grounds and produces dysfunctional behaviour (Brown et al. 2003; Kelman & Friedman 2009; Moynihan 2008; Van Dooren et al. 2010). Performance certainly remains a core concept of management but organisations may broaden the definition of performance to include social, legal or values based dimensions besides financial and economic dimensions. In other words, in investigating the nature of performance, the performance concept may be further extended beyond the quality of actions and the quality of achievements as presented in the sections above. Scholars argue that performance management is at a turning point because of the problems it faces in practice (Bouckaert & Halligan 2008; Hvidman & Andersen 2013; Moynihan 2008; O’Toole Jr. & Meier 2009). To further explore the question on the nature of performance, the next sections first present the multidimensional performance models (MDPMs) that emerged from the 1980s onward and second, investigate researches on multidimensional performance, both in order to identify potential performance dimensions.

2.4 THE PERFORMANCE DIMENSIONS IDENTIFIED IN THEORY AND PRACTICE

The performance attributes have a wide span, and refer to very different concepts covering not only inputs, throughputs, economy, quantity and quality of outputs, efficiency, effectiveness, value for money, responsiveness to service needs and to consumer satisfaction, but also other components of organisational performance such as corporate social responsibility, equity, regulatory compliance, transparency, fairness or democratic outcomes (Amirkhanyan et al. 2013; Basu & Palazzo 2008; Behn 1998, 2003; Boyne 2003; Griffiths 2003; Ittner & Larcker 2003; Kaplan & Norton 1992, 1996a; Palazzo & Richter 2005; Summermatter & Siegel 2008a; Talbot 1998, 2008a, 2010). Several studies call these concepts or elements of performance dimensions. The term 'dimension' is inconsistently applied in research, and this makes the operationalisation of performance difficult (Baetge et al. 2007; Boyne 2002b). 'Dimensions' can further refer to the nature of performance, for example social, financial, economic or legal dimensions. It is this latter understanding of 'dimensions' that is used in this study, and it follows in the footsteps of a series of scholars who have also defined the dimensions of performance along these lines (see Fried 1976; Kaplan and Norton 1996; Elkington 1997).

Ideally, the dimensions which organisations concentrate on are a result of the objectives defined in the strategy, either by the owners of the organisation or—in the case of the public sector—by policy makers (Mintzberg 2008; Pasquier 2009). Strategy is about organisational effectiveness rather than organisational efficiency, and its focus is on 'doing the right things'. A goal defines where an organisation wants to go and the strategy defines how the organisation will get there (Mintzberg 2008). Consequently, the nature of performance should be based on the mission (and the objectives outlined in the mission), and the performance dimensions can hence be deduced from there as well (Holton 1999b).

The success of organisations has been the focus of research for a long time, but it has not always been directed at that which is considered 'performance' in the current performance-related scholarship. This despite temptations (Talbot 2010) to call all these organisational theories, 'theories of performance'.

First, a significant body of literature developed from the 1950s onwards, which looked at individual, mainly private-sector organisations, highlighting the drivers or factors contributing to organisational success, and which would hence be necessary for organisational survival. The *Organizational Effectiveness (OE) movement*, which emerged mainly in the US from the mid-1940s onwards, thus aimed at defining which organisational form results in more successful organisations. Various studies (Cameron 1986; Price 1968; Steers 1975; Yuchtman & Seashore 1967) have since emerged on organisational effectiveness and it would go beyond the scope of this study to discuss them here.[7] It is sufficient to highlight the

[7] See Talbot (2010) for an in-depth discussion.

existence of these theories, as well as the fact that they presented a one-dimensional definition of effectiveness, and tended to concentrate only on the variables affecting the effectiveness of organisations.

From the late 1970s and early 1980s onwards, research turned to a more quality and cultural approach of performance resulting in the *Excellence, Quality and Culture Movement (Excellence movement)* (Talbot 2010). The *Excellence movement* widened the focus of organisational effectiveness and included non-financial factors and their interrelationships in the performance concept. The quantitative element did not disappear but was reduced to the narrow definition of financial performance and other more individual factors. The performance focus thus shifted from looking only at quantity, to looking at quantity and quality combined. Consultants in the private sector became aware of more qualitative based explanations for effectiveness in organisations. The management book 'In Search of Excellence' (Peters & Waterman 1982), marked this new era because private sector consultants re-examined the issue of organisational effectiveness and formulated new questions on the topic (Peters & Waterman 1982; Talbot 2010). Talbot (2010) has also highlighted that this concentration on softer aspects was not completely new. Already the Taylorian *scientific management* and bureaucratic scholars said something about staff and skills, and this as early as 1911. The human relations school of the 1930s had also emphasised many of these aspects (Talbot 2010: 154), and the TQM has already focused on quality aspects before the emergence of the Excellence movement.[8] The main claim of TQM was to induce a 'culture of quality' in the organisation, and this was evaluated as key to improving organisational performance (De Bruijn 2007; Ehigie & McAndrew 2005). The TQM became a very influential model for both the private and public sectors and led to an increased attention towards mission and values statement in organisations and on the focus on customers as an indicator of organisational performance (Ehigie & McAndrew 2005).

The heightened concentration on quality elements did not result in the disappearance of quantitative approaches, but they were marginalised. Some subsequent movements have still highlighted the quantitative approach towards organisational effectiveness, such as for example the *shareholder value movement* that emerged in the private sector (De Kluyver & Pearce II 2012; Talbot 2010).

The focus of the shareholder value movement was, as the name indicates, growth in profitability and the resulting increased economic value for the owners (De Kluyver & Pearce II 2012). It can also be seen as contrary to the Excellence movement, which was nonetheless the major stream at this time. Moreover, it was during this time period that the first multidimensional performance models (MDPMs) emerged, a development that continues into the current performance studies era. Along with these MDPM models, in the late 1980s through the 1990s, scholars were still interested in one-dimensional models of

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[8] It should be noted however that there is no consensus in the literature on the exact date of emergence of the TQM. Most research identifies the founders of TQM to be Armand Feigenbaum (1951, 1961), Joseph Juran (1969), Kaoru Isikawa (1986), W. Edwards Deming (1986), and Philip Crosby (1980). Others state the date to be 1949 when Japan adopted the notion of TQM (Ehigie & McAndrew 2005).

effectiveness. Items like productivity and efficiency were seemingly reinvented. The concept of 'organisational learning' emerged and replaced others such as 'flexibility' or 'adaptability' (Talbot 2010). Another buzzword that emerged in the early 1990s was 'strategy', even though the concept as such had been around since the mid-1960s, under titles like 'business policy' and 'corporate planning' (Mintzberg 1994).

From the mid-1990s onwards, the actual performance focus emerged. In research, success factors of organisational effectiveness were neglected for the benefit of performance measurement efforts (Schechner 2006). The prelude of this *performance studies movement* was the 'Performance Measurement Manifesto' of Eccles (1991). Financial data were now treated as one set of measures among others instead of the foundation of performance measurement (Eccles 1991). Non-financial measures like quality or market share but also non-financial measures like customer satisfaction or success ratings conducted by owners or managers were increasingly used to measure performance (Rauch et al. 2009: 765). For this reason, there was a revival in the interest in measurable, non-financial, organisational performance along the lines of the OE movement (Neely 1998). In this spirit, 'organisational performance' is often referred to as 'business performance' in the literature (Kennerley & Neely 2003; Neely 2002). Neely speaks of a "*performance measurement revolution*" and underlines the increasing interest in the topic (Neely 1999: 207). Additionally, this increased focus on non-financial performance was not only observed in theory but also in practice, and non-financial dimensions of performance were increasingly outlined in annual reports (Neely 1999). It is therefore clear that a purely financial focus of performance is not sufficient to capture organisational performance, but non-financial measures need to be integrated even though the main focus of performance in private organisations remains the economic value created by the organisations. In theory and practice, there are have been developments which indicate that there has been a concentration on non-economic values also in the private sector and a concentration on economic values in the public sector (Charbonneau & Caron 2009; Marais & Reynaud 2008).

Throughout the next sections, dimensions of performance are identified mainly based on the MDPMs that have thus emerged in theory and practice for generic organisations, as well as for private and public sector organisations (section 2.4.1). In a final section, studies in public management on performance dimensions are presented (section 2.4.2). All of this contributes to deepening the understanding of performance, to identifying possible performance dimensions and to preparing the territory for the construction of the performance dimensions used in this study.

2.4.1 The dimensions of performance identified in MDPMs

MDPMs[9] are managerial models used by organisations to assess performance (Bouckaert & Halligan 2008). MDPMs emerged at the intersection of work by practitioners, consultancies, policy-makers and academia (Hubbard 2009). The multiple dimensions represent different areas of the organisations, which were seen as contributing to organisational excellence.

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[9] It would go beyond the scope of the study to address these models in detail. For a detailed discussion please see Talbot (2010).

Talbot (2010) has identified the first model to be the *Canadian Framework for Business Excellence* of 1982, clearly inspired by notions like quality and excellence. Six principles for 'excellence' were thought to increase organisational performance, still reduced to the financial and economic value creation as in the OE movement. These principles were 'people focus', 'process management', 'supplier partner focus', 'leadership', 'planning' and a 'customer/citizen/client focus' (Talbot 2010). It was believed that the organisation has to concentrate on these elements in order to achieve excellence.

Another example of a MDPM following the same logic was the *Malcolm Baldrige National Quality Award* that in fact had a very similar structure to the Canadian Framework with 'leadership', 'strategic planning', 'customer focus', 'workforce focus', 'process management', as key aspects considered to enhance results. The assessment of excellence is based on the measurement, analysis and knowledge management in each of these attributes. The same logic also applies in the case of the *European Foundation for Quality Management (EFQM) Excellence Award*, a business excellence model based on TQM, identifying nine criteria that are divided into enablers and results dimensions. The enablers are 'leadership (10%)', 'people management (9%)', 'policy and strategy (8%)', 'resources (9%)', 'processes (14%)', whereas the results include 'people satisfaction (9%)', 'customer satisfaction (20%)', 'impact on society (6%)', and 'business results (15%)' (Radtke & Wilmes 2002). The nine criteria[10] refer to aspects resulting in excellence (Radtke & Wilmes 2002). The percentage linked to each criterion is used to weigh the indicators in order to reach a conclusion on organisational performance. Apparently, especially in this early stage of MDPMs the line between 'dimensions of performance' and 'success factors driving organisational success' was blurred. The multidimensional aspect did not yet relate to the different performance dimensions but focused on the criteria that improved organisational effectiveness. The *EFQM Excellence Award* does for example on one hand include success factors such as leadership, people management, policy and strategy, resources and processes, and on the other hand performance attributes such as people satisfaction, customer satisfaction, impact on society and business results. The line between performance models and excellence inspired approaches is sometimes hard to determine. The next sections are first dedicated to the evolution of performance dimensions in the private sector, before turning to the multidimensional conceptualisation of performance in the public sector.

[10] The different MDPMs use different terms to describe concepts and corresponding measures. In order to be coherent, the terms used in the different models are used respectively.

I. Multidimensional performance in the private sector

In a lot of research on performance in the private sector, performance is defined in terms of the financial success of the organisation, and the concentration is hence on economic value creation. The multidimensional character of performance therefore lies in the dimensions that are susceptible to increase the financial benefits. For instance, the so-called *McKinsey-7-S Framework* added to the former OE perspectives of 'structure', 'systems' and 'strategies', new softer aspects of organisational life, namely 'staff', 'skills', 'style' and 'shared values' believing that it would render organisations more successful.

One of the most influential models underlining the idea of multiple dimensions driving future organisational performance has been the *Balanced Scorecard (BSC)*, developed by Kaplan and Norton (1992, 1996). The BSC, in line with the 7-S framework of McKinsey, put the strategy and the vision of the firm at the centre. The BSC attributed a broader set of measures to enterprises by adding three additional perspectives believed to drive future financial performance to the financial perspective: a customer perspective, an internal business perspective and a learning and growth perspective (Behn 2003; Kaplan & Norton 1992, 1996a, 1996b, 2008). It was believed that operational performance based on customer satisfaction, internal business process and organisational learning and growth would serve to increase future shareholder value and growth in profitability (Behn 2003). It was recognised that purely concentrating on the cost structure did not adequately honour the other aspects of the business operation (Behn 2003; Kaplan & Norton 1992, 1996a, 1996b, 2008; Olson & Slater 2002). The figure below illustrates the idea behind the BSC i.e. that of providing a framework that translates strategy into operational terms and enhances organisational performance:

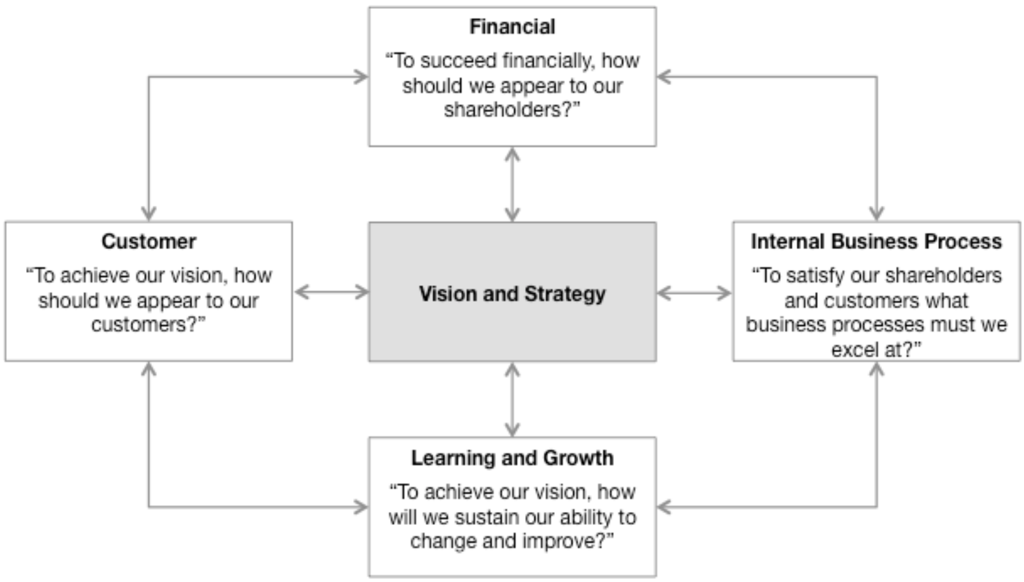

Figure 2: The balanced scorecard (adapted from Kaplan and Norton (1992))

The customer perspective considers factors that are important to customers. In order to be able to satisfy customer needs, managers have to focus also on internal operations (Kaplan & Norton 1992: 73). In regard to the internal business process perspective managers should identify the organisation's core competences and the technologies required in order to ensure market leadership. Managers are advised to develop measures in order to evaluate the performance of these processes (Kaplan & Norton 1992: 75). The third perspective driving future financial performance is the innovation and learning perspective. In the view of Kaplan and Norton (1992) an organisation should innovate, improve and learn what will result in growth and increased customer satisfaction to increase shareholder value (Kaplan & Norton 1992: 75-76). Finally, the financial perspective indicates whether the strategy was successfully implemented and executed (Kaplan & Norton 1992: 77).

The BSC is one of the most frequently used performance management models in the private sector (Talbot 2010). In literature, the benefits of the BSC are identified as being its ability to fit the strategy of the business, to communicate the strategic objectives and to enhance control and learning (Olson & Slater 2002; Slater et al. 1997). Originally, the four perspectives were approached in a balanced way, but other scholars propose to unbalance the scorecard based on the strategy of the business (Olson & Slater 2002; Reisinger et al. 2003; Slater et al. 1997). The BSC underlines the approach shared by various multidimensional models that purely financial measures are not enough to measure organisational performance. The future financial performance of the organisation is driven by the performance in other areas, representing the overall performance of an organisation. The BSC exemplifies the multidimensional performance conception for private organisations well. In private sector performance concepts, the multiple dimensions are frequently found in the driver dimensions contributing to increase shareholder value. They remain a tool for measuring the economic value created by the organisation and do not incorporate employee, supplier or community perspectives on firm performance, something which could result in the creation of social value (Himmelberg et al. 2000; Hubbard 2009; Mooraj et al. 1999). While the major concern thus remains the drivers of performance in economic terms, the private sector has nonetheless also emphasised perspectives other than inputs, outputs, efficiency and effectiveness (Kaplan & Norton 1996). More recently, it seems that other performance management models emerge in the private sector focusing on the idea that an organisation's success should not only be measured by the financial and operational dimensions, but also by its social and environmental performance integrating an outcome based view of performance (Elkington 1997; Hubbard 2009). A stream of ideas highly contributing to this broadened conception of performance is the concept of *corporate social responsibility (CSR)*.

Although the CSR discussion does not concern performance of organisations *per se*, it is strongly linked to it because of its focus on organisational behaviour, the orientation of organisations, its mission and vision. *Corporate social performance (CSP)*—i.e. the evaluation of the performance of an organisation's activities in line with social responsibility—is increasingly in the focus of managers, rendering the performance definition more multidimensional (Baetge et al. 2007; Carter & Greer 2013). The discussion on CSR emerged already in the 1950s and still today the literature struggles to find a unified definition (Carroll 1979; Frederick 1978; Freeman 1984; Scherer & Palazzo 2007; Whetten et al. 2002).

In a very narrow sense, the social responsibility of a firm is to obey the law (Friedman 1970; Levitt 1958). Another interpretation of CSR is that the social responsibility of a private organisation is to focus on profit seeking whereas the public problems are the responsibility of the state (Friedman 1970; Sundaram & Inkpen 2004). In this view the political and economic responsibilities are two opposed domains (Scherer & Palazzo 2007: 30). Friedman (1970) argues that the socially responsible behaviour of a firm can only be justified on the basis of increasing financial performance. Consequently, CSR activities form part of a driver dimension of profit maximisation (Baetge et al. 2007; Gond et al. 2009). If increased business results can be linked to socially responsible behaviour, such behaviour is argued to be desirable and an organisation should engage in it (Baetge et al. 2007; Gond et al. 2009). In that sense, a social dimension could be added to the performance conceptualisation, whereas it remains subordinated to the financial dimension. Other scholars argue that the CSP is defined by the interests of a firm's most powerful stakeholders, and based on such considerations the concept of social responsibility could be ethically questionable (Scherer & Palazzo 2007).

A very broad conceptualisation of social responsibility is provided by Davis and Blomstrom (1966), who have argued that the social responsibility of a firm is the obligation to consider the effects of an action on society. If CSR were defined along this line, it could become an outcome dimension in itself, which could be related back to the 'impact on society' dimension of the *EFQM Excellence Award*. As can be recalled, this principle asked organisations to integrate an ethical mind-set, clear values and excellent conducts in order to be economically, socially and ecologically sustainable (Radtke & Wilmes 2002). Despite the low weight attributed to it by the creators in the *EFQM Excellence Award*, 'impact on society' is a goal in this framework and the achievement of social, economic, technical, environmental outcomes are key reasons public agencies and activities exist. In line with this argument, an alternative definition of CSR would highlight that the goal of a business to maximise profits and the goal of a state to reduce negative social impacts and to respect public values could be aligned, to benefit both sides (Porter & Kramer 2006; Scherer & Palazzo 2007). Out of this definition a dimension of performance emerges which is as important as the financial performance for an organisation, but which concentrates on non-economic value creation.

Carroll (1991) has integrated these different perspectives in a holistic definition of CSR, outlining that a firm should make profits, respect the law, be ethical and be a good corporate citizen (1991: 43). In this large definition of CSR, an economic responsibility to investors and consumers, a legal responsibility to the government or the law, an ethical responsibility to society and finally, a discretionary responsibility to the community are all taken into account (Hillman & Keim 2001). Similarly, Hillman and Keim (2001) have split the CSR in two distinctive parts. First, the 'stakeholder management perspective' integrates the views of the stakeholders, vital for the survival of the organisation because they have in some form or another invested in the firm. Such investments could be capital, human, financial or of any other kind. Essential is that the stakeholder management perspective of CSR is positively related to shareholder value creation and contributes to the comparative advantage of the organisation (Hillman & Keim 2001).

The second part of the CSR of firms identified by Hillman and Keim (2001) is called the 'social issue participation perspective' and it refers to elements not related to stakeholders directly involved in the organisation but to society at large. Social issue participation is argued to decrease the shareholder value by either deploying revenue to participate in or in not engaging in something, and thus to renounce a potential source of shareholder value creation (Hillman & Keim 2001). A firm renouncing to use energy from nuclear power plants despite the lower costs associated with this kind of energy would be an example of such an activity (Hillman & Keim 2001). Several other concepts overlap with the idea behind CSR such as social and environmental accountability, business ethics, corporate accountability or corporate citizenship (Broomhill 2007).

Another development observed since the late 1990s has been the increased appearance of the concept of sustainability in management research. Though it should be noted that the sustainability concept emerged in a perspective of globalisation, addressing multinational companies, it is nonetheless interesting to look at here insofar as it provides further evidence of an increase in the number of performance dimensions. Indeed, despite its roots in international institutions, sustainable business is a term increasingly related to the activities of organisations in a wider sense (UNO 2000). In the globalised world, businesses are increasingly active across national-borders and penetrate markets of countries with repressive regimes or in socio-economic difficulties. In this context an interpretation of CSR emerged which went beyond the common understanding of stakeholder responsibility (Scherer & Palazzo 2007). The UN Global Compact, a leadership platform established by the UN in 2000, and other similar initiatives aim to channel companies, i.e. the drivers of globalisation, in a way which ensures that markets, commerce, technology and finance develop to benefit economies and societies everywhere. In order to do so, sustainable policies and practices of organisations are to be developed, implemented and accounted for (UN 2000). The argument being that in such circumstances, firms set standards and assume a political responsibility (Scherer & Palazzo 2007). At least at a global level, CSR increasingly circumscribes the involvement of a firm in the solving of societal problems (Scherer & Palazzo 2007). The various domains of the global compact are covered at least in well-developed industrialised countries by national legislation. Nonetheless, the emergence of the concept of sustainability makes the case for an increasing awareness on the side of individual, private organisations for extra-economic outcomes. Research in this area argues that firms that respect social outcomes when doing business excel and are able to increase shareholder value more than those not engaging in sustainability (Robert 2000).

The link between sustainability and performance is exemplified by the *Global Reporting Initiative (GRI)*. In this framework, *Sustainability Reporting Guidelines (SRG)* were developed. An analysis of the section on sustainable performance indicators in the SRG further makes the case for a multidimensional performance definition by outlining indicators organisations can use to measure their economic, environmental, social, human rights, society and product responsibility performances (Global Reporting Initiative 2011). Sustainable performance can consequently be seen as defined along the just-mentioned six categories.

Further evidence of an enlarged concept on multidimensionality can be found in studies on the environmental aspects of sustainability measuring the environmental impacts of firms. The *Ecological Management System (EMS)* for example deals with the implementation and effects of EMS (Fresner & Engelhardt 2004; Hillary 2004; Iraldo et al. 2009; Newbold 2006; Radonjic & Tominc 2007; Zenga et al. 2005). Prominent examples of such EMS are the *Eco-Management and Audit Scheme (EMAS)*, a voluntary framework developed by the EU in 1993 or the *ISO 14001*, a certification system developed in 1996 aiming to certify the EMS systems of organisations in various countries around the globe. Such certificates attest that an organisation has a certain EMS in place and that it has the intention to manage its environmental impacts. The certification systems are however not measuring how well the system is performing in the individual organisations. The proponents of these frameworks believe that an increased focus on environmental performance will result in a higher competitive performance (Iraldo et al. 2009). The frameworks provide guidance to identify and analyse the critical elements of management, to define actions and to carry out envisaged plans effectively (Iraldo et al. 2009; Robert 2000). Such EMS systems follow the idea of TQM presented above and facilitate the control of firms' activities in line with environmental and social standards. But they do not measure the performance through these aspects and the data is rarely integrated in the performance management process of an organisation.

Other frameworks[11] link social and environmental standards to performance measurement. Since the late 1990s there is an enlarged focus on how to integrate such aspects as performance dimensions in the management process. An important amount of literature focuses on the motivation of companies to act in socially responsible ways (Bansal & Roth 2000; Sharma 2000; Stanwick & Stanwick 1998), on the financial payoffs of such behaviour (Berman et al. 1999; Burke & Logsdon 1996; Dowell et al. 2000; Waddock & Graves 1997) and on ways to improve sustainable performance (Christman 2000; James Jr. 2000; Wood 1991).

Consequently, concerns for the environmental and social impacts of firms seem to make its entry into the performance management discussion of private organisations. Numerous other frameworks have developed to evaluate the environmental and social performances of organisations besides the operational and financial performances. The term *Triple Bottom Line (3BL)* (Elkington 1997) has thus emerged, metaphorically presented under the label of 'profits, people and planet' (Carter & Greer 2013) and emphasises the need to adopt and use social and environmental performance indicators besides the economic and financial performance indicators (Elkington 1997). In line with the concept of sustainability, a sustainable corporation creates profits for shareholders, while at the same time protecting the environment and improving the lives of those with whom the organisation interacts (Henriques & Richardson 2004). Unlike earlier frameworks, the 3BL vehicles the idea that organisations should in fact measure social and environmental performance and integrate

[11] The different frameworks will only be briefly discussed here in view of illustrating the different dimensions and the main idea. For an extensive discussion on the function, limitations and strengths of the different frameworks, see for example Christman (2000); James Jr. (2000); Wood (1991).

these indicators into the performance management process. In the 3BL, environmental performance is conceptualised as the amount of natural resources (water, energy etc.) a firm uses and the negative effects created through their activities (waste, pollution etc.). Social performance generally refers to the impact an organisation (and its suppliers) has on the communities in which it operates (Elkington 1997; Hubbard 2009; Norman & MacDonald 2004).

The motivation behind the enlargement of the organisational performance relies mainly on the idea that the focus on wider matters of the society will increase the benefits for the organisation. Since the late 1990s there has been a growing attention of the public, media and community groups with regard to organisations' impact on the environment and society (Hubbard 2009). The complexity of performance management in organisations has increased, as environmental and social dimensions have been included in the concept of performance. Several frameworks have surfaced on how firms should evaluate performance in a business environment marked by an increased awareness for social responsibility and sustainability. Kaplan and Norton (2000a, 2000b) have for example suggested *strategy maps* to successfully implement the different objectives. Similarly, Epstein and Westbrook (2001) have developed an *Action-Profit Linkage Model*, concentrating on an organisation's causal relationships and aiming to illustrate how a manager can respond to sustainability concerns while still improving corporate performance (Epstein & Westbrook 2001). Measurement models of organisational performance have emerged as well. Robert (2000) has thus developed a *Five Level System Model* in order to link the macroeconomic aspects of sustainable development with the individual firm's level for implementing it in their business activities. The process of performance management in this model is adapted to sustainability management: first principles of ecosphere should be identified in order to then develop, in a second step, the principles of sustainability. Third, the principles for sustainable development are outlined, and fourth, the firm undertakes the activities and measures whether the principles of sustainability were respected or violated. Robert (2000) argues that when sustainability principles are violated, it is possible to measure the negative effects in nature. Critics of the model are sceptic to the idea that negative effects can be linked back to non-compliance with sustainability principles and then traced to the organisation that produced the negative outcomes. In their view, outcomes are not easily detected and negative effects are rarely directly observable but lagging behind and this often for several years (De Bruijn 2007; Talbot 2010). Despite the weaknesses of the model it illustrates the awareness and inclusion of dimensions linked to sustainability and social responsibility in the performance measurement of an organisation.

Another attempt to integrate social and environmental performance into the definition of organisational performance is the idea of a *Sustainability Balanced Scorecard*. Because the BSC does not provide a close set of measures for each perspective, non-monetary and soft success factors to evaluate social and environmental performance can be integrated (Figge et al. 2001, 2002).

Social and environmental aspects are often qualitatively evaluated. It is in the nature of the BSC to illustrate causal relationships between different dimensions, and the influence of environmental and social aspects on the long-term financial success can hence be implemented on the basis of these cause-effect linkages (Figge et al. 2001; Hahn & Wagner 2001). Figge et al. (2001) identify three approaches to include social and environmental aspects into the BSC.

First, social and environmental aspects can be subordinated under the existing four perspectives of the BSC (Figge et al. 2001, 2002). In doing so environmental and social aspects are integrated through strategic objectives, goals, indicators and measures (Duncan 1973; Kaplan & Norton 2001). Only aspects that are relevant for the overall organisational objectives are consequently integrated (Czymmeck & Faßbender-Wynands 2001; Deegen 2001).

Second, a social-environmental perspective can be added to the four perspectives of the BSC. In the view of Figge et al. (2001) this option should only be considered if the social and environmental aspects are relevant for the strategic objectives. The advantage of this approach includes the integration of social and environmental aspects into the market mechanism, something which facilitates the successful implementation of a strategy. This could be beneficial for organisations active in environmentally sensitive areas facing high pressure from the legislator or society to integrate such aspects in their strategy.

The third approach is to develop a specific social- and environmental scorecard based on the principle of the BSC (Figge et al. 2001). Figge et al. (2001) have argued that this third approach should only be adopted in addition to the first or second approach because it is not in alignment with the BSC conceptualisation to have a completely separate sustainability balanced scorecard without link to the BSC. Nevertheless, a derived environmental and social scorecard in addition to the integrated approach can be useful for a specific unit of an organisation that is preoccupied with the environmental and social aspects (Figge et al. 2001; Hahn & Wagner 2001). Very similar to these three approaches to adapt the BSC is the idea of Hubbard (2009) to create a *Sustainable Balanced Scorecard* (SBSC). In this framework two additional dimensions are directly integrated into the balanced scorecard, namely a social and an environmental one (Hubbard 2009). Proponents of the SBSC have argued that the BSC is a good basis for developing a broader framework because first, it has already incorporated internal and external stakeholders and second, the already large diffusion of the BSC is not in favour of a completely new approach (Figge et al. 2002; Hubbard 2009; Talbot 2010). The SBSC of Hubbard (2009) is represented in the figure on the next page.

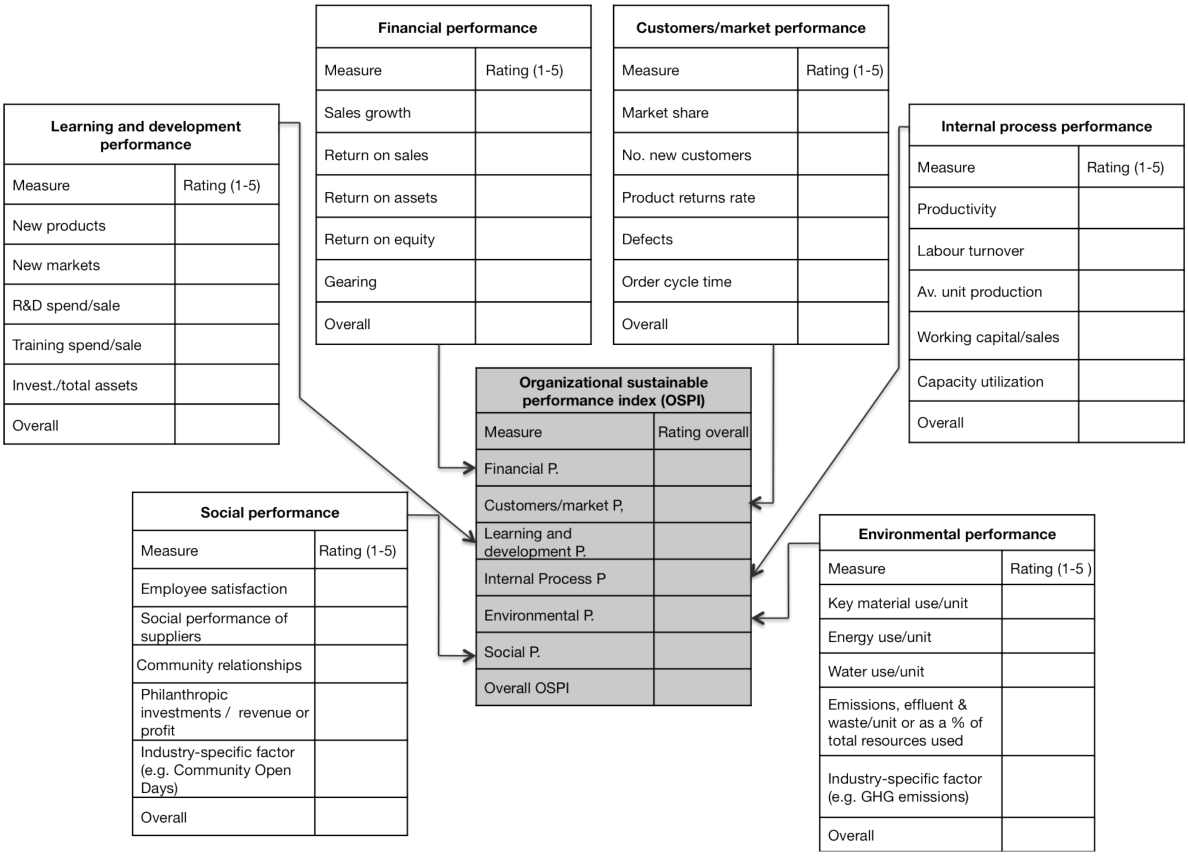

Figure 3: The sustainable balanced scorecard (adapted from Hubbard (2009))

The SBSC adds social and environmental performance to the four performance dimensions of the BSC and directly defines possible performance indicators for each dimension of performance, based on a predefined benchmark. Obviously, this is different to the frameworks discussed so far (e.g. 3BL, EMS or GRS). Based on the indicators an overall 'organisational sustainable performance index (OSPI)' can be calculated giving all performance dimensions the same weight. For this reason, the SBSC takes the performance conceptualisation one step further than other frameworks because it actually calculates a performance score based on an equal weight of all dimensions (Hubbard 2009). An advantage of using an overall performance score is that it can be followed on an annual basis and in case the OPSI score is calculated exactly in the same manner, it facilitates comparison across organisations.

In summary, this section has illustrated the development in the private sector from a one-factorial to a multidimensional performance definition. In most models, the multidimensionality is founded on the premise that it will increase future shareholder value. But there are some attempts to attribute the same weight to all performance dimensions, such as for example the SBSC. Overall, the private sector has witnessed a development towards an increased awareness for social and environmental outcomes. As the following section will illustrate, the importance of such outcomes had already been recognised for a while in the public sector, and this especially after NPM reforms had implemented performance management techniques; leading to a contention around the output focus and a recognition of its insufficiency. The next section will look more in detail into the development of multidimensional performance in the public sector.

II. Multidimensional performance in the public sector

A large amount of research and theory on MDPMs is generic in nature. Nonetheless, there are some particularities in regard to the public sector performance that need to be discussed. These particularities relate to the fact that public agencies are located in a wider environment—something only recently acknowledged by private sector management research with stakeholder theories—and that public organisations have to pursue and respect public values (Talbot 2010). The discussion of public sector models concentrates on public organisations and agencies, meaning that it addresses individual units or organisations and not models developed to evaluate performance of the government at large or even across nations (e.g. OECD, World Bank, Bertelsmann Stiftung etc.). MDPMs can be traced to three different origins in public sphere. First, there are the *adopted imports*, referring to generic MDPMs simply adopted from the private sector without modifications by the public sector. Second, *adapted imports* refer to MDPMs that have been modified in order to make them more appropriate to public sector specificities. Third, *public sector innovations* refer to new models specifically developed for the public sector (Talbot 2010). These will be looked at in more detail in turn.

a. Adopted imports

The first MDPMs adopted by the public sector without adaptation from the private sector were focusing on quality and were the various models developed in the framework of the excellence movement in the 1980s (Talbot 2010). Examples are the *Baldrige Awards Framework*, the *Canadian Quality Model* and the *EFQM Excellence Award* discussed above (section 2.4.1).

The second major round of imports was the introduction of the BSC (Kaplan & Norton 1992, 1996a). The BSC was either implemented on a government wide basis or for specific sectors (Griffiths 2003). An evaluation of the impact of the BSC on the performance of public sectors organisations or activities is difficult and only a limited amount of research has investigated this relationship (Griffiths 2003). In a study on the use of the BSC in government departments in New Zealand, Griffiths (2003) concluded that the BSC is an important part of strategy development and that it links strategy to operations. Griffiths also found that the implementation of the BSC was only partially successful in regard to performance. The author demonstrated how performance objectives and the subsequent compensation of managers and employees were inconsistently linked to BSC measures and concluded with the observation of a partial application of the BSC in New Zealand (Griffiths 2003). More frequently, as with the BSC, MDPMs were imported and adapted to public sector particularities.

b. Adapted imports

Several generic models have been imported and modified in order to match the public sector context. In this spirit, the BSC has for example (Moullin et al. 2007; Niven 2003; Radnor & Lovell 2003) also been adapted to fit public and non-profit sectors. In the for-profit BSC, all perspectives are believed to improve the bottom-line performance. Yet, while the public sector is accountable for efficient resource allocation, the bottom-line is not its overall goal. Public sector goals are rather long-term outcomes such as the health of the population. Consequently, the mission of the organisation is at the top in the non-profit BSC, and the financial perspective is but one among the other three perspectives (Niven 2003).

Besides inverting the perspectives of the BSC, another approach is to replace them with different perspectives, originally not part of the BSC, while still keeping the structure of the framework in place (Moullin et al. 2007). Besides the BSC, other private sector frameworks have inspired models that have emerged in the public sector. For instance, the UK Audit Commission published a handbook in 1984 that was strongly inspired from the *McKinsey 7-S Framework*: 'Improving Economy, Efficiency and Effectiveness in Local Government in England and Wales'. Minor modifications were made, such as the replacement of the category of 'shared values' with 'vision' (UK Audit Commission 1984).

In other cases, MDPMs have been adapted or served as a basis for the creation of new models. An example is the *European Common Assessment Framework (CAF)* for public services that was created through a merger of the *EFQM Excellence Award* and the *University of Speyer Awards Framework for public sector innovation and excellence* (Talbot 2010). It adapts the nine categories of the *EFQM Excellence Award* to a sector specific context. For this reason, 'business results' is for example replaced by 'key performance results' and 'customer satisfaction' is replaced with 'citizen/customer oriented results'. Similarly, the *Management Accountability Framework (MAF)* in Canada was created from a merger of the Canadian Excellence Framework and other public sector models including the PSEM. Generally speaking, adaptations of private sector performance models have mostly resulted in the addition of categories corresponding to public sector contexts, such as for instance the 'social outcomes' in the CAF, 'public customer service orientation' in the PSEM or 'public values' in the MAF framework (Talbot 2010).

c. Public sector innovations

Several MDPMs have also emerged within the public sector *per se*. Talbot (2010) has found the first such model to be the *Three Ethics* approach of Fried (1976) in his book 'Performance in American Bureaucracy'. Many of the features of later MDPMs are present in this model. The *Three Ethics* approach emerged out of the recognition that private and public organisations are very different (Fried 1976).

For Fried (1976) performance in bureaucracy was characterised by three dimensions labelled 'ethics'. First, the 'democratic (or responsiveness) ethic' comprised the values and norms and raised the question of responsiveness to whom and about what. Second, the 'legal (or liberalism) ethic' comprised the rules of law in responding to citizens, rules of equality and compliance related issues. Finally, the 'work (or effectiveness) ethic' comprised elements such as production, efficiency, and achievements. Fried also added a fourth concern, 'survival', which was very similar to the concept of trust and legitimacy in public agencies and to the *public value approach* of Moore (1995). Fried (1976) aimed to develop a model combining goal focus with survival.

The author already mentioned the possible trade-offs and contradictions that occur between the democratic, legal, effectiveness and survival ethics of the model. Fried's MDPM is a very interesting case as it illustrates the dimension-approach taken in this thesis well. The list of MDPMs that has thus emerged for the public sector is long and it would go beyond the scope of this study to discuss them in more detail, but some general reflections on these models will be briefly shared. Most of these models included specific public sector dimensions. For example, the *Strategy Change Cycle* of Bryson (1995) introduced a driver dimension of 'mandates', i.e. the delegation of public service tasks to subordinated organisations. It referred to the public mission of the organisation and the obligations it would have to fulfil. Talbot (1999) relabelled this aspect 'governance'. Some would argue that governance is not under the control of the organisation as executive governments and/or legislatures usually impose them. Therefore they cannot, or should not, be included in performance assessment. However, with Moore (1995) it can be argued that it is part of the responsibility of public agencies to at least try to shape their mandates and governance arrangements to the objectives they have been created to fulfil. Moreover, Carpenter (2001) and earlier on Lipsky (1980) suggested that this is what happens in any case, at various levels within public agencies. It would therefore be better to recognise and manage it rather than try and pretend that public agencies are rigidly following the implementation of public policies decided by their political or administrative masters (Talbot 2010).

Next to these models, there were also MDPMs developed explicitly for the public sector by consultants. An example is the *Accenture Public Service Value Model* based on the book 'Unlocking Public Value' (Cole et al. 2006). The model argues that public value is created when both outcomes and cost-effectiveness increase at the same time. If one component is increased on the expense of the other, a trade-off occurs between these two fundamental ways of creating public value. A decrease in both elements results in a reduction of public value (Cole & Parston 2006). Outcomes are to be defined based on the organisation's mission as well as on citizens' expectations. This definition is the reason the model centres on the aims of offering better services and decreasing tax-rates for citizens. In achieving these aims the citizens are in active contact with the other four players of the model, namely, the elected officials, the managers and administrators, the public service workers and the public-private sector partnerships (Cole & Parston 2006). Next to such holistic MDPMs, other MDPMs have had a narrower scopes, in order to satisfy a specific need as for example 'league tables' which rank organisational units or organisations against each other (Kaplan & Norton 2008; Talbot 2010).

All these adopted, adapted or innovated models highlight three main points. First, performance is believed to be multidimensional. Second, performance definition is context-dependent. And third, the performance of the public sectors attributes an equivalent importance to all dimensions—financial performance being only one aspect among others—and outcomes are far more important than outputs.

III. Reflections on MDPMs

An evolution from univariate to multivariate towards multidimensional models of performance has thus been identified in both theory and in practice (Steers 1975; Hubbard 2009; Talbot 2010). Univariate models focus on one factor such as productivity, profits or growth (Steers 1975). Multivariate models concentrate on multiple criteria or elements of performance such as flexibility, productivity, satisfaction, profitability and resource acquisition (Steers 1975). Multidimensional models centre on multiple dimensions such as financial, social, environmental or legal aspects. The MDPMs discussion highlights that categories of performance models are not always performance dimensions but often success factors. For illustration, the criteria of the *EFQM Excellence Award* such as 'leadership', 'people', and 'strategy' are clearly success factors whereas 'people satisfaction', 'customer satisfaction', 'impact on society' and 'business results' are performance dimensions. Resources and processes can be conceptualised as success factors or performance dimensions depending on whether they are conceptualised along the lines of the OE movement or linked to the span of performance (see section 2.3.1). This is further visible in the structure of driver and result dimensions in various performance models. Drivers are frequently success factors like leadership or policy and strategy, while result dimensions are regularly performance dimensions. The idea of driver dimensions is that high performance in the drivers will lead to high performance in the result dimension. Therefore, drivers are leading indicators of performance while results are lagging indicators (Holton 199b; Talbot 2010).

The number of dimensions identified in the models may vary from four (e.g. *Balanced Scorecard*) to nine (e.g. *EFQM Excellence Award*). Most of these dimensions are composite of different measures and indicators of performance and can hence be broken down. MDPMs focus on multiple factors under several dimensions of performance. The *EFQM Excellence Award* could for example contain around 100 indicators grouped under the nine criteria of excellence (Radtke & Wilmes 2002). The weightings are generally given in the models directly (Talbot 2010). The weighting and aggregation of performance indicators may occur on two levels. First weighting is done within a single dimension of performance (aggregating all indicators) and secondly the aggregation is done across all dimensions. The BSC does only the weighting in each dimension, while the *EFQM Excellence Award* does both kinds of aggregation. Most MDPMs tend to imply complex, causal links between different dimensions of performance (Ittner & Larcker 2003; Talbot 2010). The dimensions may consequently influence each other and the drivers-results structure is not necessarily a one-way link but can go in both directions (Ittner & Larcker 2003). To identify causal relationships between the different dimensions of performance is complex (Talbot 2010).

The implementation of MDPMs can be difficult. Organisations may face difficulties in assessing specific dimensions, as for example the 'impact on society' dimension of the *EFQM Excellence Award*. Moreover, in regard to public sector performance models, output is never an end in itself and the outcomes are the central focus. But as these outcomes are realised by a chain or network of organisations, public sector measurement systems should not be limited to the individual public organisation (Bouckaert & Halligan 2008). To consolidate micro, meso and macro public sector performance is challenging and not a simple task. Bouckaert et al. (2008) thus suggest combining the *span* and the *depth of performance* to generate an integrated view of performance.

In regard to generic or private sector MDPMs, a difference can be made between quality awards and other successful MDPMs such as the BSC. The quality MDPMs are highly normative as they do not just define the performance dimensions but specify precise criteria of 'good' performance in detail. The approach of the BSC is different. It is also an MDPM but it differs from the quality movement in many respects, not least in its parsimony in adopting only four performance perspectives. The indicators to measure the four perspectives of the BSC are not predefined and can be selected individually for each organisation. The BSC therefore has a holistic nature and can be adapted to specific contexts such as the public sector (Kaplan & Norton 2008; Niven 2003; Talbot 2010). The structure of models such as the BSC raises several questions. First, is it possible to construct an MDPM that captures the key dimensions of performance without precisely specifying the content—i.e. elements—of performance that will measure the dimension in question? If this is possible, how to assure that the 'real nature' of the performance concept is considered and how can the concept of performance be operationalised empirically? Moreover, the use of different variables in each dimension raises the question of the comparison across organisations using different indicators for the same dimensions. A more reasonable approach would seem to be to try to iteratively validate both the dimensions of performance and their detailed content (Talbot 2010) as is the approach taken in this study.

This discussion on multidimensional performance models has several implications for this study. MDPMs try to identify elements that contribute to the successful achievement of the goals of organisations, programmes or sub-units. Moreover, they serve to identify the focus of the organisations in question. Talbot (2010) argues that most of these public sector MDPMs include aspects or dimensions of performance that would not apply in the private sector, such as public sector values, external reporting and accountability and social impacts. This view may be contested especially in regard to specific contexts, as will be discussed in section 2.6 below. In which dimension organisational activities get measured in order to gauge their performance is of an on-going research interest. In this study, the interest is clearly on the dimension of performance and not on the success factors of organisational excellence. Consequently, the focus of interest is the nature of performance *per se,* and the aspects that are integrated in the measurement of performance. The following section presents and discusses some public management research on the multidimensional nature of performance.

2.4.2 Dimensions identified in previous public management research

In public management literature, several studies attempt to identify the dimensions of performance. This section will highlight some of the most recent such studies. As will be illustrated, dimensions in public management literature refer mostly to the components of the production model of performance illustrated in section 2.3.1.

In a study on US Federal agencies Brewer and Selden (2000) identified the theoretical dimensions of organisational performance in order to create a taxonomy to facilitate performance measurement. They established the factors susceptible to influence organisational performance on two distinct levels. First, 'agency factors' included organisational culture, red tape, human capital and capacity, agency support for the 'National Performance Review (NPR)', leadership and supervision (Brewer & Selden 2000).[12] Second, 'individual factors' refer to the structure of the task/work, the task motivation, the public service motivation and the individual performance. The two scholars tested these factors in a survey on employees in federal agencies and proposed a perceptual measure of organisational performance combining the individual (i.e. the employees' performance) and the organisational levels of performance. They concluded that the most important factors affecting performance were efficiency and effectiveness (i.e. efficacy), teamwork, the building of human capital, the structure of task or work, the protection of employees, the concern for the public interest and the task motivation. Hence, Brewer and Selden (2000) used efficiency, effectiveness and added fairness to represent a specific public sector concern. The authors argued that the performance variables in public institutions must be reinforced on a broader basis than in the IOO or 3E-model. They did however not claim generalisability of their model, as while some of these categories, like the organisational culture or human capital, could readily be transferred to other organisations, others, as for example the support for NPR, were specific (Brewer & Selden 2000). All these elements reconfirmed the amalgamation of success factors and performance dimensions in order to define the success of organisations. Furthermore, Brewer and Selden (2002) did not separate performance dimensions (i.e. employees' performance) from indicators of performance (i.e. efficiency, effectiveness). This can also be observed in other research on performance dimensions, for example in the study of Boyne (2002).

Boyne (2002, 2002b) has identified fifteen dimensions of performance in public organisations and grouped them into five themes—'outputs', 'efficiency', 'service outcomes', 'responsiveness', and 'democratic outcomes' (Boyne 2002b).

Outputs	
Quantity	Quality
Efficiency	
Cost per unit of output	
Service outcomes	
Formal effectiveness	Equity
Impact	Cost per unit of service outcome
Responsiveness	
Consumer satisfaction	Staff satisfaction
Citizen satisfaction	Cost per unit of responsiveness
Democratic outcomes	
Probity	Accountability
Participation	Cost per unit of democratic outcome

TABLE 5: PERFORMANCE DIMENSIONS IN LOCAL GOVERNMENTS (SOURCE BOYNE (2002B))

[12] The NPR is a government-wide performance review initiative established in 1993 by President Clinton. The goal of the NPR was the identification of problems and the elaboration of solutions and ideas for future savings (Brewer and Selden 2000).

Boyne (2002b) has argued that performance indicators (PIs) should be developed in these fifteen domains, but further doubted the validity of PIs by arguing that it is often not clear what PIs are assessing. Therefore, dimensions of organisational performance first need to be identified before selecting the PIs. Boyne (2002b) has enlarged the span of performance with domains concerning responsiveness and democratic outcomes. Public management and public managers influence the performance of their organisations and of public programmes more broadly, and these domains show that financial measures are by no means the only determinants of performance (Boyne 2002b).

In the same perspective, Andrews et al. (2005b) have raised the question whether representative bureaucracy results in a higher level of organisational performance in English local governments. The organisational performance, the dependent variable in their model, was composed of two measures, namely customer satisfaction and a constructed measure entitled *Core Service Performance (CoSP)*. The CoSP measure covered six dimensions of performance, namely ‘quantity of outputs’, ‘quality of outputs’, ‘efficiency’, ‘outcomes’, ‘value for money’, and ‘consumer satisfaction with individual services’ (Andrews et al. 2005b). The CoSP was a measure based on the production model of performance and enlarged by consumer satisfaction, i.e. one of the main dimensions of the MDPMs outlined above. In the same spirit, Walker et al. (2010) have argued for an enlargement of the production model of performance and proposed the application of the dimensions of organisational performance as suggested by Boyne (2002b) with the difference that they replace the ‘democratic outcomes’ dimension with a dimension entitled ‘governance’ (Walker et al. 2010).

Likewise, Summermatter and Siegel (2008b, 2009) have also extended the production model of performance with other performance dimensions. These scholars screened over 300 academic articles in the area of public administration in order to identify the various definitions of performance used in these studies (Summermatter & Siegel 2008b, 2009) and identified ten dimensions of performance, as illustrated in the table on the next page.

Dimension	Subsumed terms and concepts
Input	Costs, budgets, expenses, revenue, expenditure, economy, resources.
Throughput	Process, production process, organisational processes, activities, capacities, operations, volume of work, workload, levels of activity or of proficiency, operating characteristics.
Output	Results end of the production process; quantity and quality of outputs, services.
Outcome	Effects, results, impacts, benefits, public value, accomplishments, consequences.
Efficiency	Relation of efforts to outputs, the ratio of output to input, technical efficiency, cost per unit of output, relative efficiency.
Effectiveness	How well services or programs meet their objectives, a measure of outcome, illustrating the result or impact of a service, the extent to which customer requirements are met, cost-outcome measures.
Additional types of ratios	Productivity, value for money, cost effectiveness, return on investment, return on taxpayer money, unit or per capita costs.
Quality	Quality of staff activity, services or outputs, extent to which the nature of the output and its delivery meet requirements or are suitable to their purpose, conformance, reliability, on-time delivery.
Requirements	Targets, goals, objectives, standards, timeliness, pledges, benchmarks.
Stakeholder-related aspects	Consumer's evaluation of various features or facets of the product or service, based on a recent consumption experience, satisfaction, trust of actors and stakeholders, customer satisfaction.
Value and ethical aspects	Equity, transparency, or other democratic values, equitable distribution of benefits, fairness.

TABLE 6: VARIOUS PERFORMANCE DIMENSIONS (BASED ON SUMMERMATTER & SIEGEL (2009))

The first eight of these dimensions are related to the production process definition of performance. 'Requirements' points to different elements that can either be internally requested (through the management) or externally imposed (through legislator, regulators or international certification associations) (Summermatter & Siegel 2009). 'Stakeholder related aspects' relate to the focus on direct stakeholders such as the consumers or suppliers and not on indirect stakeholders such as regulators or society. 'Value and ethical aspects' can be linked back to the public values discussion and illustrate the particularities of the public sector and the need to consider social outcomes. Summermatter and Siegel (2009) have concluded that the identified dimensions highlight the absence of a consensus about the performance of public institutions. In the 320 papers analysed by Summermatter and Siegel (2009), fifty-four papers did not contain any definition of performance. In the other 266 papers, 4.91 dimensions were used to define the concept on average. The most frequent dimensions used were 'outcomes (68%)' and 'outputs (66%)', whereas 'value and ethics' accounted only for a frequency of 17% in the data set and ratios only for 25%. In regard to linked dimensions, the concepts most frequently linked were 'outputs-outcomes', with 134 references out of the 266 definitions. Summermatter and Siegel (2009) concluded that research could either avoid using the term performance; it could clearly outline how the term performance is understood and how the different elements are defined and what the assumed links between them are or finally; it could apply a comprehensive definition of the term 'performance' across research. For them, the first option is not realistic because of the large diffusion of the term. The second option would appear more applicable, but would still lead to misunderstandings and render the communication between theory and practice difficult. The third option would require researchers to apply not only some but all relevant dimensions and would hence complicate research enormously. Summermatter and Siegel (2009) concluded that the choice of the appropriate option would depend on the research in question. They suggest that a definition of performance should include outputs, outcomes, efficiency, and effectiveness as crucial dimensions. Inputs and requirements may be adjusted to the context studied. Such a 'mainstream' definition is argued to have been prominent for a long time. The inclusion of stakeholder-related, quality or ethical aspects broadens the concept but also renders it more complex and normative (Summermatter and Siegel 2009).

Talbot (2010) has summarised that following 'dimensions' as the most frequently found in the MDPMs:

Values (endogenous and exogenous)	Resources management (including economy and efficiency)
Aim, mission, goals, or mandate	People management (including equality and diversity)
Legitimacy, trust, responsiveness, sustainability	Process management
Governance arrangements (including accountability and democratic control)	Customer/service focus and responsiveness
Strategy, integration, and alignment	Risk management
Structures	Innovation and learning
Partnerships, joined-up working, networks	Service delivery, outputs, quality of outputs
Leadership	Social impact, outcomes, results

TABLE 7: THE DIMENSIONS DETECTED IN MDPMS (ADAPTED FROM TALBOT (2010))

This list does not claim to be exhaustive and Talbot (2010) has argued that further analysis of the models, both current and emerging, might add to that list. Obviously, the list summarises the themes identified in MDPMs and other research on the definition of performance. Recurrent themes comprise the dimensions of performance as a production process even though Talbot (2010) has titled them differently, for example 'resource management' referring to economy, efficiency and inputs, 'process management' referring to throughputs or 'service delivery, outputs, quality of outputs' including quality, effectiveness and other ratios. Other recurrent themes are the 'democratic outcomes' such as 'legitimacy' or 'trust' but also 'social impact', 'outcomes or results' and 'values'.

'Responsiveness' is also a theme emerging in several studies (e.g. Brewer & Selden 2000, Boyne 2002b). Another question in regard to values is how to categorise them. Talbot (2010) has suggested an approach called the *Relational Models Theory (RMT)* that applies to different categories of values. First, values that focus on social solidarity, community cohesion, redistribution (through taxes, benefits, and services), coproduction or services and so one are summarised in the 'communal sharing' dimension. Second, values such as stability, reliability, security, regulation, efficiency in delivery of services and enforcement of norms by the authorities are taken into the group 'authority ranking' (Talbot 2010). Third, values such as equal treatment among citizens, employees or gender are taken into the 'equality matching' dimension (Talbot 2010). Finally, values such as personal benefit for the individual, economic value or values rooted in NPM are covered in the category of 'market pricing' (Talbot 2010). This is an interesting approach enlarging the direction of MDPMs and opening up the field for future research. That said, it could again be questioned whether all these values identified by Talbot (2010) are in fact ‘values’, or whether they include elements that would correspond to other dimensions of performance, such as efficiency that could be included in the financial dimension of performance.

The approaches presented above are only a selection of the extensive body of literature that exists on the topic of dimensions of performance in public services and institutions (Andrews et al. 2005a; Baetge et al. 2007; Boyne 2002b; Brewer & Selden 2000; Summermatter & Siegel 2008a, 2008b, 2009; Talbot 1999, 2008a, 2010; Talbot & Johnson 2005). They are representative examples of the body of research on performance dimensions and have several implications for this study.

First, they illustrate that there is no simplistic modelling of performance in the public sector (Holton 1999b), mainly due to the complex environment in which they are embedded This in turn results in complex and multiple performance dimensions (Talbot, 2010: 181). Similarly, Summermatter and Siegel (2009: 2) outline that no one unitary concept of public performance exists. Hence, a unified performance definition would not be appropriate given the multidimensional nature of performance.

Second, it is widely recognised that public organisations require a wider integrated framework of performance, one that goes beyond the focus on the input and output dimensions. Public sector organisations need to consider dimensions beyond the production process of an individual organisation’s activity. This does by no means indicate that economics, efficiency, effectiveness, inputs, and outputs are not significant, but that the focus when evaluating an organisations performance needs to be widened. The financial and economic focus does not completely correspond to the public sector activities. In order to have an integrated picture of the performance in the public sector, dimensions need to be added representing the values and non-financial objectives inherent to the public sector. Traditionally, these objectives are different in the public and the private sector, since in the public sphere, objectives are often contradictory, multiple and not necessary profit-oriented (Boyne & Law 2005; Yaziji 2010). On which dimensions organisations concentrate is ideally a result of the objectives defined in their strategy (Mintzberg 2008).

Third, the different dimensions are somehow contradictory and trade-offs between them occur (Andrews et al. 2011; Holton 1999b; Talbot 2010). Contradictory, because some of the dimensions may work against each other and trade-offs, because the fulfilment of one may be at the expense of another. In this spirit, the increase of economic value may for example be restricted by ethical or environmental considerations. Every organisation needs to balance the various dimensions to find a combination that is appropriate for its particular situation. Moreover, close to no organisation is susceptible to use all the 11 dimensions identified by Summermatter and Siegel (2009), or all sixteen identified by Talbot (2010).

Fourth, the terms used to describe the nature of performance vary across research (Holton 1999b). A lot of research uses interchangeably terms like ‘theoretical dimensions’ (Brewer et al. 2000), ‘measures’ (Andrews et al. 2005), ‘domains’ (Walker et al. 2010) ‘factors’ (Brewer et al. 2000), ‘measurement of construct’ (Brewer et al. 2000), ‘concepts’ (Summermatter and Siegel 2009), ‘dimensions’ (Andrews et al. 2005; Boyne 2002b; Summermatter and Siegel

2009; Talbot 2010; Walker et al. 2010) or ‘themes’ (Boyne 2002b) of performance. This is not only the case across research but sometimes even within one single study. The difficulty even increases where under ‘dimensions’ (or any other term used to refer to the nature of performance) elements of different levels are integrated. For example, economy, efficiency and effectiveness of the production process have an explicit meaning, as they are ratios of input-to-input, input-to-output, or output-to-outcome. They are hence concepts measuring performance in the production process. To integrate these concepts on the same level as the dimensions of performance, such as values or operational performance seems to be more confusing than actually contributing to the correct understanding of the performance. The complexity is amplified still when the private sector understanding of performance, such as environmental or social performance is added to the performance dimensions of public organisations (especially in regard to the different qualities of the dimensions).

To sum up, the above outline has shown that different multidimensional performance models and public management studies have conceptualised performance dimensions in various ways, reaching from a use of financial indicators to operational, customer or process related aspects and at times integrating social values as well. Based on these various elements, taken from the public and the private spheres, but also from theory and praxis, performance clearly appears to be multidimensional, complex and context-dependent. This begs the question of which are the performance dimensions that can be used to define performance for both public and private organisations? The next section is dedicated to the construction of a complete and holistic tool integrating dimensions identified in previous research. This tool can then be used to examine the question of the influence of regulation on an organisation’s definition of performance central to this study.

2.5 SIX DIMENSIONS TO DEFINE PERFORMANCE

So far, it has been shown that performance is multidimensional, capturing both financial and extra-financial dimensions. Further dimensions of performance can reach from inputs and outputs to values and ethical aspects, thus linking numerous concepts to performance. This study aims to explore whether an organisational performance concept is indeed built on different dimensions, what importance each dimension has, whether a hierarchy of dimensions can be observed and whether there exists a link between the various dimensions. In order to do so, an analytical tool first needs to be constructed. From the literature review above, six dimensions of organisational performance can be identified, together linking private and public sector attributes. It is believed that by bridging private and public performance ideas, these dimensions provide a solid framework. It is based on it that organisational performance can first be defined, and then measured for each individual organisation. In the next sections, each of the six dimensions that have been identified in the literature review will be outlined in turn, and examples of indicators for each dimension will also be provided.

2.5.1 The financial dimension

The financial dimension[13] is linked to what is often called financial performance or corporate financial performance (Callan 2009; Capon et al. 1990; Griffin & Mahon 1997; Hamilton & Shergill 1992; Reger et al. 1992; Stanwick & Stanwick 1998; Waddock & Graves 1997). It is the most traditional dimension used to conceptualise organisational performance (Baetge et al. 2007; Richard et al. 2009). It also coincides with what Kaplan and Norton (1996) called the financial perspective of the BSC. It evaluates the aspects that are linked with the economic value creation of the organisation (Figge et al. 2002; Niven 2003; Richard et al. 2009). All performance models, in public and private sectors, refer in one term of another to the financial dimension (Bouckaert & Halligan 2006; Bouckaert & Peters 2002; Boyne 2002b, 2003; De Bruijn 2007; Gond et al. 2009; Kirby 2005; Lorino 2001; McWilliams & Siegel 2001; Summermatter & Siegel 2009; Talbot 2010). Most often scholars use a single indicator such as 'return on assets (ROA)' or 'return on investments (ROI)' to measure aspects of the financial dimension of performance (Reger et al. 1992; Richard et al. 2009; Schönbucher 2010). Such a conceptualisation is very narrow and there are many indicators measuring financial fitness and robustness of a company: 'efficiency', 'economics', 'output', 'cost structure', 'profit', 'financial measures/ratio' etc. are only a few to mention (Baetge et al. 2007; Schönbucher 2010). Bearing in mind the process of performance measurement, three groups of key financial indicators are taken to measure the financial dimension in this study. First, 'growth benchmarks' such as 'revenue growth' are reporting the financial success of the organisation. Second, 'revenue related benchmarks' such as 'gross revenue/win margins' are examples of the financial dimension. A third group of key indicators of the financial dimension are 'key financial results benchmarks' such as 'earnings before interest, tax, depreciation, and amortisation (EBITDA)' or 'operating profits over earnings before interest and tax (EBIT)' margin. These three groups have been used in several studies to evaluate the financial performance (Baetge et al. 2007; Loterie Romande 2009, 2010, 2011; MECN 2012; Olson & Slater 2002; Schönbucher 2010; Swisslos 2009, 2010, 2011). But the economic value creation of a firm is not only linked to the financial dimension but also to its internal operations.

2.5.2 The operational dimension

The operational dimension[14] refers to the operations of an organisation undertaken in order to fulfil its purpose. It is based on the three non-financial perspectives of the BSC. The operational dimension originates in stakeholder theory and the BSC as well as the 7S-framework of McKinsey.

First, the *customer perspective* concentrates on the customers of the organisation. For an organisation it is important to know who the customers are and what the organisation will offer them (Figge et al. 2002; Niven 2003). Related indicators are 'advertising costs', 'customer surveys', 'customer satisfaction', 'customer loyalty' or 'marketing expenses'. The

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[13] For an extensive overview of indicators of financial performance please see Baetge et al. (2007); Richard et al. (2009).
[14] For an extensive overview of indicators of operational performance please see Baetge et al. (2007); Richard et al. (2009).

focus on customers is believed to increase the future economic value of a firm (Kaplan & Norton 1996b, 2008). The following indicators targeting the customer perspective are identified for the empirical research in this study: First, 'customer satisfaction' captures the customers' satisfaction with the services and products of the organisation. Second, 'customer acquisition' captures the focus of the organisation to acquire new customers. Third, 'customer profitability' is the difference between the revenues earned from customers and the expenses invested in the customer relationship during a specific time period. These concepts have also been identified in the literature, and highlighted as being appropriate indicators of the customer perspective (Figge et al. 2002; MECN 2012; Olson & Slater 2002).

The second component of the operational dimension is the *internal business process perspective*. The internal business process perspective includes production processes, and how inputs are used and what throughputs are realised (Figge et al. 2002; Kaplan & Norton 1996b, 2008; Niven 2003). Key indicators of the internal business process perspective are for example 'average units of production', 'productivity', 'working capital/sales' or 'labour turnover' (MECN 2012). The indicators identified for the empirical research in this study are first 'productivity', as defined as an average measure of efficiency of production and as a ratio of output to input (capital, labour, energy, (raw-) materials etc.). Second, 'working capital over sales' is a financial ratio capturing the amount of invested cash to maintain a certain level of sales. Finally, the 'labour turnover' captures the number of employees that leave the organisation compared to the total number of employees (Olson & Slater 2002).

The third component of the operational dimension is the *learning and growth perspective*. The importance of learning and growth of an organisation was attested in a lot of research (Figge et al. 2002; Gond et al. 2009; Kirby 2005; McWilliams & Siegel 2001). It is judged to be the actual driver for the other three components of the BSC, recalling the customer, internal business process and financial perspectives. For the safeguarding of the future of an organisation it is necessary to constantly evolve and be innovative. Indicators of the learning and growth perspective are for example 'product developments', 'employee training', 'suggestions made by new employees', 'product cycle', 'innovations' and 'new markets' (Figge et al. 2002; Olson & Slater 2002). The sub-concepts identified for the empirical research in this study are 'innovations' (i.e. how important is innovation for the organisation), 'product developments' (i.e. how do existing products develop) and 'entering new markets' (i.e. diversify towards new markets) (Olson & Slater 2002).

2.5.3 The stakeholder management dimension

The stakeholder management dimension integrates the views of stakeholders. These are vital for the survival of the firm because they have in some form or another invested in the firm, something which is positively related to shareholder value creation (Hillman & Keim 2001). It refers to the stakeholder-management side of the CSR movement as defined by Hillman and Keim (2001) (see section 2.3.1). The CSR movement and the related corporate social performance are linked to this dimension when the activities result in, or intend to result in, an increase of future shareholder value (Hillman & Keim 2001). In including such a dimension, an organisation widens its stakeholder view by adding other stakeholder groups than customers such as employees and suppliers. Similar conceptualisations of the stakeholder management dimensions can be found in the TPM, SBSC or the 7S-framework (Elkington 1997, 1999; Enticott & Walker 2005; Figge et al. 2002; Hubbard 2009; Peters & Waterman 1982). Examples of indicators for this dimension are 'employees' satisfaction', 'social performance of suppliers', 'non-marketing sponsoring' (if it exists), 'energy used', 'water used', 'emissions' etc. It is believed that engagement in these activities will boost the future economic value of the company and is thus important for the long-term survival of the organisation (Figge et al. 2002). The sub-concepts identified for the empirical research in this study are the 'employees' satisfaction', the 'social performance of suppliers' and the 'energy, water used and emissions' as well as the 'reduction of manufacturing waste'. Hence, these sub-concepts capture the CSR concept in regard to employees, suppliers, and environmental protection.

2.5.4 The legal requirement dimension

The legal requirement dimension incorporates the compliance side of the CSR movement and the legal ethic as defined by Fried (1976). Fried (1976) argued that it is important for bureaucracy to include the legal ethic in their performance definition. The legal requirement dimension is legitimated by the idea of *Creating Public Value* (Moore 1995). This approach concentrates on the question of how public agencies can create 'public value'[15], in analogy to the shareholder value creation of the private sector (Kelly & Muers 2002; Moore 1995, 2003). When such 'public value' is created in order to comply with a governmental regulation, it is considered to be part of the legal requirement dimension. An important aspect—also in regard to this study particularly—is that it is not only the public sector that creates the 'public value'. A private, non-profit or voluntary organisation can also produce public value (e.g. Bozeman 1987; Bozeman 2007; Talbot 2010). What this 'public value' may be depends on the objective defined by the government. An example is the attempt to minimise the negative externalities of a firm, for example in regard to pollution. The 'public value' would be clean air for the local community. The term 'public value' can be seen as an amalgamation of multiple public values (Van Wart 1998). The legal requirement dimension refers to compliance with regulations and the respect of legal obligations, and it includes any activity an organisation may undertake in order to do so. In sector-specific terms, legal obligations to internalise negative externalities also fall under this dimension, as does the redistribution in the form of taxes or share of profits to the state budget. Hence, this dimension can be linked to the part of 'public value' that can, as argued by Talbot (2010), be created by organisations—public and private ones—when a regulation or a law induces them to do so. Therefore, the mandatory public value creation is included in this dimension as it goes hand in hand with compliance. In the empirical part of this study the sub-concepts used to illustrate the legal requirement dimension are the 'reserves for regulatory costs', the 'reporting of activities to the regulator' or the 'compliance with legal obligations'. In case public value is created out of voluntary activities it is deemed part of the social issue

[15] Public value has to be separated from public values. A public value refers to a non-financial goal such as reducing pollution or waste. In case the engagement to create a public value is mandatory, these activities are in the legal requirement dimension. In cases where the public value is a voluntary goal, it is part of the social issue participation dimension. Public values on the other hand refer to values that are upheld in a society and are part of the public values dimension.

participation dimension. In regulated sectors, the organisations face more obligations than under 'free' market conditions. These are purposely not referred to as 'unregulated', because each organisation does face some kind of regulation (Cairns 1985; Majone 1991; Parker 2001; Vogel 1996). For any organisation, the respect of the law, at least in a well functioning society with a robust 'Rechtsstaat', is crucial for the survival of the organisation. Legal and compliance aspects gain in importance in regulated industries. Sector specific regulation has an influence on an organisation and requires greater compliance activities. As a result, the legal compliance is considered but also measured, as it may be an important aspect for the success of an organisation. The legal requirement dimension may be very important for the performance of the organisation as non-compliance may endanger its very survival (Carroll 1979; Fried 1976).

2.5.5 The social issue participation dimension

The social issue participation dimension refers to outcomes, which are not core business aspects and which do not contribute directly to shareholder value creation, but which are voluntary and not realised in order to comply with the regulation. It coincides with the wider definition of CSR and what Hillman and Keim (2001) called that 'social issue participation'. It is the question of whether an organisation uses some if its profit for the achievement of a social outcome, on a voluntary basis. Such engagement is argued to decrease the shareholder value by either deploying revenue, or by not engaging in something, therefore possibly renouncing to potential sources of shareholder value creation (Hillman & Keim 2001). The idea behind the notion of values creation is that companies should not only optimise short-term financial performance but create values in society and for society on a voluntary basis (Carter & Greer 2013). Hence, the social issue participation dimension coincides with values of common good and sustainability, with the 'impact on society' dimension of the *EFQM Excellence Award* or 'social outcomes' in the inventory of performance dimensions of Talbot (2010) or Summermatter and Siegel (2009). In spite of the usual focus on the public sector, the scope of values creation is enlarged in this study by examining also whether private organisations engage in value creation. The difference with public value (creation as outlined in the legal requirement dimension is that organisations are engaging voluntary in such activities. Indicators used to detect the presence of the social issue participation dimension in the empirical part of the study are for example the 'philanthropic use of profits', the 'voluntary compensation for negative externalities' and the 'involvement in local community' (Hillman & Keim 2001). What is important in regard to the social issue participation dimension is the voluntary nature of actions undertaken and the fact that it might decrease shareholder value.

2.5.6 The public values dimension

The public values dimension refers to the values that are important for the society in which the organisation is embedded. 'Values' refer generally to the social values that people hold (Talbot 2010). Public values[16] are identified in public sector performance research but not as

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[16] 'Value' and 'values' have their roots in different disciplines: 'Value' has its roots in classical economics such as the labour theory of value developed by Adam Smith, David Ricardo and Karl

a dimension of performance. In literature it is argued that public values potentially influence the definition of performance (Bozeman 2007; Talbot 2010). The public values dimension refers to values shared by the community and that are not outlined in the regulation but to which an organisation adheres. The public values dimension is based on indicators of 'transparency', 'equity' and 'fairness' (Elkington 1999; Jørgensen Beck & Bozeman 2007; Norman & MacDonald 2004; Talbot 2010).

Public values come from various sources such as individual, professional, organisational, legal and public interest values. Consequently, numerous public values[17] exist. What is important to note however is that public values are defined as: *"a society's public values are those providing normative consensus about (a) the rights, benefits, and prerogatives to which citizens should (and should not) be entitled; (b) the obligations of citizens to society, the state, and one another; and (c) the principles on which governments and policies should be based"* (Bozeman 2007: 13). This is by no means the only definition of public values in literature. Hood (1991) has for example suggested another categorisation of public values, namely to classify them into 'product', 'process' and 'regime values'. Product values refer to the efficient and effective production of goods and services delivered by the public sector. Process values are linked to values that keep government fair and honest (Hood 1991: 13). Hood (1991) outlines that these values are often institutionalised in appeal mechanisms and ethical codes. Third, regime values refer to values that keep the public sector robust and resilient. These are values linked to crisis management and strong regimes not easily endangered (Hood 1991).

Taking this idea to the definition of performance, individuals and organisations hold values that influence the assessment of activities and hence the meaning of performance, and this both in the private and the public sector (Talbot 2010). In this view, values are something that influence the definition of performance, but are not actually a part of the performance definition. So far, in previous studies, values were part of the performance assessment of public organisations (Talbot 2010). Van Dooren et al. (2010) have argued that two views exist with regard to how public values and public performance relate to each other. First, and similar to the product values category of Hood (1999), performance can be seen as a public value in itself, among other public values. Hence, performance is defined as efficiency or effectiveness. In a second view, performance can be seen as the realisation of public values and hence performance and values are distinct concepts. Values are the reference for performance assessment (Van Dooren et al. 2010: 24). Instead of integrating

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Marx in the eighteenth and the nineteenth centuries (Talbot 2010). 'Values' on the other hand developed in fields such as philosophy, ethics, sociology, anthropology and so on (Talbot 2010). It would go beyond the scope of this thesis to deal with this extensive body of literature (for a discussion see for example Gaus (1990) Bozeman (2007); Jørgensen Beck and Bozeman (2007)) on individual values and how individuals develop and change their values. Instead, the focus is on the discussion around 'values' in relation to organisations and especially in regard to performance. 'Value' and 'values' are sometimes difficult to separate and some authors, such as Bozeman (2007) do not seem to distinguish between the two, but use them interchangeably. 'Value' and 'values' are not new concepts, but they have for a long time been the subject of analysis both in public and in private organisations (Bozeman 2007; Jørgensen Beck & Bozeman 2007).

[17] For an overview see Jørgenson and Bozeman (2007).

performance into values or assessing them separately, public values are considered in this study as one dimension of performance. How well the values are achieved then contributes to the overall performance of organisations. The question that arises is that of whether organisations actually include a public values dimension in their performance definition, and hence engage in the creation of public values such as ‘equity’, ‘transparency’, ‘citizen involvement’, ‘fairness’, ‘equal treatment’, and ‘social cohesion’. This dimension is thus linked to the creation of democratic and public values (Bozeman 2007; Jørgensen Beck & Bozeman 2007; Summermatter & Siegel 2009; Talbot 2010). The difference between this study and previous literature is mainly that here public values are used as performance dimension on their own. This differs from previous research where it was mostly argued that public values influence the different performance dimensions, the interpretation of performance measures, the weighing attributed each dimension or the institutional context (Talbot 2010). This study takes it a step further by asking whether organisations are actually engaging in measuring their level of achievements in public values.

2.6 A HOLISTIC APPROACH OF PERFORMANCE DIMENSIONS IN REGULATED ENVIRONMENTS

The six performance dimensions constructed from literature are the foundation of the performance definition to be used in this study. In literature it has frequently been highlighted that the main differences in the multidimensionality of performance between public and private organisations is that in the latter, multidimensionality is hierarchically ordered and essentially contributes to the financial dimension, whereas in the former, it is horizontally ordered, resulting in multiple final performance dimensions. In the private sector, the dominating focus was originally on economic values. Since the 1980s, with the transition from the OE movement to the Excellence movement the attention has shifted to culture and quality from structures, plans and numbers. The unique focus on financial measures was argued to be insufficient to manage organisations in competitive market environments. As well the increasing expectations of customers demanded a greater responsiveness and a greater external focus. Traditional financial performance measures focus on the performance that results from the activities of an organisation but they provide little indication of how that performance is achieved or how it can be improved (Keenerley & Neely 2003; Talbot 2010). Despite the influence from the private to the public sector in regard to management techniques, the performance concept in the public and private sector is, as shown throughout the chapter, different. Talbot (2010) states: *“Outcomes are the primary concern (or should be) for public domain activities, whereas for private sector organisations they are at most a voluntary add-on – as in the corporate social responsibility movement”* (Talbot 2010: 27). The key characteristic separating the public and private domain is the differentiated focus of the dimension of performance that is measured. In the public sector, the multiple constituencies that prevail induce organisations to emphasise multiple aspects of performance (Hvidman & Andersen 2013). ‘Social outcomes’ are or should be the primary concern for public sector activities, whereas for the private sector organisations outcomes represent at most a voluntary ‘add-on’, or by-products, as the corporate social responsibility movement illustrates (Parenteau 1997). The focus of private organisations remains the outputs of the activity and the economic value created for share- and stakeholders (Talbot 2010). Nonetheless, an equal treatment among performance dimensions has also emerged in private organisations, as for example in the SBSC of Hubbard (2009). Hubbard (2009) noted *"sustainability concepts have dramatically widened the scope of measurement options and leading organizations are grappling with sustainability reporting, but there is no sign of consensus on a common reporting standard and the competing frameworks are impossibly complex"* (2009: 177). The introduction of the sustainability concept in organisations has implications for the strategy and consequently affects also how the organisation measures performance *(*Hubbard 2009: 181). The emergence of such frameworks in theory and practice suggest that the importance of social and environmental aspects is recognised when doing business. Businesses respond to this evolution by creating sustainability reports. That said the question of sustainability does not enter the debate on organisational performance at the top level (Hubbard 2009; O'Dwyer & Owen 2005). The central argument of the private sector framework is that good environmental and social performance, in addition to good operational performance will, in the long-term, result in an improved financial performance. The resulting social and environmental outcomes are therefore at best add-ons or by-products to the core focus—the financial outcome. An interesting question is consequently, whether under a specific context, in private organisations, social outcomes become performance dimensions, instead of being by-products resulting out of the focus on financial outcomes.

Public–private differences

Wallace Syre has once remarked that *"public and private management are alike in all unimportant respects"* (Allison 1980: 282). It seems that also in regard to the definition of performance, the public and private sector are fundamentally different. The differences between public and private organisation know a long research tradition (Allison 1980; Boyne 2002a; Bozeman & Bretschneider 1994; Marais & Reynaud 2008; Parenteau 1997; Rainey & Bozeman 2000). The reasons behind the differences between private and public management are numerous. In general, managers in private organisations are judged to dispose over a greater autonomy, a higher variety of actions and better opportunities to exploit the environment surrounding the organisation (Hvidman & Andersen 2013). Researchers generally argue that three variables distinguish private and public organisations (Boyne 2002a; Bozeman & Bretschneider 1994; Marais & Reynaud 2008; Rainey & Bozeman 2000). First, ownership is different. Entrepreneurs or shareholders own private firms, whereas members of political communities collectively own public agencies. Second, the funding of organisations is different. Public agencies are funded largely by taxation rather than fees paid directly by customers (Boyne 2002a). Third, control is executed at different levels. Public sector organisations are controlled predominantly by political forces, not market forces, where private organisations are controlled by owners or a Board of Directors (Boyne 2002a). Bozeman (1987) has taken these three variables together into a dimensional model of 'publicness' and concluded that no organisation is wholly public or wholly private. Instead, private firms and governmental agencies can be arrayed on the three dimensions of 'publicness'. Bozeman (1987) thus argued that all organisations are public to the degree that they are sanctioned by the state (Bozeman & Bretschneider 1994; Bozeman & Loveless 1987; Rainey & Bozeman 2000).

The external context: a move away from the public versus private performance definition?

The private and public dichotomy in defining performance is arguably to be abated in an environment where public and private differences are minimised. Public and private organisations can take similar forms: they can both have a Board of Directors, a CEO, and behave in a similar way as for example in regard to investments or profit generation or consumer satisfaction. Consequently, to evaluate the performance based on the same indicators (such as annual profits, return on investments or return on assets, growth rates or market share) does not seem that alien (Parenteau 1997). Performance measurement and management is argued to be contingent on social, technical, cultural and political conditions (Bouckaert & Halligan 2008). Hence, the external context is also contributing to the performance definition of organisations. Not only is it argued that environmental characteristics influence the level of performance (Hannan & Freeman 1977) but also that organisations whose structures fit their environments achieve better results (Lawrence & Lorsch 1967). The organisational theory literature has since long recognised the existence of external stakeholders who may try to influence or shape the direction of an organisation (Talbot 2010).[18] Based on organisational theories, Boschken (1994) has also looked at the multiple constituencies for public agency performance and highlighted that they can create a performance bias. He has thus raised the question—but left it unanswered—of how it would be possible to design a system balancing the interest of multiple stakeholders in order to limit the trade-offs between their different interests. Another question addressed by the author is whether a market-based allocation of public goods would result in a single performance emphasis by the organisation tasked with this public policy (Boschken 1994). Organisational theory has developed an interest in the environmental factors impacting internal dynamics of organisations in the mid- 1960s. Mintzberg (1983) thus outlined the important role of an 'external coalition' steering the organisation.

Management theorists have generally agreed that the ways in which organisations are designed and the environments in which they operate make a difference in affecting organisational performance (Winter 2003). Organisations are open systems interacting with their environment (Meier & O'Toole Jr. 2008). They acquire resources (inputs) from the external sphere and the environment is absorbing the products or services (outputs) of the organisation (Mintzberg 1983). In general, the literature has distinguished between stakeholders external to the unit of analysis (i.e. organisation, programme, service etc.) but still within government, (including the government itself, parliament, audit and inspection agencies, superior organisations or units and peers (Talbot 2010), and actors external to the unit of analysis that are outside the government, such as private companies competing with public organisations, civil society and so on.

Hence, the context dependency of performance has long been recognised in literature. The context in which an organisation operates is deemed influential for the definition and level of performance of an organisation (Cook et al. 1983; Drazin & Van de Ven 1985; Hatch 2006; Reger et al. 1992; Summermatter & Siegel 2008b, 2009). Different contexts are the objects

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[18] For further discussion see chapter 4.

of different types of studies, such as for example the vertical contracting between parent ministries and agencies (Pollitt & Talbot 2004) and between purchasers and funders or providers and agents respectively (Fortin & Van Hassel 2000; Harden 1992; OECD-PUMA 1996; Walsh et al. 1997). Other work concentrates on horizontal relationships in contracts between peer organisations (Collins & Butler 1997; McGuire 1997; Needham 2003; Talbot 2008b). Talbot (2010) outlines that research in general focuses only marginally on the complexity of the institutional environments of the public sector. It is indeed in the private performance literature where the idea of stakeholders has been most developed. Neely et al. (2002) have for example offered a stakeholder model based on previous strategic management literature in private sectors. It has focused especially on the subset dealing with stakeholders, which has had a great deal to say about the direction of performance for organisations (Mintzberg 1994; Neely et al. 2002; Pfeffer & Salancik 1978; Talbot 2010). Neely et al (2002) adopt a broad definition of stakeholders including shareholders, bankers and other capital providers, regulators, pressure groups, labour unions, employees, communities, suppliers, alliance partners, customers and intermediaries.

Work on institutional environments has also illustrated the complex sets of relationships that exist between agencies and parent ministries, central ministries and various regulation and inspection bodies (Pollitt & Talbot 2004). Some research focuses on one component of the institutional environment of an organisation. For example, research on performance audit, illustrates that besides governments, audit bodies also have an impact on the steering of performance of service delivery agencies (OECD-PUMA 1996). Similarly, the complexity of institutional actors has also been highlighted by the accountability literature, but often with no link to performance (for an overview see Talbot (2010) or Hood (2004)). Likewise, the literature on regulation inside government (Hood 1999) recognises the influence of one public organisation over another.

Another aspect, close to the idea of Hood (2004) of regulation inside government, is that government regulation of a specific sector may influence the performance conceptualisation in a specific organisation. Boyne (2003) has also argued that the level and definition of performance is contingent upon different external factors such as ‘resources’, ‘regulation’, ‘market structure’, ‘organisation’ and ‘management’ (Boyne 2003). Regulated organisations are not free to choose their processes and strategies but are limited by policy constraints (Boyne 2003; Hood 1998b). Hence, this would also influence the performance management of these organisations. Boyne has outlined that there is little proof of the influence of regulatory arrangements on performance, especially in regard to public organisations. It needs more investigation (2003). Existing research has focused mainly on quantity and quality of outputs and the level of outcomes (e.g. pass rates of exams in school). Much less research has focused on the influence of regulation on efficiency, value for money, and consumer satisfaction and close to no research has focused on public values such as equity (Boyne 2003).

Regulatory bodies and judicial or quasi-judicial bodies are of interest as it can be assumed that by establishing regulation, setting standards or making specific recommendations, they effectively impose performance measures or targets. This is also the motivation behind this study, as it is argued here that governmental regulation does not only shape the performance conceptualisation of public organisations, but also that of private organisations. Regulation represents a controlled environment and is an interesting case to analyse as it gives a specific structure to an environment. The rules are clear and transparent for all actors embedded in it. Regulation is installed in order to influence the behaviour of a specific group or individuals. States are regulating some economic activities because they judge the free market outcome to be insufficient. Such regulation impacts the organisation and its management. The performance of the organisation is affected by the regulation the organisation faces, as has been confirmed by numerous scholars. In general it is argued that a move toward liberalisation results in higher performance of a firm (Stigler 1971; Smith and Mick 1985; Reger, Duhaime et al. 1992; Hood 1999; Genoud 2001; OECD 2002). However, the research conducted by these scholars does not focus on the definition of organisational performance nor does it focus on the influence of regulatory systems on organisational performance.

2.7 CONCLUSION OF CHAPTER

Across the literature, definitions of performance in general, and organisational performance in particular, are numerous, and highly context and time dependent (Summermatter & Siegel 2008a, 2009; Talbot 1999, 2010). This chapter has shown that the concept of performance as such is complex and multidimensional (Andrews et al. 2005b; Boyne et al. 2005; Boyne & Walker 2005; Meier & O'Toole Jr. 2002; Meier et al. 2007. This chapter has detailed the emergence of the current performance studies movement, presented various facets of performance and discussed the development of the concept in theory and in practice. It has shown that it associates various terms and concepts, and explained the reasons of the variability of performance definitions. The nature of performance depends on the mission and objective of the organisation and also on the context the organisation operates in. This results in multiple dimensions of performance (Boyne et al. 2005). The different dimensions identified and used in previous research and practice have been presented first from a general perspective (as it applies to all organisations), secondly from a private-sector perspective, thirdly from a public sector perspective, and finally, from a theoretical angle concentrating on public management literature. This complete discussion has allowed for the construction of a holistic instrument to define performance, based on six dimensions. These performance dimensions are a financial, an operational, a stakeholder management, a legal requirement, a social issue participation and a public values dimension. Together they provide a complete tool including financial results and economic efficiency (i.e. financial dimension) but also sector-specific implications and legal obligations (i.e. legal requirement dimension), as well as social, environmental (i.e. social issue participation dimension) and ethical (i.e. public values dimension) performance aspects. Based on these constructs, the natures of any performance definition can be captured and clearly examined.

Socioeconomic contexts and the rule of law further influence the performance orientation of organisations. A question is hence whether there exist environments pushing organisations towards the implementation of both financial and non-financial performance dimensions.

Traditionally, the main difference between public and private organisations is that in the private sector, the focus lies on outputs, mostly limited to the economic value creation for shareholders. In contrast, for public organisations, the boundaries of performance are pushed beyond the individual organisation, to focus on outcomes, and to concentrate not only on economic value, but also on social and public values. In this context, the public-private dichotomy might become obsolete. Depending on the situation the organisation is faced with, private organisations may also diversify their performance definition. It remains to be seen whether efforts of private companies to reflect upon their social role imply a converging trend between public and private concern or whether 3BL, SBSC and other efforts are mainly cosmetic. Organisations consider their environment when defining the strategic objectives. Depending on the environment, an organisation selects different performance dimensions representing the different values an organisation wants to create. The next chapter will focus on one specific environment that is believed to influence organisations with regard to their performance definition, namely the regulatory environment.

3 THE REGULATORY ENVIRONMENT

Regulation constitutes one of the main modes of public governance today. It is frequently used to implement public policies and to structure the delivery of public services. Regulation attempts to alter the behaviour of actors in a sector. In many ways, the regulation put in place by the authorities is linked to the management of the organisations facing regulation. Hence, regulation and performance are closely related. Indeed, the way a sector is regulated can have important consequences in regard to how an organisation defines its performance.

The regulatory environment can take various forms, as a direct consequence of the different components through which a government can structure it. But before entering this discussion, it is important to define the concept of regulation more specifically. The notion is used across very different disciplines, and even in the fields of political sciences and public administration—which have more clearly focused on public regulation—the precise meaning of the term ‘regulation’ varies (Goodship et al. 2004; Hood 1999; Hübner 1990; Majone 1997; Wilson & Rachal 1977). There is a lack of consensus with regard to its definitional limits (Cairns 1985), and it is a difficult task to attribute one exact definition to the concept (Goodship et al. 2004). In order to properly analyse the regulatory environment of the gambling sectors and that of the sport betting and lottery sectors in particular it is important to clarify what is understood by regulation. In this study, the regulatory intensity serves as a measure to operationalise the regulatory environment in order to explore whether it influences the way a regulated entity defines its performance.

This chapter does not endeavour to provide an exhaustive discussion on the notion of regulation, as this would clearly go beyond the scope of this study. Rather, the main aim of the chapter is to conceptualise the notion of regulation for this research, and link it to the definition of performance (see chapter 2 above). Section 3.1 presents the different ways states have conceived regulation over time and space, and illustrates the transition from the concept of the positive to the regulatory state. Section 3.2 presents the different areas that have been the focus of regulation, i.e. mainly social and economic issues targeted by regulatory regimes, and section 3.3 focuses on the body adopting the regulation. The section briefly summarises different definitions of governmental regulation in order to highlight the one used in this study, namely sector-specific regulation to alter the behaviour of economic actors in order to achieve a certain outcome. Section 3.4 concentrates on the notion of regulatory intensity. Although regulation tends to endorse the same function and objectives across sectors and countries, the regulatory intensity may vary greatly. This section therefore aims to present how the regulatory intensity can be analytically constructed and measured in presenting different approaches identified in theoretical and empirical research. In this study, the regulatory intensity is of particular importance, since it is the measure used to compare different regulatory environments across sectors, and even countries. Section 3.5 discusses the different reasons for variations in regulatory intensity. In so doing, it seeks to show that the regulatory intensities may vary not only as a result of governmental preferences, but also as a result of governments’ evaluation of the attributes needed to achieve the desired outcomes. Section 3.6 closes the chapter by highlighting the main elements to be retained for this study, and conceptualising regulation as governmental rules established to influence an economic activity and to achieve a specific outcome or to prevent or control the negative externalities that result out of the activity.

3.1 THE NOTION OF REGULATION: FROM THE POSITIVE TO THE REGULATORY STATE

The notion of regulation is highly linked to the state's role in society and markets (Braithwaite et al. 2007; Geiger & Hoffman 1998; Hood 1998a, 1999; Majone 1997). Consequently, the notion of regulation has significantly changed over time. The evolution of regulation since WWII is often conceptualised in literature as the transition from the Positive (or Keynesian) state to the Regulatory state. This transition is marked by different ideas about regulation and the role of the state. These have in turn influenced the nature and instruments of regulation.

	Role of the state	*Nature of regulation*
Positive state *(From WWII until the 1970s)*	State as a planner and active producer of goods and services	Regulation through public ownership. The main instrument used is *nationalisation*
Regulatory state (*From the 1970s to present)*	State steers public policies while delegating their execution to third parties	Regulation to overview and steer, by using several instruments: *- Privatisation* *- Deregulation* *- Regulatory reform* *- Indirect government*

TABLE 8: THE POSITIVE AND THE REGULATORY STATE

3.1.1 The positive state

From WWII onwards, regulation was linked to direct state intervention intended to rebuild the economy and activate post-war economic growth. Regulation was hence associated with a state's intervention to improve social conditions This active state is typically described in literature by expressions such as 'welfare state', 'Keynesian state', 'Keynesian welfare state' or the 'positive state' (King 2007; Majone 1997; Scharpf 2002). Improvements in social policies were regarded as essential to restore and increase growth and the virtues of self-regulation and *laissez-faire* attitudes were disregarded. Instead, Keynesian economists claimed that the problems of the inter-war period were a direct consequence of the self-regulated economy, and directly linked to inadequate state policymaking (King 2007). Hence, at the end of WWII, a paradigm change took place, turning the state into a planner, an active producer and a supplier of goods and services (Majone 1997). Moreover, it became clear that the national state and the economy were not entirely separate entities. It was recognised that the economic institutions of the market were in a large part politically determined (Polanyi 1957). Nationalisation was one of the main instruments used during this stage of regulation, with public services provided through state-owned companies (King 2007; Majone 1997, 1999, 1996).

In short, the notion of regulation was in this period closely linked to direct state intervention to implement public policies. However, the economic and financial distress of the 1970s came to throw light on the heavy costs associated with this mode of regulation, as a result, the mode of government changed from the late 1970s onwards.

3.1.2 The regulatory state

From the 1970s onward, and in part as a response to the economic crisis (OECD 1997a), the ideology on the role of the state altered in a way which influenced the notion of regulation. States faced liquidity problems, and as the Keynesian welfare state was unable to stop the rising unemployment and inflation, calls were made for a new mode of governance. At the same time, the use of regulation increased with the construction of the EU and the perceived need to counteract the cartel systems that could be found in various member states (Majone 1997). In this environment, the notion of regulation took on a new form, and instead of being seen as active state intervention, it became a way to oversee and monitor private sector activities. This was the birth of the regulatory state (Hood 1991, 1998a, 2004; Majone 1997, 1996).

In the regulatory state, regulation was associated with an increased empowerment of the private sector and the delegation of traditional state interventions to private actors (King 2007; Majone 1997). The regulatory state thus sets standards and opens up markets rather than seeking to control them through state ownership. Majone (1997) has described this transition from the positive to the regulatory state as follows: "*Strategic adaptation to the new realities […] resulted in a reduced role for the positive, interventionist state and a corresponding increase in the role of the regulatory state: rule making is replacing taxing and spending*" (1997: 139).

In a number of countries, and especially in the Anglo-Saxon part of the world (e.g. UK, New Zealand), public organisations were privatised. Increased competition was argued to be the solution to state budget deficits. The arguments was not that the state should disappear completely, but that the regulatory state needed to be strong to ensure adequate market competition (Hughes 2003; Majone 1997, 1999, 1996; Schedler & Proeller 2003). Indeed, for some neoliberal proponents, regulation was seen as necessary to protect private actors from increasingly active and involved states (Goodship et al. 2004; King 2007).

The development of the regulatory state coincided with the emergence of the NPM movement, which aimed at making states more efficient and cutting down state spendings. NPM has contributed to the increasing formalisation and dissemination of regulation, and the involvement of private actors in the implementation of public policies and also had a huge effect on performance management (as illustrated in chapter 2 above) in the public sector. The notions of 'steering' instead of 'rowing' (Osborne & Gaebler 1993) that were advocated by the NPM movement illustrated the idea of regulation as a control mechanism (Goodship et al. 2004: 17).

Different instruments were used in order to decrease the role of the state in the economy. Privatisation, deregulation and regulatory reform aimed at reducing state intervention and abate the role of the state as a direct producer of goods and services. The typical control mechanism in the regulatory state was to merge private sector ownership of key public entities and a system of new rules to continuously guarantee the protection of the public interest (King 2007; Majone 1997). The term of 'deregulation' is frequently linked to the regulatory state. It is defined by the OECD as "*the relaxation or removal of regulatory* *constraints on firms and individuals*" (OECD 1993a). This does not mean that the state withdraws completely, leaving market forces to play autonomously (OECD 1997a). The result of deregulation does not necessarily lead to a decreased in the amount of regulation. It is more adequately characterised as the return to the market (Cairns 1985; Evans 1982). This indicates a reduction in rules and administrative burdens—which are seen as constraints to innovations and economic development—but to achieve this, an increase in the quantity of regulation may occur (Cairns 1985; OECD 1997a).

Along with privatisation, deregulation and regulatory reform, the concept of *indirect government* also emerged in the regulatory state. Instead of the state being an economic actor, private entities were hired through contracts or sales of public entities, in order to replace former state intervention. The public sector was thus no longer the sole provider of public services (Bundred 2006; Goodship et al. 2004). In shaping these new relationships, the authorities relied increasingly on regulation. The regulatory state can therefore be seen as closely connected to the management reforms presented in the previous chapter, since it is one instrument deployed by governments to fulfil public policies.

Before looking more closely at the different forms of the regulatory state, a remark should be made with regard to the different use of the expression 'regulatory state' in literature. Based on Majone (1997), this section has mainly described the transition from post-WWII to the post-1970s as a linear transition from the positive to the regulatory state. However, such a linear view has been widely contested. For instance, Braithwaite et al. (2007) have argued that the positive state was the original regulatory state, based on legal sanctions, and a hierarchical command form. Hence, the regulatory state can be compared to *a new regulatory state,* which seeks to accommodate the growing pluralism of modern governance. Law and non-law mechanisms happily cohabit and there is no (Keynesian) mentality that the state 'can do everything'. It is distinguished, rather, by its reliance on an increased use of regulatory techniques based, wherever possible, on soft law (codes of practice and voluntarism) rather than on direct command-and-control mechanisms (Braithwaite et al. 2007). Scott (2004) speaks of a *post-regulatory state* that is similar to Braithwaite's notion of the *new regulatory state*. For Scott, the classical regulatory state is the sovereign state where laws are seen as the principal forms of control over social and economic life. In the post-regulated state, regulation is achieved increasingly through combinations of both state and non-state mechanisms (Scott 2004). Similarly, Hood (1998a) contests the notion that the regulatory state is something new and queries whether any system of governance is as 'modern' or as inevitable as adherents often claim (Hood 1998a). Hence, the regulatory state as a system of control is as contested and potentially as precarious as any other.

Despite the overall tendency towards the emergence of the regulatory state, differences in the application of regulation are observable. There is seemingly no observable trend towards a global convergence in the scope and content of regulatory regimes across countries and sectors (Braithwaite & Drahos 2000). This is important to keep in mind. Despite common objectives and common public interests among countries regulating sport betting and lottery activities, the study will show that different countries have developed different types of regulatory regimes. This is also a result of the different conceptualisations of the regulatory state in different countries. The next section will therefore distinguish between different traditions towards regulation that can be found across countries and regions.

3.1.3 Different shapes of the regulatory state

The regulatory state takes on different forms in different countries or regions and can involve different regulatory and administrative levels, within the state, but also at the regional and at international level.[19] Due to the fact that gambling regulations are national matters and have not been subject to regional or international treaties, this section concentrates on national level regulations.

In the Anglo-Saxon world, and especially in the UK, state regulation is limited to cases of market failures. The overall belief is that free market mechanisms should be the norm and regulation only the exception. This was not always the case, as between the 1940s and 1980s the organisations that provided main utilities were publicly owned (Baldwin & Cave 1999). Hence, the UK utilities sector illustrates well the transition from the positive to the regulatory state. From the 1980s onward, through privatisation, the former public corporations were largely replaced with limited public companies, in which shares were sold to private investors. This process was accompanied by the adoption of legal acts intended to regulate the market and guarantee the various aspects of the services. For each utility, industry regulators (e.g. The Director General of Telecommunication DGT or the Office of Telecommunication OFTEL) were empowered to monitor the companies (Kahn 1988; Smithson 1978; Stigler 1971).

In the US, the regulatory tradition is characterised by specialised agencies, which receive a legal mandate (King 2007). The US regulatory style allows regulatory agencies to act as 'mini-governments' with an accumulation of law-making, monitoring and sanctions-enforcing powers.

In Norway, public ownership is an important regulatory tool, and public organisations are traditionally attached to a ministry that is responsible for oversight and monitoring (Majone 1996).

In continental Europe, regulator is frequently embedded in the administration and the regulatory instance is often attached to a ministry (Majone 1996). The creation of independent administrative bodies increased during the 1990s as these bodies became responsible for monitoring organisations—both public and private ones—engaged in delivering a public service. In France, independent administrative authorities (*Autorité Administrative Indépendante (AAI)*) have for example been created in certain sensitive areas. AAI are state institutions that regulate sectors that are judged to be essential but in which the state renounces to intervene in a more direct manner (e.g. public ownership). AAI are independent both from the government and from the sectors they are regulating. There are

[19] For further information see Majone (1996) and Braithwaite and Drahos (2000).

two main kinds of AAI: those responsible for economic activities and those who protect citizens' rights (Majone 1996). Regulation is frequently the result of a political process—a compromise among different parties—but it is not necessarily responsive to market needs (King 2007).

Though the term regulation is thus used in various contexts, there is a common denominator: regulation is used to structure economic sectors, and more generally society at large, and to implement public policies. The next section takes a closer look at the definition and practices of regulation, starting by outlining first of all the possible kinds of regulation.

3.2 Social, economic and administrative regulation

Generally speaking, a government addresses economic or social issues through regulation. While the role of the market and specific economic sectors is the most common focus of regulation, there can also be a regulation of political, ethical or social matters. Social regulation addresses a public interest such as health, the environment or security. The economic impact is here not the main concern. Regulation to address a social issue often uses market incentives or goal-based approaches (OECD 1997a: 6). Through social regulation a government consequently aims at addressing a desirable non-economic outcome. While social regulation is often rooted in a public action, it can also be of a private interest.

In contrast to social regulation, economic regulation aims to increase economic efficiency and intervene directly in the market through pricing, by shaping the market structure (i.e. the level of competition) or through market access or exit (OECD 1997a: 6). Scholars have outlined that economic regulation influences the decision of economic actors by restricting the options on price, quantity, entry or exit (Viscusi et al. 2005: 357), or by fixing standards and ensuring that the restrictions are followed. This is frequently done through the use of an oversight body ensuring compliance (Schultz 1979: 8).[20]

Closely linked to economic regulation, mention should also be made of a third kind of regulation, namely administrative regulation. Administrative regulations are formalities and regulations through which governments intervene in the decisions of economic agents, thereby affecting private sector. Administrative regulatory reform generally aims to reduce administrative burdens imposed on economic entities by simplifying administrative processes and improving transparency (OECD 1997: 6).

After this presentation of the three different kinds of regulation, it is important to highlight that they frequently co-exist in practice. Social regulation which, for example, aims to prevent negative externalities that may affect citizens' health (or well-being) often comes along with measures of economic regulation such as the reduction of the number of competitors in the market or market access obligations. Chapter five will address the different forms of regulation used in this study and illustrate in-depth that, in order to attain

[20] For further discussion see Viscusi (2005).

social objectives, measures of economic regulation—as defined above—are frequently used. Having thus defined the three main focuses of regulation, the next section concentrates more precisely on the body adopting regulation.

3.3 GOVERNMENTAL AND NON-GOVERNMENTAL REGULATION

Depending on the perspective taken by the researcher and the context of the study regulation may refer to different things. So far it has been shown that with regulation, social or economic issues are addressed and administrative processes altered. Having defined the historical evolution of regulation in states, as well as the various types of regulation, the next section turns to the body adopting of regulation.

Regulation can either be rooted in governmental or non-governmental entities, i.e. regulation adopted by private organisations, industries, associations or interest groups. Pierre and Peters (2000) have classified different modes of regulation in a continuum of political systems, ranging from, on one end, the systems most dominated by the state to those, on the other end of the continuum, where the state plays the smallest role (Pierre & Peters 2000). Similarly, Boddewyn (1985) has suggested a categorisation of different types of regulation, based on the body which formally adopts the regulation. In his study on advertising self-regulation, six different forms of regulation ranging from self-discipline to pure regulation were therefore defined and summarised, as can be seen in the following table (Boddewyn 1985: 135).

Types of regulation
Self-Discipline: Norms are developed, used, and enforced by the firm itself.
Pure Self-Regulation: Norms are developed, used and enforced by the industry itself.
Co-opted Self-Regulation: The industry, on its own volition, involves non-industry people (e.g. consumer and government representatives, experts) in the development, application, and enforcement of norms. These outsiders are internalized.
Negotiated Self-Regulation: The industry voluntarily negotiates the development, use, and enforcement of norms with some outside body (e.g. a government department or a consumer association). In this case outsiders remain outside.
Mandated Self-Regulation: An industry is ordered or designated by the government to develop, use and enforce norms – whether alone or in concert with other bodies. This system is asking to 'corporatism'.
Pure Regulation: The government monopolize the development, application, and enforcement of norms.

TABLE 9: THE TYPES OF REGULATION (ADAPTED FROM BODDEWYN (1985))

The categorisation of Boddewyn (1985) and the classification of Pierre and Peters (2000) both illustrate that regulation is not only adopted by governments but also by non-governmental actors. They can both engage in developing, using and enforcing regulation. A form of regulation somehow mixing governmental and non-governmental development of regulation is when governments are asking organisations or industries to develop regulation voluntarily (i.e. negotiated self-regulation) or mandatorily (i.e. mandated self-regulation).

3.3.1 Non-governmental regulation

In case of non-governmental regulation, the literature often speaks of self-regulation, whereas the categorisation of Boddewyn (1985) uses the concept of self-discipline. This so-called self-discipline refers to norms that are adopted and implemented by the firm itself, and which can either apply to members of the organisation, or—if agreed—to everybody.[21] Codes of conducts of individual organisations would be an example of this form of regulation and illustrate the voluntary nature of such regulation.

The next form of regulation, self-regulation[22], is developed on an industry level and is frequently seen as an alternative or a complement to government regulation. Self-regulation goes beyond the implication of the government and associates regulation with rules, standards or guidelines often developed by a specific group or profession on a voluntary basis (Boddewyn 1985). Frequently, self-regulation refers also to informal agreements whereby companies are to fulfil certain social responsibilities (Beardsley et al. 2005). Self-regulation is often used in businesses in order to prevent further state regulation or to complement existing regulation (Boddewyn 1985). It is also generally assumed that such self-enforced rules will be mutually beneficent to all members of a group (Black 2002). Boddewyn (1985) differentiates between four different kinds of self-regulation: pure self-regulation, co-opted self-regulation, negotiated self-regulation and mandated self-regulation. The main difference between these is the level of involvement of governmental actors in developing the regulation. In the category of 'pure self-regulation', regulation is developed, used and enforced by a specific industry. Most frequently the regulation in question applies to the members of this industry, though it is conceivable that it could have a broader application as well. In 'co-opted regulation', an industry engages non-industry actors like experts or consumers for the development, application and enforcement of regulation. In the case of 'negotiated self-regulation', the industry in question voluntarily develops, uses and enforces regulation with the implication of an external body, like a governmental department. In 'mandated self-regulation', non-governmental actors have to adopt self-regulation and if they were not to do so, it would likely lead to governmental regulation. Indeed, in the case mandated self-regulation would not result in the desired outcomes, government intervention would not be far away, and it is thus frequently argued that self-regulation can result in explicit rules (Boddewyn 1985; King 2007).

To sum up, non-governmental regulation can take various shapes. The common element being that it is not a public authority that adopts the regulation, but a specific group seeking to change the behaviour of its members (Hood et al. 1999). This is in contrast with traditional regulation—or 'pure regulation' as Boddewyn (1985) would call it—where a public authority adopts rules and laws in order to regulate a specific activity. In spite of this straightforward definition, several definitions of governmental regulation exist in literature, as outlined in the following section.

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[21] The latter is undoubtedly merely a theoretical possibility and unlikely to occur without government engagement.

[22] More recently, scholars (Black 2002; Rhodes 1997) associate to self-regulation also the term of decentred regulation, meaning that regulation is decentred from the government, adopted and implemented by other than state institutions (King 2007).

3.3.2 Governmental regulation

In regard to governmental regulation, some scholars' definitions limit regulation to the rules of a state—the entire body of legislation—while others attribute a narrower meaning to it, arguing that it refers only to the delegation of former state activities to private entities (Majone 1997). This section briefly summarises different definitions of governmental regulation in order to highlight the one used in this study; namely sector-specific regulation to alter the behaviour of economic actors.

First, regulation can at its broadest correspond to the rules set up by a government. In this form, regulation is an old phenomenon encompassing the integral body of a state's legislation. Regulation thus defined can be traced back to the beginnings of modern statehood (King 2007). Typical examples are provided by Prichard (1982) and Evans (1982), who define regulation in Canada as the study of the appropriate or normal role of the state. A state regulates everything in its territory and hence, regulation is omnipresent.

Second, government regulation can further be defined as the deliberate influence of the state, including all states' actions aimed to influence an industry. This definition includes command-based regulation but refers additionally to other modes of influences, for example economic incentives, such as subsidies, contracts, attribution of resources or provision of information (Baldwin et al. 1999). In this approach, regulation refers to any general condition provided by the state for the well functioning of the economy and the market.

Third, regulation can be seen as limited to a specific sector and this type of regulation is often called command and control regulation. The focus here is still rule-based, but it addresses actors in a specific sector or economic branch. In this view regulation is defined as the imposition of rules by governments, where non-compliance would be sanctioned. The aim is to influence the economic behaviour of a public and private sector entities (Jones & Thompson 1984: 746). The body of regulation is thus conceived by the state adopting it though the legislative apparatus (Black 2002).

Fourth, regulation can be seen not as a static set of rules but as an global process including that includes the influence of stakeholder groups who lobby governments to adopt regulation, as well as the regulation enforcement-process itself (Bundred 2006: 182). Regulation consequently refers to a process of on-going negotiation: societies develop regulations to align the different objectives of the government and those of its stakeholders, as illustrated by the following figure (Beardsley et al. 2005).

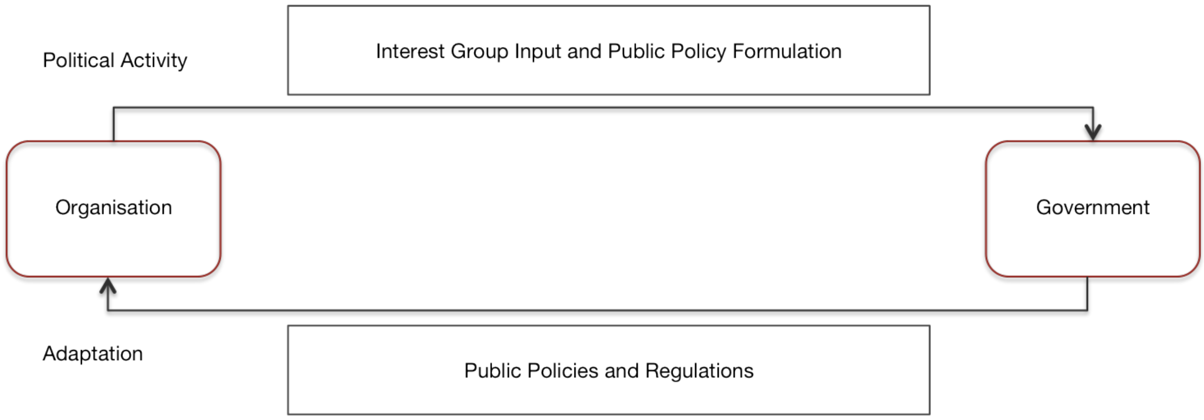

Figure 4: Regulation as a process (adapted from Shaffer (1995))

When represented as a process (see figure 4), regulation includes lobbying, bargaining and negotiation leading up to the adoption of rules. This frequently also includes rent-seeking activity, i.e. a specific group lobbying for regulation in order to increase its advantage. In this sense, regulation also refers to the rules and laws instituted. Finally, it also includes the attempts of the regulated entities to manipulate and influence the regulator after the regulation has been implemented. Hence, regulation is in this view concerned with the integral relations between the government that adopts public policies, and the organisation which is a dynamic stakeholder that tries to interfere and influence the public policy formulation (Shaffer 1995). In case regulation is represented as a process, regulation concentrates on the policy-making process, especially in regard to the interplay between regulators implementing policy, and politicians, who try to control the regulators' activity (Carrigan & Coglianese 2011). Shaffer (1995) speaks of a double interdependency between business and government. In case a government wishes to formulate new public policies an organisation attempts to influence the policy development. In situation where a government implements public policies through regulation, the organisation responds through adaptation (Shaffer 1995).

This study embraces this latter understanding of regulation, i.e. as the adaptation to sector-specific rules imposed on an economic entity to alter a sector-specific outcome. Indeed, it is the aim of this contribution to explore whether regulation, as it is supposed to alter behaviours, will influence the definition of performance in organisations, be they private or public in nature.

A particularity of governmental regulation is that is can either apply to entities inside i.e. internal regulation or outside government i.e. external regulation. This is what can be called a dual role of government, because with regulation a state is either an external (market) regulator or an internal regulator.

I. Internal regulation

Wilson and Rachal raised the controversy on internal regulation in 1977 by wondering whether a government can regulate itself (Wilson & Rachal 1977), and by advancing a thesis that it is in general easier for a public agency to change the behaviour of a private organisation than to change that of another public organisation (Wilson & Rachal 1977).

Regulation inside government refers to governmental bodies that watch over other public entities, i.e. it focuses on the way one government entity controls another governmental unit. Based on Hood (1999), regulation inside government can be characterised by three elements. First a public organisation shapes the activities of another public agency, second, the monitoring body is at arm's length from the organisation being monitored and third, the monitoring body has some kind of official mandate to monitor the behaviour of the 'regulee' and seek to change it (Hood 1999). In contrast to 'internal regulation', i.e. the regulation of one governmental body by another, 'external regulation', or 'regulation outside government' means governmental regulation to control a non-governmental entity (Hood 1998b; Hood et al. 1999; James 2000; Talbot 2008b).

II. External regulation

External regulation refers to state intervention that is focused outside of government activities. This kind of regulatory policies aims to correct various types of '*market failure*' such as monopoly power, negative externalities, incomplete information, and insufficient provision of public goods (Brown & Jackson 1994; Viscusi et al. 2005).

In both cases, i.e. internal and external regulation, a distinction can be made between technology-based regulation, performance-based regulation and management-based regulation (Coglianese & Lazer 2003). This categorisation makes a distinction based on the moment the regulation intervenes in the production process. 'Technology based regulation' thus refers to traditional regulation, where the state adopts rules to control specific technologies or behaviours. This type of regulation intervenes at the operational stage, specifying the technologies that are to be used or the processes that are to be followed (Braithwaite et al. 2007; Carrigan & Coglianese 2011; Coglianese & Lazer 2003). With 'performance-based regulation', a state requires certain outcomes to be achieved or avoided. This form of regulation intervenes at the output stage of the production process, specifying social outputs that must or must not be attained. 'Management-based regulation' induces firms to engage in a planning process that is directed towards the achievement of public goals. Through this kind of regulation firms have to produce strategies that comply with general criteria designed to promote the social goal to be attained (Coglianese & Lazar 2003).

Concluding this section on governmental regulation, it can be noted that various understandings can be associated with the concept of regulation. The above discussion has aimed to clarify the concept of regulation by outlining the different ways in which it can be understood. As mentioned, this contribution sees regulation as a binding set of rules applied by a specific body or government department in order to change the behaviour of actors and to reach a specific outcome (Baldwin et al. 1999). Such regulation can use various instruments. In order to evaluate what instrument serves the intended goal best, consideration should be made of the resources a government can use to influence economic, social or industrial activities.[23] Such tools range from the adoption of laws regulating the redistribution of wealth to contracts, grants or subsidies, via the channelling

[23] For further discussion see Baldwin (1999: 34-62).

of competitive forces or the use of information. This can involve direct state action. Finally, the attribution of protected rights and liability rules allocated to create the desired incentives and constraints (Hood 1990) can be a tool as well. Any regulation can opt for any one or more of these tools, and combine them as deemed appropriate. Other regulatory measures worth mentioning are pricing, the shaping of market structures, the definition of market access, the restriction of products and services and the imposition of advertisement or distribution-channel restrictions (Nicoletti & Pryor 2006). Governmental regulation is a specific form of state activity or a set of authoritative rules that are often accompanied by the establishment of a public agency which monitors and enforces compliance (Jordana & Levi-Faur 2005). Such a public agency can be called a 'regulator', and can be defined as an organisation that seeks to enforce the regulation. In general, there is an arm's-length relationship between the oversight organisation and that which is being overseen, and the monitoring instance generally has some sort of official mandate or authority for its oversight (Hood & Scott 2000; Bundred 2006).

The above discussion has demonstrated that regulation is currently a very important public management tool across countries, but one, which can take a large number of diverse forms. This means that in spite of its diffusion as a mode of implementing public policies, the regulation is not necessarily of the same degree in all sectors and countries. This difference is not only caused by the objective to be attained but it also depends on the instruments employed. This means that to compare different regulations across sectors, regions or countries, it is necessary to measure the regulatory intensity. Indeed, the regulatory intensity varies depending on the regulatory system in question. As will be underlined in the following section, the regulatory intensity is not calculated based on any universally applicable equation, but has been conceptualised based on scholarly literature, and seems to be highly sector-specific.

3.4 THE REGULATORY INTENSITY

The above discussion concerning the varying definitions of regulation, and its diverse bodies adopting regulation and types indicates that the regulatory intensities might frequently differ as well. In order to clearly compare regulation across different sectors and countries it is necessary to establish a measurement construct. The most frequently used concept in this regard in literature is that of 'regulatory intensity', though only a few studies venture to define it as a measurement construct. Indeed, previous research has not settled on one unique model for the construction of the intensity of a regulation, and the vocabulary used is varied: that which is here understood as 'regulatory intensity' has also been referred to as 'degree of regulation', 'level of regulation', 'degree of environmental constraints', etc. (Clemens & Papadakis 2008; Jackson 2007; Marcos et al. 2010).

The one view shared in the literature with regard to the regulatory intensity, is that it is a concept that needs to be seized for an appropriate comparison of different regulations. One of the main reasons regulatory intensity still lacks in solid academic research however is due to the difficulties encountered when operationalising it (Jackson 2007). The followings section will discuss some previous constructions of regulatory intensity (section 3.4.1) before explaining how it is constructed in this contribution (section 3.4.2).

3.4.1 The regulatory intensity: different attempts to construct the concept

The variety of ways used to measure regulatory intensity is in part due to country-specific conditions (see section 3.1.3) that may render comparison difficult. Nonetheless, it has been argued that accepting that local conditions may vary and consequently that some level of abstraction is required, it is possible to calculate the regulatory intensity, and compare it, not only across sectors, but also across countries (Jackson 2007). The comparison of regulatory environments using the concept of regulatory intensity requires that the measurement be well defined and be replicable in different contexts.

Depending on the sector analysed, the variables used to measure the regulatory intensity will differ. The regulatory intensity can be seen as a metric, made up of different elements (Clemens & Papadakis 2008); though it is possible to consider also a one-factorial measure. For instance, Marcos et al. (2010) have focused on a purely quantifiable measure of regulation. Their measure was the number of pages published in the official journals. They argued that this measure reflected regulatory intensity in different Spanish regions. However, this technique appears to measure the level of activity of a regulator rather than the regulatory intensity itself.

Also Jackson (2007) has concentrated mainly on the regulator, thus ignoring other factors, such as the structure of the sector or the obligations imposed on the regulated entities. Jackson conducted a study of financial regulation in different countries, and evaluated the regulatory intensity based on costs of financial regulation, staff size and enforcement actions by the regulator. Also focusing on the enforcement action or control of the regulatory agency, Clemens and Papadakis (2008) have tested the regulatory intensity and cooperative behaviour in the US Steel industry. They have suggested that cooperation may be coerced by a strong regulatory presence since statistical test have shown a significant positive relationship between the degree of regulatory intensity and the level of cooperativeness of the firm. They used six likert-scaled items to estimate regulatory intensity. These six items referred to the government's enforcement capacities, non-scheduled audit to verify compliance, the identification by the regulatory agencies of acceptable monitoring programmes for environmental contamination, publicly identified firms that did not meet standards, periodic on-site inspections and finally, civil penalties for non-compliance (Clemens & Papadakis 2008: 491). In other words, the measure of regulatory intensity in their study reflects the variation in regulatory burdens applied to different firms.

Also concentrating on the regulator, Rhys et al. (2008) have measured the extent and supportiveness of external regulation. This was done though a dummy variable, regarding whether or not inspections took place. The level of regulatory support was measured by a survey item by asking if the regulatory agency was supportive or not of such a measure (Rhys et al. 2008).

In other studies, the regulatory intensity has been conceptualised along different dimensions concentrating not only on the regulator but also on governmental involvement in the sector, and on the level of restrictions imposed on regulated entities. For instance, in an OECD study of air passenger transport, Gönenç and Nicoletti (2000) operationalised regulation through several indicators. On the level of domestic regulation, they explored the existence of domestic air liberalisation programmes. On the level of international regulation, their focus was on the participation in the regional single aviation market, the maturation of the regional aviation market, the establishment of an 'open sky' air service agreement with the US and on the maturation of the 'open sky' agreement. Measures for governmental control were the share of the government in the equity capital of the largest national airline, the presence of a special government voting right in a major national airline, the government loss participations in airlines in the past five years and the public service obligation of large national airlines. Similarly, Thorpe and Phelps (1990) used two indicators measuring regulatory intensity, namely the extent of hospital-specific disallowances, and the frequency on which the base year was adjusted (the degree of 'prospectivity'). In their analysis of hospitals in the US, Cook et al. (1983, 1985) used a combination of measures to evaluate the extensiveness of the regulation, like the percentage of a state's hospitals involved in the programme, and the percentage of the hospitals' revenues and the number of payer categories covered. For restrictiveness of the same regulation they included specific measures, like whether institutional budgets and/or rates were subjected to review by the agency or whether compliance with the rate and budget review process was mandatory or voluntary. Based on this, they concluded that regulation becomes more intense when the scope is widened and the regulatory stringency is higher.

Another approach to conceptualising the intensity of regulation has been to use pre-existing data from international organisations (Boylaud & Nicoletti 2000; Gonex et al. 2000; Nicoletti 2001). For instance, Duso (2002) has taken the regulatory variables from databases on international regulation from international organisations like the OECD. In the same spirit Geiger and Hoffmann (1998) have constructed the variable 'regulatory environment' using an already existing index called 'regulatory climate'. Darnall (2008), for example, used OECD survey data that asked facilities to describe the environmental policy regime to which they were subject. The response categories reached from 'not particularly stringent in that obligations can be met with relative ease', over 'moderately stringent in that it requires some managerial and technological responses' to 'very stringent in that it has a great deal of influence on decision-making within the facility' (Darnall 2008: 424). In another OECD study, Conway and Nicoletti (2006) have analysed different sector regulations. They based the level of regulation on a maximum of four indicators, which were 'entry'; 'public ownership'; 'vertical integration' and 'market structure'. Parker (2001) based his analysis of regulation on strategic choice and performance in the telecommunication market focusing on the concepts of 'regulatory reach' and 'regulatory incrementalism'. Regulatory reach reflects the level of deregulation. Regulatory incrementalism represents the speed of regulatory change (Parker 2001).

It would appear that a one-factor conceptualisation of the regulatory intensity is inappropriate, as it does not include all the different facets of a regulatory environment. A multi-factor model best captures the different components of a regulatory environment in general, and of the sport betting and lottery sectors in particular. This is notably illustrated in the contributions made by Cook et al. (1983) and Reger et al. (1992). The regulatory environment can further be represented by four variables: regulatory scope, stringency, incrementalism and duration as will be outlined in the next section.

I. Scope, stringency, incrementalism and duration of regulation

Several contributions have used these dimensions, or a combination of them, to measure the regulatory intensity (e.g. Cook et al. 1983; Reger et al. 1992). As Cook et al. (1983) have pointed out, the dimensions of scope, stringency, uncertainty and duration are similar to a number of existing conceptualisations of environmental dimensions. According to Cook et al (1983), the 'regulatory scope' constitutes a first dimension of the regulatory intensity. It can be defined as the extensiveness of the regulation, and it addresses the question of how much of an organisation's behaviour is constrained by a regulation. The second dimension, 'regulatory stringency' (or 'restrictiveness' or 'stringency'), refers to the degree to which the organisation's behaviour is constrained by the regulation (Cook et al. 1985). This is mainly related to the control mechanism and power of the regulatory instance. Third is the 'regulatory incrementalism' or what can be also called 'rate of change'. This denotes the progression of change of regulation. Similarly, Mahon and Murray (1981) have suggested that the speed of deregulation should be considered when examining firm-level regulatory effects. Spulber (1989) has also suggested that the amount of time firms have to adjust to changes in regulatory policy is important. Spulber (1989) have argued that delays in implementing new regulatory policies may provide warning for firms to adjust their capital expenditures to the anticipated environment. When regulatory change is implemented gradually, especially as step-by-step deregulation over several years, firms have time to adapt. This offers firms' advantages not enjoyed when deregulation is abrupt or unanticipated (Mahon & Murray 1980). Other authors have noted that unpredictable change increases uncertainty (Cook et al. 1983). Beardsley et al (2005) have even argued that in network industries like airlines, electricity, railways and so on, regulation is the biggest uncertainty affecting capital expenditure decisions, corporate image, and risk management (Beardsley et al. 2005). Reger et al. (1992) have summarised both the rate of change and the logical progression of change to be influential and incorporated them into the concept of incrementalism. Finally, 'regulatory duration', the fourth dimension of regulatory intensity, simply refers to the length of time that the regulation has been in existence (Reger et al. 1992). This is important in so far as one has to be aware that in some countries organisations are not yet fully adapted to their environment in case the regulation is new.

Reger et al. (1992) have slightly adapted the dimensions of regulatory intensity in their study on the US banking industry and its effect on strategic choice and financial performance. Instead of four dimensions, they evaluated the level of regulation based on two dimensions, namely the regulatory scope and the regulatory incrementalism. In their study, the scope of regulation reflected both scope and stringency as defined by Cook et al. (1983), and they argued that it would be empirically difficult to separate the extensiveness of a regulation (scope) from the degree of constraints imposed by it (stringency). The regulatory scope was evaluated based on the ability of banks to engage in interstate banking, operate branches, and form holding companies. Regulatory incrementalism was evaluated based on an index calculating the regulatory changes that occurred over a five years period from 1981-1986.

It is clear that regulatory intensity is a complex concept, which is hard to measure. The above discussion illustrates that the indicators to measure the degree of regulation are context dependent. Indeed, the outline of previous research with regard to the measurement of the regulatory intensity has shown that there is not one unique conceptualisation, and that the indicators used to construct the regulatory intensity are highly dependent on one's research objective. The following section will present the construction of the regulatory intensity used in this study to evaluate the sport betting and lottery regulations. Following, but slightly adapting the lead of Cook et al. (1983) two dimensions of regulatory intensity will be considered, namely the regulatory scope and the regulatory stringency.

3.4.2 The construction of the regulatory intensity

In this study, based on the literature review conducted above, the regulatory intensity is constructed as a multi-factorial construct, addressing the main elements a regulatory regime uses in order to structure a specific sector. More specifically, the regulatory intensity is here constructed mainly on the basis on the first two dimensions identified by Cook et al. (1983): regulatory scope and stringency. Regulatory incrementalism and regulatory duration are not used here to construct the regulatory intensity and this for two sector specific reasons. On one hand, the sector in question (sport betting and lottery sector) is characterised by enough transparency and stability to ensure that the regulated entities are able to predict the behaviour of the regulator. Regulation is based on the rules in place, and there are no sudden expected changes, making it possible to neglect the aspect of regulatory uncertainty. On the other hand, the dimension of the regulatory duration can also be discarded, as the regulatory environments and the organisations under study are both well established, and the organisations are well functioning, and do not struggle with adjustments as may be the case for more newly created organisations. The literature assumes that in newly implemented systems, the regulation is not yet completely in place, since the regulatory implementation processes take time (Cook et al. 1983). Moreover, the longevity of the organisation has been a selection criterion for the case studies in the empirical part of this study (see section 4.2.2), and all selected organisations have therefore been operational for a period of at least ten years.

In this study, the regulatory scope, or the extent to which the sector in question is affected by the regulation, is evaluated based on five indicators.

- First, the *market structure* refers to the level of competition in the sector, based on the argument that when the regulatory framework limits the number of actors in the market, the regulatory scope is positively affected. Hence, in a sector with no sector-specific regulation, the number of competitors is unlimited and the regulatory scope is negatively influenced.
- The second indicator of the regulatory scope is the *regulatory reach,* which explores the question of whether the regulation is only addressing the conditions of market access and hence, is only limited to the market structure, or whether the scope of regulation reaches further, thus influencing other variables of a regulated sector. If the regulatory reach is broader than the market access, the regulatory scope is

positively influenced. In case the regulatory reach is limited to market access regulations, the scope of regulation is narrow and hence the regulatory intensity is low.

- The third criterion making up the regulatory scope is linked to the question of whether a *specific public use of money* is foreseen in the regulation. Regulations often require operators to allocate money, via a tax or a pre-defined amount, either to the general state budget or for a specific purpose. This influences the regulatory scope of a regulation. In cases where there is such a specific use for a public goal of profits, the regulatory scope is broader than in cases where no such obligation is established.
- A fourth criterion constituting the regulatory scope is related to the *imposition of the type of ownership*. The arising question is whether the regulation imposes the type of ownership or whether the organisations are free to choose the ownership structure. In cases where the juridical form of the organisation is pre-defined in the regulation, the regulatory scope is broadened, whereas in the opposite case the regulatory scope is narrowed. It has to be noted that this criterion does not assume that the type of the ownership (public or private) influences the scope of regulation, but rather the fact of it being imposed or not.
- The fifth criterion to construct the regulatory scope is called *publicness* and refers to the presence of a public nature in the organisation, above and beyond the issue of ownership. Publicness is observed in an organisation when the regulation requires officials from the government to be present in the organisation, such as on the Board of Directors, or that the director/CEO is nominated by the government. In cases where publicness is observed, the regulatory scope is broader than in cases where no publicness is observed.

Based on these five criteria it is possible to construct the regulatory scope. The broader the regulatory scope the higher the regulatory intensity will be.

The second dimension constituting the regulatory intensity is the regulatory stringency, which refers to the degree to which the organisation's behaviour is constrained by the regulation (Cook et al. 1983). The regulatory stringency plays on two levels: the regulator- and the organisational level. The level of the regulator focuses on factors that address the body responsible for monitoring the sector and implementing the regulation, whereas the level of the organisation focuses on factors that are imposed on the organisations operating under the regulation.

For the regulatory stringency on the level of the regulator, two criteria have been identified.

- First, the general question of whether the regulation outlines the *presence of a regulator*. This component is simply related to the question of whether a regulator is present in the regulatory environment, and is responsible for monitoring the implementation and execution of the regulation. In case no regulator is established, the regulatory stringency is lower than in cases where a regulator is present.
- The second criterion contributing to the regulatory stringency on the side of the regulator is the *competences* the regulator has. When the regulator can take

measures in regard to the regulated entities, the regulatory stringency is argued to be higher. Such competences comprise the licensing of the organisation and its products, as well as the power of sanctioning the organisation in case of non-compliance with the regulatory obligation.

The regulatory intensity is also influenced by the regulatory stringency on the level of the organisation. Three indicators make up the regulatory stringency in this regard.

- First a regulation may impose *distribution channel restrictions*. When the regulatory environment imposes restrictions or forbids some distribution channels such as the internet or other remote devices, it is believed to increase the regulatory stringency. In the opposite case, when there are no restrictions in place, the regulatory stringency is lower.
- Second, a regulatory framework may outline is *advertisement restrictions*. Regulation can impose a prohibition to publicise the products or instigates specific requirements related to advertising. When the regulatory environment imposes restrictions or forbids publicity, the regulatory stringency is argued to be higher than when there are no such restrictions in place.
- The last criterion of the regulatory stringency on the side of the organisations relates to obligations in regard to the negative externalities of the regulated activity, or in other words, to the *internalisation of negative externalities*. Often this requirement is sector specific. The health specific requirements are for instance not the same for energy-producers and for chemical production sites, as they depend on the negative externalities resulting out of the production process of the organisation in question. A regulatory environment that requires the organisation to take responsibility for these negative effects by, for example, using a share of profits to limit them, renders the regulatory stringency higher than in cases where such a requirement is missing.

Taken together, the two criteria that make up the regulatory stringency on the level of the regulator, and the three criteria that apply on the organisational level, constitute the overall regulatory stringency of the regulatory environment of a sector. The higher the regulatory stringency, the higher the regulatory intensity will be. In combination with the regulatory scope, this lays the foundation of the regulatory intensity. Clearly, the regulatory intensity varies based on the different criteria that make up the dimensions of the regulatory scope and the regulatory stringency. The regulatory intensity is highest when the regulatory scope is at its broadest and the regulatory stringency at its highest. The level of the regulatory intensity of a given regulation is hence a direct result of these two dimensions.

To sum up, the regulatory intensity of a regulatory environment is a measure used to compare different regulatory environments and to assess the level of regulation of a specific regulation. It also allows us to evaluate the extent to which the regulatory intensity of a specific regulation can be increased, as for instance in case of non-compliance or in case of non-attainment of the regulatory objective. In this respect, the regulatory objectives, which constitute a fundamental rationale and motivation for governmental regulation, can be of various types, as will be illustrated in the following section.

3.5 RATIONALE AND MOTIVATION FOR GOVERNMENTAL REGULATION

So far, the definitions of regulation have been considered, the types of regulation presented and the measure of regulation—the regulatory intensity—constructed. The subsequent section looks into the question of the motivation of states to engage in regulation, something which may have important consequences on the regulatory intensity, since the intensity of the regulation may depend on its objective. As pointed out at the end of the previous section, it is not rare that a softer form of regulation is used in the beginning, and that the level of regulatory intensity is subsequently increased in case the regulation is deemed unsatisfactory. The discussion of the definition of regulation did already indicate some of motives of state regulation, such as a public interest and to attain a desired outcome. This section will restructure and discuss further reasons of regulation in more detail.

The European Commission highlights that governments engage in regulation to achieve various goals, such as fair competition, the protection of public health, safety or environmental protection. Regulation is thus an instrument used to deliver public policies and to satisfy citizens' expectations (European Commission 2006: 3). Generally speaking, political state theories on the issue of regulation argue that regulation is a way of distributing power and control in a state (Dahl 1978; King 2007). However, how the power and control is diffused and who receives it, differs from one state theory to another. These different perspectives will be presented in section 3.5.1, in order to identify the reasons put forward to explain the need for regulation. In section 3.5.2, political- and economic theories are consulted in order to discuss the motivation of a state to use regulation as an interventionist instrument. Section 3.5.3 presents the notion of market failures and consequently elaborates on the reasons for regulation from a practical economic perspective.

3.5.1 State theories on the rationale of regulation

General theories of the state are helpful when discussing the reasons of states' interventions. The common point across these different theories in regard to regulation is that they all have something to say about how the power and control should be distributed in a state. Table eleven gives a brief overview of the three most important state theories, which have addressed the issue of regulation.

Theory	Perspective of regulation	Philosophy behind regulation
Pluralist theory	Regulation as a mode to diffuse power and control in a state	Power and control should not be centralised but diffused so that polycentric
Elitist theory	Regulation as a mode to engage in relationship with non-state actors while making sure the state remains the principal actor	Power and control are centralised and are in the hand of the state. Regulation is a mode of the power and control holder to engage with non-state actors
Marxist theory	Regulation to counter-balance the negative effects of capitalism	Regulation as a mode to regulate capitalism and prevent for protectionist, egoist and monopolist tendencies that result out of capitalism.
Regulatory schools (derived from Marxist theory)	Regulation to counter-balance the negative effects of capitalism	Regulation as a mode to control accumulation

TABLE 10: POLITICAL STATE THEORIES AND REGULATION

Among the theories that have most explicitly and extensively dealt with the issue of regulation, *Pluralist theory* argues that regulation is a way to diffuse power in a state. The reason behind regulation is the idea that power should not be centralised but that a polycentric approach is desirable in order to prevent the concentration of power in the hand of a few (Croley 1998; Dahl 1978; King 2007). For lawmakers and policy-makers, regulation is hence an instrument ensuring a large spread of power and control, in order to prevent society from developing a sole power centre.

This is in sharp contrast with what *elitist theory* says about regulation. The elitist perspective takes a centric approach to power and control. In elitist accounts, a state uses regulation in order to formalise its relationships with groups of civil society through more regular negotiations. These bargaining arrangements and negotiations between the state, business groups and trade unions are a particular institutional configuration in elitist thinking, but the state remains the principal actor (Dahl 1966; Wilson 1980). Hence, power and control are centralised in the hands of the state, and regulation is far from a mode to diffuse power or control. Rather, its goal is to enhance participation of different civil actors in government activities and to foster the relationship of the state with these entities (Judge et al. 1995).

The Marxist theory takes a slightly different perspective, as it sees regulation as a mode to counter the effects of capitalism. State regulation is argued to be necessary because of the competitive character of capitalism. Unregulated competition is argued as likely to defeat the social market economy through ensuing protectionism and monopolisation. Regulation is seen as needed to contain capitalism's contradictions and antagonisms, and prevent a radical revolution (Wilson 1980). Different regulatory schools[24] derived from this Marxist origin are all concerned with the changing forms and mechanisms in the reproduction of capital (Bob 1990). However, it would go beyond the scope of this thesis to discuss them in length and we will restrict ourselves to a popular and influential one: the 'théorie de la

[24] For instance, Jessop (1990) identifies seven regulationist schools. For further information see Aglietta (1976); Boyer (1986); Jessop (1990).

régulation'.[25] This school serves as an example for the other regulatory schools and illustrates the main preoccupation of these schools of thoughts (Jessop 1990). It emerged in France in the 1970s, and concentrates on historical changes in political economy. One pioneer of this so-called Parisian school is Michel Aglietta with his thesis entitled 'Accumulation et regulation du capitalisme en longue period (1976)'. Aglietta's main thesis was that accumulation and regulation were the twin facets of the capitalist system but that too much focus was given to accumulation (Aglietta 1976). Robert Boyer, one of the members of the regulatory school, has outlined that *"régulation theory offers an analysis of capitalism and its transformations […]"* (Boyer & Saillard 2002: 1). Hence, similar to the Marxist theory presented above, regulation in this perspective has a strong political philosophical dimension, and is seen as a mode of control for capitalistic deviances.

The *théorie de la régulation* is also a reason for the semantic confusion surrounding the term 'regulation'. In the English literature, the French term 'régulation' is often translated by the term 'regulation'. But the correct French translation of the English term regulation is 'réglementation' referring to juridical-political regulations (Jessop 1995, 1997). In the view of Jessop, the French notion of 'régulation' would have been better translated with regularisation or normalisation (Jessop 1995). Therefore, it is important to note that 'régulation' theory analyses another phenomenon than the coordination and control of economic activities and social concerns. The *théorie de la régulation* focuses on the modes of capital accumulation (Jessop 1995), and Jessop has stated that "*the [regulatory approach] thereby seeks to integrate the analysis of political economy with that of civil society and the state to show how they interact to 'normalize' the capital relation"* (Jessop 1997: 289).

To sum up, the political state theory use the notion of regulation to carry ideological views on how power should be structured in a state, and how regulation is empowered to channel forces in a state. Besides this ideological-philosophical notion on regulation in a state, other theories account for regulation in order to reach certain goals, to pursue certain ideas and to enhance institutions and trust in society.

3.5.2 Politico—economic theories and their accounts on regulation

Different political and economic theories contribute to the regulation discussion and help to clarify the reasons of state intervention via regulation (Baldwin & Cave 1999).[26] The main difference (besides their different origin) from the above-discussed state theories lies in the central focus which moves away from power and control in a state, towards an account for the different justifications for state intervention.

[25] For more details see Jessop (1990).
[26] Note that this is only a short overview and introduction. To develop each of the theories is beyond the scope of the thesis. For further information see Baldwin et al. (1999).

	Explaining regulation
Public interest theory	Regulation to pursue public interest related objectives. Proponents of regulation act as agents for the public interest.
Group interest theory	Regulation as product of relationships between groups and with the state.
Private interest theory	Role of private economic interests in driving regulation. Incentives of firms to secure benefits and regulatory rents by capturing regulator.
Public choice theory	Regulation explained through choices of administration and is influenced by the interests of bureaucrats.
Forces of ideas	Regulation explained by ideas that are present in a state instead of private interests. Ideas are defined as intellectual conceptions explaining how and why the government thinks to control business.
Institutional theory	Regulation explained through institutional arrangements and rules, legal and other.
Trust theory	Decline of societal trust in social, economic and political institutions explain the growth of regulation as a mode of control.

TABLE 11: STATE AND ECONOMIC THEORIES AND RATIONALE OF REGULATION

The first group of theories that ought to be mentioned are interest theories. These can be divided into three different categories: public-, group- and private interest theories. The *public interest theory* underlines that those wishing to establish or develop regulation are primarily motivated by a public interest related objective (Baldwin & Cave 1999). In fact, the public interest approach highlights the public good component of regulation. Proponents of regulation are actively working towards the achievement of the public interest.

Group interest theory looks at the regulatory developments as the products of relationships between different groups and the state. Hence, it is not the public interest and the overall consensus to strive for the public interest that explains the existence of regulation, but the negotiation among different groups and the state that shapes the regulation and explains its emergence. In the words of Baldwin et al (1999) it is a race for power among different groups. It is not done in the spirit of a reaching a public interest. This does not necessarily mean that the interest of one group will prevail, but rather that the regulator’s role is to ensure the implementation and realisation of a negotiated compromise of the interests of different groups.

Finally, the third approach among interest theories considers regulation to be driven by the pursuit of private interests instead of public or group interests. Mainly developed by George Stigler (Stigler 1971) and Sam Peltzman (Peltzman 1976), the *private interest theory* is also often called the ‘Chicago school’ approach. In this view welfare is best maximised by the exercise of individual choices. They emphasise a critical stance towards regulation, arguing that it is the private economic interests that drive for regulation and that it will hence not serve the majority in the state (Baldwin & Cave 1999). In sum, interest theories share the idea that a certain interest can be achieved with regulation, but they differ strongly with regard to the universal validity of that interest.

Similarly, the *public choice theory* (Buchanan & Tollison 1984) also emphasises the interest to be achieved through regulation but, in contrast to the interest theories presented above, it evaluates state intervention negatively, arguing that it is the state that is problematic and not the market. Bureaucrats are regarded as possessing their own distinct and non-neutral interests, as inevitably misunderstanding market signals and as not being sympathetic to the private sector. Moreover, they also argue that regulators often ‘get it wrong’, either by design or by incompetence. The source of monopolies and similar market-distorting features may be as much, if not more, the outcome of regulatory interventions as it is a consequence of market development (Baldwin & Cave 1999; Crew & Rowley 1988; Eskridge Jr. 1988).

Compared to these interest theories another explanation for regulation is provided through *forces of ideas*. In this perspective, regulation is motivated by the ideas of members of the government. It is not private, public or group interests which guide regulation but bureaucrats and governmental representatives, which have their own views and ideas and try to achieve them with the regulation adopted. Ideational theories have long denied any role for interests. In their view, people do not possess *ex ante* interests. It is through the diffusion of ideas that they get to define their interests and preferences. Institutional theories can also be considered to explain the motivation of regulation. Institutionalist theories focus on institutional structures, arrangements and the social processes that shape regulation (Baldwin & Cave 1999: 27). The reasons for regulation go beyond the aggregation of individual preferences since individual preferences are seen to be shaped by institutional procedures, principles, expectations and norms that are linked to cultural and historical frameworks. Hence regulation is a result of more than individual rational choice maximisers and serves more global interests (Baldwin & Cave 1999; Blyth et al. 2011; Hall & Taylor 1996).

Finally, a last explanation for regulation lies in *trust theories*. Notions of trust have been used for some time in social science analysis, to explain levels of economic development and democracy (Jordana & Levi-Faur 2004, 2005). The decline of popular trust in a range of social, economic and political institutions, in particular in the context of perceived and actual heightened risk, scandal and crises, is regarded by some observers of the regulatory state, particularly in the UK, as a key factor in understanding the growth of external audit, inspection, formality and surveillance by the state of long-established self-regulatory and professional forms of governance, hence of regulation (Hood et al. 1999). In this view, governmental regulation is essentially an attempt to build confidence by the electorate in low-trust political institutions and to regain control over key delivery mechanisms and institutions of public and other services.

Although these theories largely increase our understanding of governments’ motivations and rationale for engaging in regulation, one has to acknowledge that various classical state, political and economic theories primarily serve to explain the emergence of regulation. In the context of this study, the motivations for regulation do play a significant role in defining the regulatory intensity of a specific regulation.

Another explanation for rise of regulation and hence the prevailing regulatory intensity given by economics lies in the notion of *market failure*, one of the fundamentals of welfare economics (Stigler 1971). It is argued that under some conditions competitive markets will result in a Pareto-optimal allocation of resources (Peltzman 1976; Stigler 1971). Pareto optimal allocation assumes that competitive markets will lead to an efficient allocation of resources, hence to a situation where reallocation of resources would not result in an optimised outcome without worsening the situation of someone in the favour of someone else (Majone 2007: 28). Hence market failure occurs when the conditions for the validity of this theorem are not given and consequently result to inefficient outcomes. Regulation is established to correct different types of ‘market failure’ such as monopoly, power, negative externalities, incomplete information, insufficient provision of public goods (Majone 1997). But as it is not the objective of this research to analyse the reasons for regulation in detail, the following section provides only a brief overview of the different motives to intervene in a market.[27]

3.5.3 Regulation in case of market failures

It is generally assumed that one important impetus for government intervention is the perceived failure of markets and distributional concerns (Ferlie et al. 2005). Market failure may be inherent in the characteristic of the good or service, or it may result from the shift from government to market provision. Sometimes a privatised state owned enterprise (SOE) previously enjoyed a legal monopoly but its specific assets may give it the characteristics of a natural monopoly. In such cases, regulation may be required to achieve efficiency (Ferlie et al. 2005: 225).

Market failures[28] can take different forms and sometimes regulation is motivated out of the sum of several market failures. The first market failure to mention is the interest to protect infant industry. States intervene in the market with the aim that a specific sector can develop without disturbances. Such regulation provides a suitable environment for growth to a recent branch of market activity. The goal is not to establish a permanent protection but to liberalise step by step once the actors are perceived to be strong enough to face competition (Viscusi et al. 2005).

Secondly, regulation can be used to guarantee universal services that have the value of public goods and are of vital interest for a state and its citizens. Without market intervention, such goods may not be produced, or only insufficiently produced. Often, it is argued that the market forces are not playing or only working to a limited degree in the case of such goods and regulation is needed to prevent for a suboptimal provision. In the same spirit, public service regulation is defined as control, influence and monitoring by a government of a mix of public and private organisations delivering public services with the aim to ensure the political desirable goals are achieved (Goodship et al. 2004: 16).

The third kind of market failure occurs when the free market environment may hurt a public interest. Hence it is the protection of this public interest that calls for state regulation. This public interest can be due to one or a combination of various factors, such as financial-, strategic, political or security reasons (Viscusi et al. 2005).

Fourthly, regulation is installed in order to preserve the situation of competition (e.g. monopoly power or excessive competition). In the case of monopoly, the market fails

[27] For an extensive discussion see Viscusi et al. (2005) or Baldwin and Cave (1999).
[28] Section based on Viscusi et al. (2005).

because competition is absent. It may be in a public interest to prevent the consumer from the monopolistic position which maximises profits (Baldwin & Cave 1999). Regulation in this case includes general laws applying across all sectors like the prohibition of price agreements, cartel laws or competition laws, but also sector-specific rules, concerning for example the financial market (Viscusi et al. 2005).

Fifthly, regulation is installed in order to regulate the access to infrastructure. States have an interest to deliver a well-functioning infrastructure since it would allow for the development of the economy, and is arguably vital to a state's survival. Moreover, states do not only guarantee the infrastructure but take also take measure in regard to its pricing.

Sixthly, the liberalisation of markets may have to be accompanied by regulation in order to control for the effects of liberalisation. This could for example be that in a first phase, competition is limited or some basic provision obligations are imposed on actors since the government expects some negative outcomes due to liberalisation.

Seventhly, some public policies are connected to liberalised services, which require some sort of regulation (Viscusi et al. 2005). An illustration can be the paper production industry that needs to follow regulation to protect the environment. Regulation is thus installed in order to induce and reduce negative externalities.

Finally, consumer protection aims are another reason for regulation (Brown & Jackson 1994). The declaration of ingredients of a product and the protection of consumers from negative side effects are examples of such consumer protection objectives (Brown & Jackson 1994).

All these reasons for market failures are also reasons for governments to engage in regulation. In practice, however, regulation is often established based on a combination of these reasons. The rationale of all of these motivations to intervene through regulation is to influence the behaviour of actors and to change the free market outcome.

To sum up, regulation can be motivated by various reasons, with the overall aim to alter a situation and to achieve a certain outcome. It is frequently established out of a combination of several reasons. This study explores a regulation established in order to protect a public interest and to prevent negative externalities. In the regulated sectors, namely the ones of sport betting and lottery, the free market is not deemed to be desirable because it would endanger consumers. Evidence shows that regulation may have side effects and can produce deviances. But as long as these deviances are assumed to be less damaging than a situation without regulation, regulation will certainly be used to alter or reach a certain outcome.

3.6 Conclusion of chapter

This chapter has explained the origins of regulation and its changing nature in order to outline how it is conceptualised and measured in this research. Regulation is an ancient instrument of governmental action, though its importance has evolved over time. At present, regulation is one of the main modes of governance. Governments adopt regulatory regimes to achieve a desired outcome or to alter the behaviour of economic or social actors. The objective of this chapter was to illustrate the different facets attributed to regulation in literature and practice, and to discuss the different meanings associated with the term regulation. As well, different types of regulation exist. This chapter has shown that regulation is not necessarily based on a governmental action, but it can also be the result of private sector initiatives (for example through individual organisations or industries).

In this study, regulation refers to governmental rules established to influence an economic activity and to achieve a specific outcome or to prevent or control the negative externalities that could result from the operation of the activity in question. Hence, it is a combination of economic and social regulation in the sport betting and lottery sectors in different countries that have established regulatory regimes for various reasons such as the prevention of gambling problems, to prevent criminality and have at least a part of the revenues generated to serve a public interest. Further a specific regulatory body—either independent from the administration or embedded in it—is trusted with the implementation of the regulation and the control of the regulated entities. Such regulation affects the organisations and also the ways in which they operate their business. Moreover, it influences the management of the organisation and its organisational structure.

Regulation has not necessarily the same degree of intensity in all sectors, regions or countries. It varies depending on the rules established and obligations imposed on the regulated entities. Based on a thorough literature review, the regulatory intensity appears to be the appropriate instrument for comparing the level of regulations across different regulatory environments. The regulatory intensity is a composite indicator including various different general and sector specific measures along the two dimensions of regulatory scope and regulatory stringency.

The next chapter presents how the influence of the regulatory intensity on the definition of performance used by regulated organisations will be empirically examined. More generally, the next chapter will also explain the research design (section 4.1), including the research model constructed in this study. It will then finally outline the empirical part of the study (section 4.2), based on a case study research, and the more specific units of analysis used to explore the research question, namely the sport betting and lottery organisations (section 4.2.2).

4 EMPIRICAL PART: LINKING THE PERFORMANCE DEFINITION TO REGULATION

The goal of this research is to gauge the influence of the regulatory intensity (chapter 3) on the dimensions of organisational performance (chapter 2). The question this relationship raises is whether the regulatory environment influences organisations in the way they define performance. Organisations operating under different regulatory intensities *may* select different organisational performance dimensions to define performance. If such a relationship between the regulatory environment and the selection of performance dimensions were to exist, this knowledge could be useful for the political process when establishing a regulatory system, but also for managers and organisations who need to develop adequate performance strategies. Regulation is an important way to structure economic activities. From a public management perspective it is interesting to analyse its influence on the definition of organisational performance, as it is central to the understanding of the very effectiveness of the regulatory framework. The key elements of this analysis have been introduced through the literature review: the regulatory intensity and the definition of performance have been presented and a tool for each component has been constructed, and they will now be integrated into a coherent analytical model. In a first section of this chapter (section 4.1), the research design will be presented, including the conceptual model and the research questions, already shortly outlined in chapter one, will be presented in detail. In a second section (section 4.2), the empirical research will be presented. This includes in-depth descriptions of the sector used to explore the model—the sport betting and lottery sector—as well as the research method and the different stages of data collection and data analysis.

4.1 RESEARCH DESIGN

In general, any empirical research is built on a research design that serves to outline the research objectives, the research questions and the methodology involved, including the case selection, the data collection and the criteria for the data analysis (Yin 2009; Maxwell 2005; Mayring 2002). The specific research-procedure depends on the research-goals and the units of analysis to be investigated (Yin 2009). This chapter focuses on these different components, starting with the research question already briefly introduced in chapter one.

4.1.1 Defining the research question

Performance has been a central issue in modernising the public sector. The literature on the "*performing state*" (Schick 2003: 75) has raised numerous questions as to the specificity of public sector performance, its nature and its objectives (Boyne 2002b; Boyne & Dahya 2002). Chapter two presented the different facets of performance, put forward different definitions and constructed six different dimensions that can be used to substantiate performance. This research thus focuses on the nature of performance, and it questions which organisational performance dimensions are selected to report the organisational success under a specific level of regulatory intensity.

This study argues that there is more to the definition of performance than the type of ownership and that the regulatory environment of the organisation is decisive in it defining performance. Regulation is, as illustrated in chapter three, one of the main modes of governance today, and it is frequently used to implement a public policy or achieve a specific outcome. In spite of the importance of regulation for structuring economic sectors and achieving policy objectives, the link between regulation and the definition of performance remains understudied. This study will seek to address this question by exploring the performance dimensions used in a specific sector. This will be done in order to see whether the regulatory environment of the organisation influences the structure of the performance definition of individual organisations. It is also explored if—in a regulated environment—the influence of the type of ownership, i.e. private versus public, in defining performance is abated as a result of the intensity of the regulatory environment. In doing so the study contributes not only to the performance and regulation debates, but it also adds to the corpus of public management research a sector-specific study, gambling, which has so far been declared missing (Talbot 2010). This is all the more pertinent, as the sector in question has gained in importance in recent years.

Organisational performance can be seen as a composite index, based on a number of dimensions, of which the financial/economic performance is only one among many others. It is argued here that the type of ownership (private or public) counts, but so does the environment of the organisation, something which may induce a performance concept that bridges public and private performance perspectives. As presented in chapter three, regulation differs across sectors and countries. As such, the various regulatory environments provide ideal settings in which to analyse whether regulation plays a role in defining performance. Indeed, thanks to the measurement construct of the regulatory intensity, it is possible to compare different cases of regulation.

The general research question posed by this study is:

Whether and how does the regulatory environment influence the selection of organisational performance dimensions by the organisation?

In order to be able to answer this general research question, several sub-questions emerge:

- Is the performance definition of the unit of analysis multidimensional?
- Is there a difference in the performance definition observed between unit of analysis facing low and high regulatory intensities?
- Is there a difference between public and privately owned units of analysis?

4.1.2 Key analytical concepts

From the literature review (see chapters two and three), the following conceptual framework[29] can be drawn to illustrate the theoretical links between the variables. Figure 5 shows the dependent variable, 'definition of performance' in relation to the independent variable 'regulatory intensity', which is assumed to influence the definition of performance. Further, several control variables are susceptible to intervene in this relationship and this study focuses on one, namely the type of ownership.

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[29] Note that the figures in this chapter are not measurement models, but analytical models that illustrate the theoretical relationship between different components of the research, and as such they are simplified representations of a fraction of reality (Lave & March 1975). This remark is valid for all conceptual models from this point on.

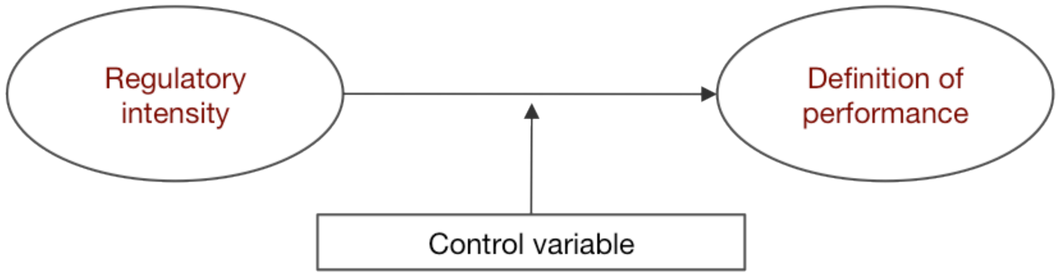

Figure 5: The conceptual framework

In order to build the analytical model, a number of key concepts need to be defined. They were introduced in the previous chapters and will be recalled throughout the next sections:

- The regulatory intensity, based on:
  - Regulatory scope
  - Regulatory stringency
- The organisational performance, constructed through the following dimensions:
  - Financial dimension
  - Operational dimension
  - Stakeholder management dimension
  - Legal requirement dimension
  - Social issue participation dimension
  - Public values dimension

The following sections will present the research model, its different variables, and the methodology used to respond to the research question.

4.1.3 Research model

As mentioned previously, the aim of this study is to analyse whether organisations select different organisational performance dimensions depending on the degree of the regulatory intensity. In doing so an influence of the regulatory environment on the definition of performance can be observed. The concept of performance is judged to be multidimensional not only in the public but also in the private sector. Nevertheless, the way these dimensions are prioritised by an organisation may differ. Whether the concept of performance is multidimensional and how the different dimensions are assessed could be influenced by the regulatory intensity an organisation is facing. The following figure represents the conceptual model developed in this study and illustrates the theoretical links between the variables.

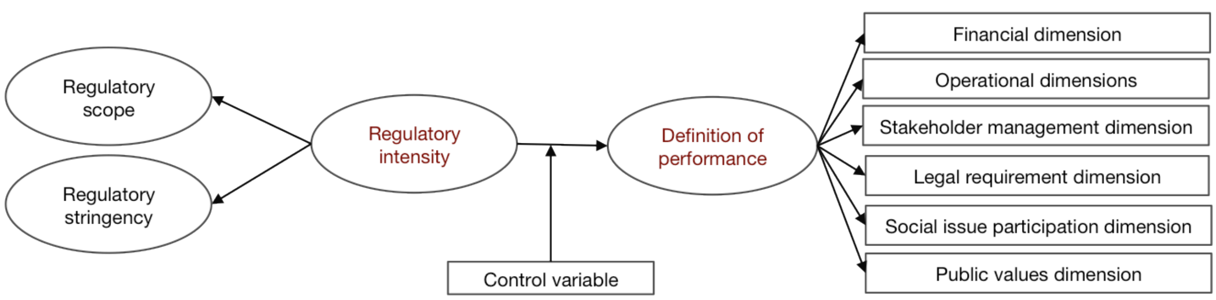

Figure 6: The conceptual model enlarged

The main focus of this model lies in the link between the 'regulatory intensity' and 'definition of performance', and it is adapted from the models developed by Reger et al. (1992) and Cook et al. (1983). Their models evaluated the influence of the regulatory intensity on financial performance (Reger et al. 1992) or organisational responses to different regulatory intensities (Cook et al. 1983), and both attested to an influence of regulation on the organisations. In the model of this study, the selection of potential performance dimensions is based on the literature review conducted in chapter two, and integrates a holistic view of performance by combining public with private sector dimensions. Ownership figures as a control variable in the model (see section 4.1.3), as the question can be raised as to whether there exists—as literature proclaims (Allison 1980; Boyne 2002a; Bozeman & Bretschneider 1994; Marais & Reynaud 2008; Rainey & Bozeman 2000)—a difference between public and private organisations with regard to the definitions of performance. Indeed, it could be that the type of ownership is less important than the regulatory environment for the definition of performance. This implies that in a regulated environment also private organisations would apply a multidimensional performance definition, the focus on financial performance being abated through regulation. These questions will be explored in light of the example of organisations operating in the sport betting and lottery sector, a sector that is subject to state regulation. But before the cases for analysis are looked at in more detail, the next section will elaborate on the different variables of the model.

I. Variables of the model

The main variables of the model, 'regulatory intensity' and the 'definition of performance' are both latent variables, meaning that they are both constructed based on other elements, as will be recapitulated throughout the following sections. First the dependent variable is presented before turning to the independent variable and closing the section with the control variable.

a. The dependent variable (DV): the definition of performance

It is interesting to know which specific dimensions are selected to construct the performance definition of each organisation. Indeed, as discussed above, performance is a construct based on different dimensions, which are measured by the use of different indicators, being of quantifiable or non-quantifiable, monetary or non-monetary nature (Baetge et al. 2007). Only if organisations are clear about what they want to measure, can they identify the right performance indicators and link performance data to results (De Bruijn 2007; Niven 2003; Talbot 2010; Van Dooren et al. 2010). The exact dimensions and measures an organisation uses to define its success is an individual choice, which depends on the organisation's mission and strategy, its relationship with its environment and its overall goal of survival. Clearly, organisations do not necessarily employ all possible dimensions but may prioritise among them, and the performance dimensions may thus be in competition with each other, the focus on one being done at the expense of another.

In line with current performance research (see chapter 2), the conceptualisation of performance is in this study considered multidimensional. The following table briefly recalls each dimension potentially used by organisations to define their performance:

Economic entrepreneurship	
Financial dimension	Refers to the economic value created by the organisation (e.g. bottom-line)
Operational dimension	Refers to the operative undertakings of the organisation to deliver the products and services. It includes three different perspectives: • The customer perspective focuses on the customers and how they are satisfied. • The learning and growth perspective focuses on how the organisation can change, improve and innovate. • The internal business process perspective focuses on how business processes perform and how they can further be improved.
Stakeholder management dimension	Refers to the interests of the stakeholders vital for the survival of the firm because they have, in some form or another, invested in the firm. This is positively related to shareholder value creation (it is about the social and environmental aspects related to stakeholders).
Legal entrepreneurship	
Legal requirement dimension	Refers to compliance with industry specific regulation and the respect of the legal obligations it imposes.
Social entrepreneurship	
Social issue participation dimension	Refers to social and environmental activities, which are not realised in order to comply with the regulation or to increase economic value of the organisation. Such behaviour is argued to decrease the shareholder value by either deploying revenue to participate in something, or by not engaging in something and therefore renouncing a potential source of shareholder value creation (i.e. the fight against gambling problems even though this means discouraging customers from engaging in games, and thereby potentially reducing wagers).
Public values dimension	Refers to public values, which are important for civil society and which the organisation desires to create and to respect when doing business (i.e. transparency, equity or fairness) and to evaluate the level of achievement of.

TABLE 12: THE PERFORMANCE DIMENSIONS RESUMED

The first three dimensions refer to the economic focus of an organisation, i.e. the economic entrepreneurship.[30] They have their origin in the private sector and are the dimensions of performance mainly identified in private management literature (Kaplan & Norton 1996; Elkington 1997; Hubbard 2009). They are based on the balance scorecard (Figge et al. 2002; Kaplan & Norton 1992, 1996b) and the social and environmental dimensions (Elkington 1997; Figge et al. 2002; Hubbard 2009; Wood 1991) believed to drive future economic value. This future economic value creation is the common denominator of the three dimensions placed under the label of economic entrepreneurship, i.e. the financial, the operational and the stakeholder management dimensions. The stakeholder management dimension is part of this group of economic entrepreneurship dimensions because it is argued to increase the competitive advantage and shareholder value of the firm.

The legal requirement dimension is a specific dimension for organisations facing sector-specific regulation forwarding restrictions that would not impact non-regulated organisations, i.e. organisations operating in a free market environment. This dimension is put under the heading legal entrepreneurship, reflecting the legal consideration of specific sector regulations in the orientation of the organisation.

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[30] The word 'entrepreneurship' is used as it indicates the orientation of the activities that are undertaken. This specific terminology refers back to the literature on social entrepreneurship.

Under the heading of social entrepreneurship, the social issue participation and the public values dimensions of the organisational performance are addressed. The social issue participation dimension is linked to social outcomes that are not targeted due to potential future economic profit or to compliance obligations, but which have been voluntarily selected in order to create a certain outcome. An organisation may, for example, have set out non-economic or social objectives to attain, and in doing so, created non-economical added-value for society. This dimension goes beyond the output of the organisation and focus on the impact of the organisation's activity on society. The public values dimension refers to values such as transparency, equity or fairness, an organisation desires to create and to respect when doing business and to evaluate the level of achievement of it. The social issue participation and the public values dimensions thus represent the engagement of the organisation as a creator of social, democratic and public values. There are many different definitions of social entrepreneurship. They all share the idea that its main motivation is to create social value, rather than personal or shareholder value (Zadek et al. 1997). Social entrepreneurship is closely linked to the social issue participation and public values dimensions because social entrepreneurship circumscribes the deployment of resources to address a specific social issue, and this not based on legal regulatory obligations. The question is whether organisations actually measure part of their performance using these dimensions. This research examines whether organisations deploy resources to undertake activities in regard to these two dimensions. Not surprisingly, the measurement of these performance dimensions is more complex, as qualitative indicators need to be defined above and beyond quantitative measures. Moreover, the difficulty of evaluating such performance is increased due to the different perspectives one takes on social impacts (Austin et al. 2006). Obviously, social entrepreneurship has an important role to play in regard to non-economic value creation. As presented in chapter two, the voluntary aspects of CSR validate the existence of these two dimensions.

To sum up, it is assumed that performance is a socially constructed measure reflecting real activities. An accurate understanding of performance has therefore to consider—as it is done here—financial/economic and non-financial/non-economic aspects of business making. This also explains why a multidimensional framework combines both hard and soft factors in the definition of performance (Talbot 2010). The figure on the next page illustrates each dimension of the definition of performance and the indicators that will be used to identify each dimension in the empirical part of the study.

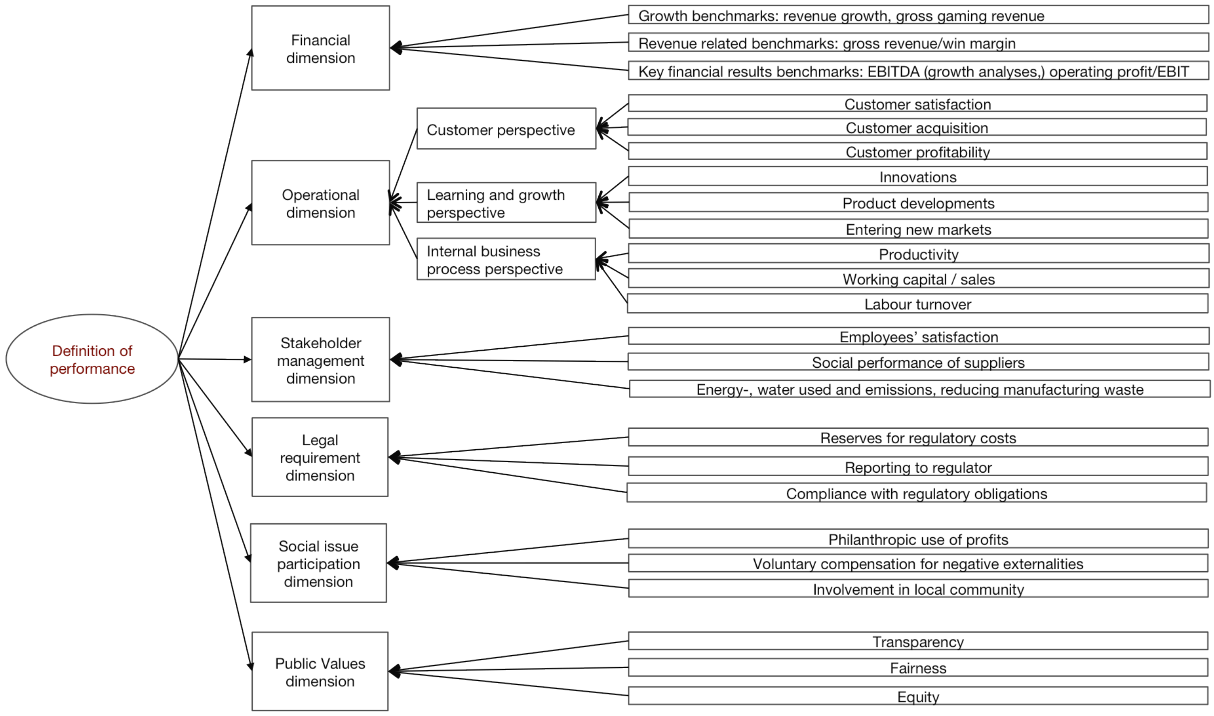


Figure 7: The definition of performance

Having thus presented the dependent variable under scrutiny the following section recalls the independent variable of the research.

b. The independent variable (IV): the regulatory intensity

Chapter three presented the regulatory environment and the measure of the regulatory intensity, which is the independent and latent variable of the model. The variable includes two dimensions, namely the regulatory scope and the regulatory stringency (Cook et al. 1983, 1985; Reger et al. 1992). Consequently, the study adopts a multi-factor approach of the regulatory environment (see section 3.4). To recall, the regulatory intensity is evaluated based on following ten criteria:

Regulatory scope	**Regulatory stringency**	
• Market structure • Regulatory reach • Specific public use of money • Imposition of type of ownership • Publicness	*The regulatory level:* • Presence of a regulator • Competences of the regulator	*The organisational level:* • Distribution channel restrictions • Advertisement restrictions • Obligations in regard to negative externalities

TABLE 13: THE REGULATORY INTENSITY RESUMED

The construction of the regulatory intensity in this study differs in three main ways from previous research, as presented earlier (see section 3.4). First, the use of ten indicators are seemingly more appropriate for evaluating the regulatory intensity, and this study therefore does not restrict the model to a single or two-factor model, as other research has done.

Second, a slightly different conceptualisation of regulatory stringency is adopted, by dividing the regulatory stringency, looking at it with regard to the regulatory level on the one hand, and the organisational level on the other. Third, conceptualising the regulatory intensity only with regard to the regulatory scope and regulatory stringency is arguably sufficient, and the aspects of regulatory uncertainty and regulatory duration have therefore here been discarded (see section 3.4.2).

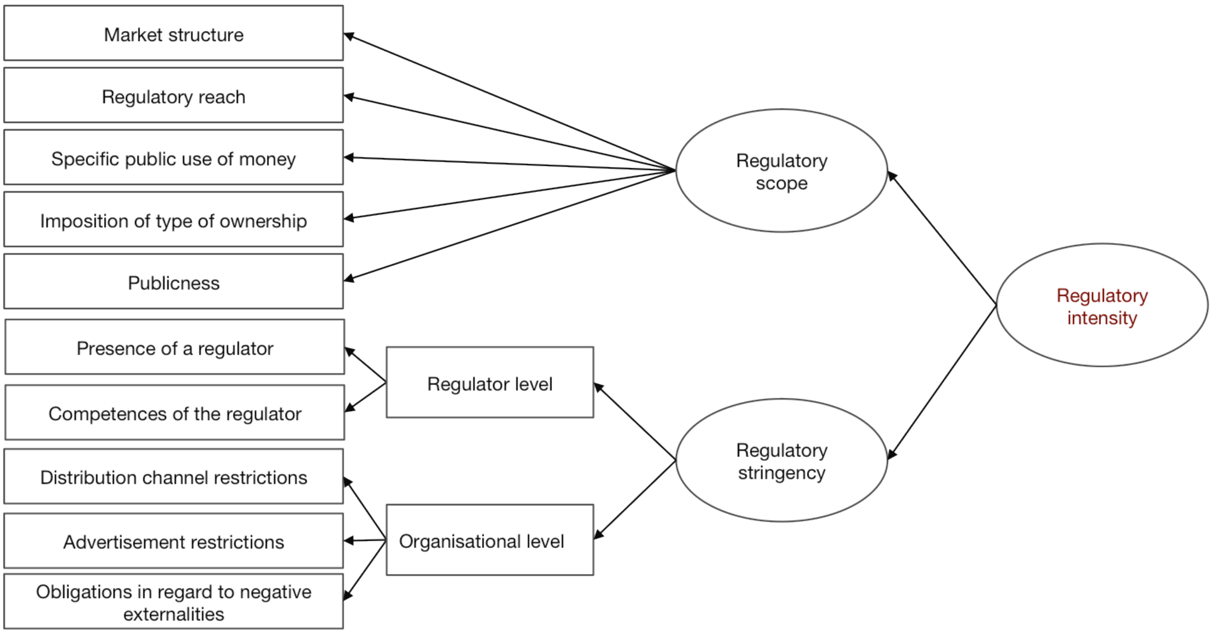


Figure 8: The regulatory intensity

The regulatory intensity of the regulatory environments is estimated, and grouped into two categories based on the logic of Mahon and Murray Jr. (1981), who developed a continuum of three overlapping and compatible strategies of organisations facing different levels of regulation. In their research on strategic planning for regulated companies, Mahon and Murray Jr. (1981) found that organisations faced with a low level of regulation follow an economic strategy, concentrating on profit and cost reductions. Organisations facing a middle regulatory intensity adopt a political strategy and organisations facing a high regulatory intensity adopt for a social or public policy strategy (Mahon & Murray Jr. 1981).

This study uses a two groups structure of regulatory intensity: a *low-middle* and a *middle-high* regulatory intensity. This is argued to be more adequate in order to differentiate between the different groups and to reduce any possible overlap. Indeed, as also found by Mahon and Murray Jr. (1981), the strategies developed by organisations tend to be overlapping. In a regulated sector, like the one in focus of this research, the regulatory intensity is never as low as in a completely liberalised market environment. Therefore, even in the group of lower regulation, organisations still face at least some regulatory requirements. A pure economic strategy without any considerations of regulation is therefore not likely to be an option among any of the cases looked at in this study. Consequently, the model of Mahon and Murray Jr. (1981) has been adapted accordingly.

Mahon and Murray Jr. (1981) concluded that in an environment with a low degree of regulation, an organisation takes the 'economic strategy', i.e. the reference for planning purposes, consists in traditional economic orientation. However, it is argued here that in the case of the specific sector under study, a purely economic strategy would not fully apply. Even in situations where the regulatory intensity is low, a political strategy is also present, as the organisation needs to comply with at least some regulatory requirements. Mahon and Murray Jr. (1981) concluded that with a moderate regulatory intensity, an organisation adopts a more complex and sophisticated role. By way of a more 'political strategy', the regulatory agency becomes key to set and achieve goals. This role is not found in non-regulated situations and the organisation's structure is designed to foresee changing political and regulatory climates. Hence, in a low-middle regulatory intensity, the firm is concerned with costs, prices and profits. But as the organisation still faces a certain level of regulation, the legal requirement dimension is also included in the performance definition (Mahon and Murray Jr. 1981). As the model of this study is explored in a setting where non-compliance is not an option, the regulation formulates some goals, which will in any case need to be addressed and may therefore be represented in the performance definition. However, the dimensions could still be organised hierarchically, with the financial dimension as a clear priority. Mahon and Murray Jr. (1981) further concluded that organisations faced with a high degree of regulation adopt a 'social or public policy strategy'. The organisation faces a potentially diverse set of goals, and the strategy in this case therefore has to satisfy more parties (e.g. the regulatory agency, interest groups, etc.). In this situation, an organisation is also occupied with the relationship (process) and the outcome of the regulatory decision (social outcome) (Mahon & Murray Jr. 1981). Hence, it could be that organisations facing a middle-high regulatory intensity focus on several performance dimensions equally.

The categorisation in the two groups is based on the use of a cluster analysis that allows for a grouping of a population based on several selection criteria (Ketchen Jr. & Shook 1996). For each regulation under evaluation, the ten criteria are assessed in order to group the regulation in either low-middle regulatory intensity or middle-high regulatory intensity.

Regulatory scope			
Market structure	Open ←		→ Close
Regulatory reach	Narrow ←		→ Broad
Specific public use of money	No ←		→ Yes
Type of ownership	Free ←		→ Imposed
Publicness	Low ←		→ High
Regulatory stringency I			
Presence of a regulator	No ←		→ Yes
Competences of the regulator	Small ←		→ Large
Regulatory stringency II			
Distribution channel restrictions	No ←		→ Yes
Advertisement restrictions	No ←		→ Yes
Obligations in regard to negative externalities	No ←		→ Yes
Regulatory intensity	**Low to Middle**	**Middle to High**	

TABLE 14: CONTINUUM OF REGULATORY INTENSITY

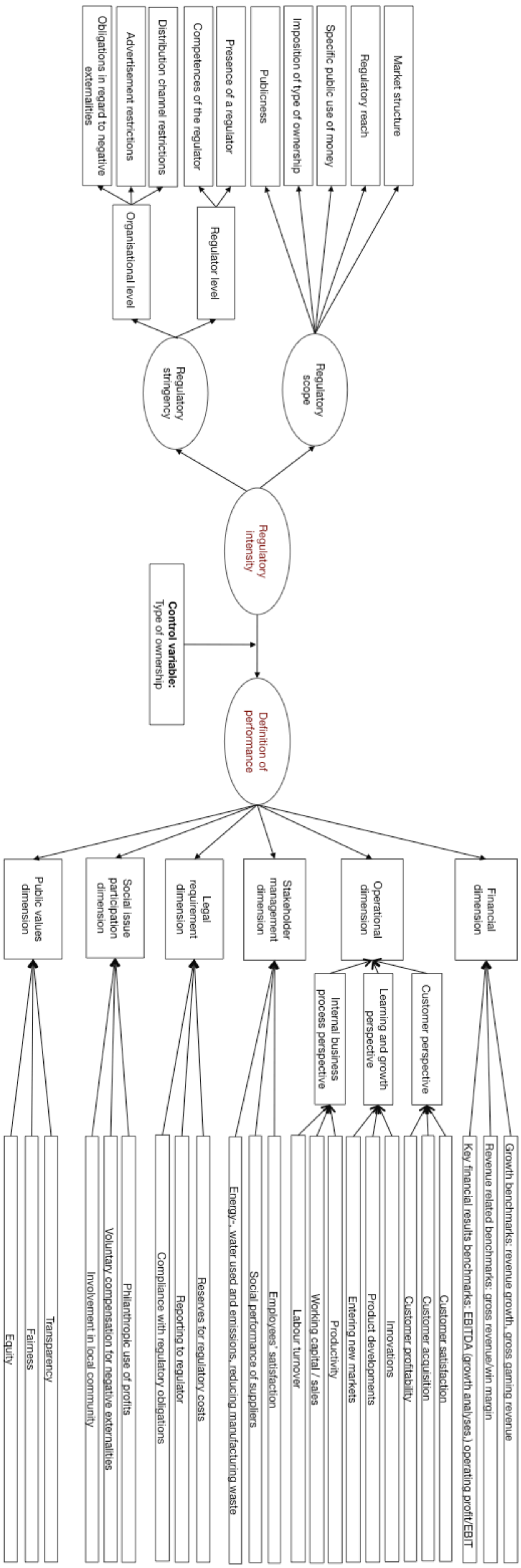
Having thus defined the dependent and independent variable of the model, the 'control variable', i.e. the type of ownership will now be briefly outlined.

c. Control variable

The model focuses on one control variable, namely the type of ownership. It introduces the question whether the public-private dichotomy actually also holds in regulated environments. Completely aware that there are other control variables applicable, ownership is considered to be of most interesting in this case, essentially because of the public/private divide that scholarly performance research has been focusing on. Moreover, as the research is of a qualitative nature, and the model is not statistically tested, control variables do not serve to control for sample biases, but simply represent the widely held theoretical explanation that the type of ownership would be influential for the composition of the performance definition. Control variables may also have an effect on the relationship between the independent variable and the dependent variable. Thus, they may act as moderators, by amplifying the relationship between the independent and the dependent variables, or be mediators, by changing the direction of the relationship between the two variables (Ketchen Jr. & Shook 1996). In this case, it is likely that the type of ownership is not only a control variable, but also a moderator, influencing the relationship between the regulatory intensity and the definition of performance. In theoretical and empirical research, the definition of performance is often argued to be different in public and private organisations. However, as this contribution ventures to show, the effect of the type of ownership might be abated by regulation, and ownership would thus not be decisive for the construction of the performance definition of regulated organisations.

Figure nine presents the research model, including all variables and sub-concepts of the analysis.

Figure 9: The research model



Having thus presented the research question, the conceptual models and its different variables, the next sections present the methodological approach used to activate the model presented above in order to explore it in practice. The next section starts with a description of the sector to be analysed and the units of analysis to be used.

4.2 EXAMINING THE THEORETICAL MODEL IN PRACTICE

As mentioned above, the model that has been constructed will be empirically explored in a number of regulated organisations.

4.2.1 Case studies research: the sport betting and lottery sectors

Case studies are primarily useful when a currently understudied phenomenon needs to be investigated in its holistic form, and this with due recognition of its specific context (Yin 2009). The literature identifies several types of case study analysis. In such studies, the objects of research are normally people or other more sophisticated social units, such as organisations (Mayring 2002; Lamnek 2009; Maxwell 2005). In this doctoral research, multiple case studies[31] are used, the unit of analysis being organisations from the sport betting and lottery sector. The reasons behind this choice are elaborated in the following sections.

I. Case selection: presentation of the unit of analysis

Before the methodology is presented in detail, the sport betting and lottery regulation and the organisations operating in this environment will be presented.

Before outlining the arguments in favour of the choice of the gambling sector as an interesting setting in which to examine the research question, the gambling market will be briefly presented, as will the reasons behind the existence of an industry-specific regulation found in almost every jurisdiction.

a. Games of chance: an introduction

The central role of games in human society dates back thousands of years. In a study of the history of games, Huizinga (1944) goes as far as introducing the concept of the 'Homo Ludens' to underline the importance and pregnancy of games in the life and development of early humans. Indeed, gaming is a cross-cultural phenomenon that is *"…older than culture"* (Huizinga 2006: 4) and as such it can be seen as truly universal (McMillan 1996).

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[31] For further information on case studies see Eisenhard (1989), Yin (2009) or Maxwell (2005).

The history of gambling, and the various attempts at its regulation and control, is therefore a very long one, which is not limited to any one specific continent (Tosney 2010). Many suppose that the origins of gambling are to be found in fortune-telling practices (Reith 1999), which—just like gambling—are attempts at predicting what the future holds. 'Pessomancy' was one of the earliest such methods of fortune telling. Pebbles were cast and the results were then used to answer a variety of questions, ranging from the eventual success of a particular crop to a military venture. Through divination interested parties could entertain themselves by betting on the outcome of rituals, to predict the will of the gods (Reith 1999: 16).

In Asian culture, gambling has always been an important activity. Chinese gambling can be traced back more than 4000 years, and remains an important part of Chinese society today (McMillan 1996). Indeed, gambling accompanies festival and other cultural events. They have thus an inherent social character (McMillan 1996).

Governmental attempts at regulating gambling are as old as the tradition of gambling itself. Already under the Roman republic, games of chance, especially dices, were forbidden. The punishment for any infringement of this prohibition was set at four times the amount of the possible gains. Both Cicero and Horatius refer to this law—the *Lex Talaria*—in their writings, indicating the importance that gambling played in their society (Gizycki & Gorny 1970: 24). In the UK the first tax on gaming was introduced in 1711, and it targeted the instruments of gaming, i.e. the cards and dice used to gamble (Tosney 2010).

At this point, it is important to note that the terms 'gambling', 'games of chance' and 'gaming' can all refer to the same activity. They all describe the process of playing for money or another monetary aspect of a game that either leads to a loss or a benefit for the player. Not surprisingly, the concept and activity of gambling emerged within the wider aspect of game-playing. For gambling to take place one has to place a wager that a certain event will or will not happen, in the hopes of making a certain gain. The determining factor in the gambling process is the general concept of chance or hazard, in regard to the occurrence—or not—of the predicted event (Gizycki & Gorny 1970). A key aspect of hazard is that no amount of skill increases the possibility of a gain, but it is question of 'pure luck', 'hazard', and 'chance' (Gizycki & Gorny 1970). In contrast to games of chance, games of skill are those in which a player has the abilities and skills to override the element of chance that determine the win or the loss. Nonetheless, the delimitation between games of chance and games of skill is not homogenous in all jurisdictions. In some jurisdiction, a game of chance is a game where the outcome depends exclusively or predominantly of chance (e.g. Switzerland, Austria), whereas other jurisdictions define games as games of chance even if the element of chance is only complementary for the outcome (e.g. Belgium). This study takes a broad definition of games of chance and covers all games, which are not entirely dependent on skill. Thus, in the purpose of this study, and based on the approach taken by recent research in the area of gambling (Diaconu 2010), gambling services cover any service which involves wagering a stake with monetary value in uncertain events driven at least partially by chance, including lotteries, casino and betting (Diaconu 2010).

b. Types of games of chance

Several online and offline[32] market sectors—charitable or commercially run—are covered by the definition presented above: lotteries, betting services, casino games, gambling machines outside casinos, media gambling services and sales promotion services. Charitable or 'non-profit games' refer to games of chance only occasionally organised by a non-profit organisation, where the profits are intended for a religious, sports, philanthropic, cultural, educational, social or other civic purpose (Swiss Institute of Comparative Law 2006a; Diaconu 2010).

<u>Casino gambling</u>

Casinos, since their earliest days (in the 13th and 14th century licensed gaming houses emerged in Europe), represent a particular world centred on the hope for the big jackpot. This idea of glamorous world was already present at the opening of the gambling house of Monte Carlo in 1856. The rise of the importance of Las Vegas, after the legalisation of gambling in Nevada in 1932, and the success of Macau since the liberalisation of gambling in 2002 are more recent example of the incarnation of this idea of a 'Disneyland for adults'.

Casinos are defined as a location where games of chance are organised. The games of chance normally offered are table games, slot machines, bingo games etc. Some of them—roulette, slot machines, bingo or keno—rely completely on chance whereas others, like card games such as poker, baccarat, blackjack, and dice games such as craps, are combined with the skill of the player.

Bingo is a specific game of chance, which is mostly operated in casinos. In some jurisdictions, there exist bingo halls (e.g. UK, USA) next to gambling houses. In most jurisdictions, bingo refers to "*a game of chance, in which the player uses a scorecard or an electronic representation thereof bearing numbers and is played by marking or covering numbers identical to numbers drawn by chance, whether manually or electronically, and won by the player who first marks or covers the "line" which is achieved when, during one game, for the first time all five numbers on one horizontal row on one scorecard are drawn; or the 'house' or 'bingo' is achieved when, during one game, for the first time all the fifteen numbers on one scorecard are drawn*" (Swiss Institute of Comparative Law 2006b: vIII). Some countries define Bingo differently, and in Belgium, for example, it "*consists in a ball game where the player must lodge the ball in holes on the horizontal side of the machine and thus obtain a number of points that light up on the vertical side of the machine. Bingo can equally be a sort of table game in Belgium, in which event it can only be organised in casino facilities or after authorisation of the local authorities"* (Swiss Institute of Comparative Law 2006b: vIII).

<u>Lottery</u>

The emergence of the first lottery cannot be traced back to a precise year. The first games truly similar to modern lotteries developed in Roman banquets and festivals. Lots were sold to guests who could then win prizes of different values. Building on this idea, Emperor

[32] 'Offline' market sectors are also referred to as 'land-based' or 'retail'.

Augustus established a public lottery to finance the renovation of Rome, a funding model that would come to be used time and again by various governments. The *Lotto di Genova*, the first number lottery, dates back to 1620. Originally it was not a game but a way to choose—randomly—the people who would take the five-senate seats of the city. They were to be selected out of some 90 possible candidates. Soon, the public started to bet on the names of the candidates that were to win. As time passed, the names were replaced by numbers, leading to the development of the '5 out of 90' game. And, from Italy, the number lottery spread throughout Europe and the world (Gizycki & Gorny 1970).

"*Technically, a lottery is defined (in Austria, Belgium, the Czech Republic, Estonia, France, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal and Slovakia) as a prize game in which an organiser accepts bets on the chances which several numbers have of being extracted at random from a defined series of numbers or symbols. The winning numbers are determined by public draw*" (Swiss Institute of Comparative Law 2006b: vII). Generally, lotteries have the following characteristics: First, they are based on a scheme designated to attract a large number of participants. A defined amount has to be paid for participation, and the participants compete with each other to win a prize. Second, the lottery organiser has no competitive interest against the participants. This is contrary to casino games, where operators compete against the player. And finally, lotteries involve no skill (Diaconu 2010). Lotteries occur across countries and are of the same nature, representing a very popular form of games of chance.

Betting on sport and non-sport events

Betting services are another type of games of chance.[33] Highly linked to sport competition and events it has *an*—if not *the most*—ancient history. Homer describes a horse race bet between Idomeneus and Ajax in the city of Troy (Homer 800 B.C.E). In the US, the first racetrack was built in 1665 on Long Island (Arnold 1978). In England, the Jockey Club was founded in 1750 and the first Derby, named after the 12th Lord Derby, was organised in 1780 in Epsom, England. Similarly, in France Emperor Napoleon III inaugurated the Longchamp racetrack in 1857 (Diaconu 2010).

Betting services refer to the act of making or taking a bet either on the outcome of a race, competition event or process, or on the likelihood that anything occurs or not, or again on the possibility that something is true or not (Swiss Institute of Comparative Law 2006b: vIII). Betting services are not only limited to horse and dog racing, but bets can be placed—legally or illegally—on motor and car races, cycling, marathons, fighting sports, other sports like football, basketball, tennis, hockey, rugby, cricket etc., and even on non-sporting events such like awards (e.g. Academy Awards (Oscars) or Nobel Prizes) or elections. In sport betting two different styles of bets normally occur. Pool betting are pari-mutuel games meaning that the payout percentage of the game is fixed. The potential gains are not fixed

[33] Betting activities are not in all jurisdictions (e.g. sport betting in Austria) seen as games of chance because the element of skill, i.e. the knowledge of the punter about the sport, players, horses etc. may be important and influence the chances of winning. It is up to the legislator to categorise bets as games of chance or games of skill. In this study, betting games are considered as games of chance and in cases where countries are evaluating them otherwise it is specified.

in advance but depend on the whole income of the game, on the payout percentage and on the number of winners in the different prize categories. Therefore, the company offering the bet has no financial risk, but the punters compete against each other. The oddset betting implies fixed odds and the punters do compete against the company and not against each other. If a prediction is correct, the odds are multiplied with each other and then with the amount of the stake. The odds are calculated by the organiser and communicated to the customer. The punter selects the amount of the stake and the possible winning (Diaconu 2010).

Other forms of land-based gambling

Machine gambling outside casinos refers to slot machines, which are allowed in other facilities than licensed casinos (e.g. gambling houses). "*A slot machine is a mechanical, electronic or electric process that can result in the distribution of prize money or anything else of value, including a right or mechanism permitting free play on the machine. Success depends completely or predominantly on the coincidence and cannot be influenced by the player"* (Swiss Institute of Comparative Law 2006b: vII). The approaches in regard to slot machines located outside casinos vary highly across countries. Some countries, such as Switzerland, forbid them, but others, like Germany, allow slot machines outside casinos.

Media gambling and sales promotion services serve commercial or advertisement purposes. The Swiss Institute of Comparative Law defines a broadcasting media game as "*any game which is organised by the owner or operator of a radio or television station, where the participation of players therein takes place by or as a result of their presence during the transmission or recording of the programme during which such game is organised or by any intervention on their part by any means of distance communication (Internet, handy) during or after the transmission or recording of the programme during which such game is organised (Malta, Sweden)"* (Swiss Institute of Comparative Law 2006b: vIII). Similarly, sale-promotion services consist in promotional games, offering a significant prize or where participation is only possible when purchasing something (Swiss Institute of Comparative Law 2006a).

Lotteries, casino and betting are the most frequent forms of gambling. Another feature is remote gambling, i.e. gambling via telecommunication devices such as the internet, mobile phones or television. If and to what extent any of these gambling categories is available for players depends on the national regulation adopted in each country.

c. The rationale for regulation

The motivations behind gambling regulation are very similar from one country to another. Statistics show that the gambling 'industry'—encompassing all its sectors—generates substantial revenues. In the US, the total gross gambling revenue (GGR) (i.e. the amount wagered minus the winnings returned to players), a veritable measure of the economic value of gambling, was estimated to be 89 262 million USD in 2009. The global gambling market, offline and online, was estimated at 385 billion USD in 2012 (H2 Gambling Capital 2010). In 2008, the GGR of the gambling market in the EU was estimated at 75.9 billion Euros. The online gambling market share of this was 6.16 billion Euros (European Commission 2011).

The traditional land-based gambling market of the EU was in 2010 estimated to generate 95 billion Euros GGR by 2012 (H2 Gambling Capital 2010). Therefore, states clearly have an economic interest in keeping a share of the revenues generated by games of chance. This can be done either through taxes or by through the exploitation of games of chance by public enterprises.

Next to this economic interest, security issues provide another rationale for gambling regulation. Criminal activities, even large-scale organised crime, have managed to penetrate some gambling markets by way of money laundering, fraud and corruption. The betting scandals in the football world that dominate the newspapers these days are only the most recent examples of such criminal conduct in the world of gambling. Money laundering has found an ideal setting in gambling "*because of its big volumes and frequent transactions*" (Viren 2008: 10). Indeed, *"[l]aw enforcement representatives [have] said that the anonymity and jurisdictional issues characteristic of Internet gambling make online gaming a potentially powerful tool for money launderers. They noted that few money laundering cases involving Internet gambling had been prosecuted but attributed the small number of cases primarily to a lack of regulation and oversight"* (United States General Accounting Office 2002: 2). The challenge linked to such problems is a legal one, and it requires regulatory adaptations and resources to be properly addressed.

Another sort of criminal activity noteworthy in this regard is illegal gambling, both land-based (in back-stores) and cross-boarder (via internet). Though illegal gambling is very hard to quantify, it clearly represents a worldwide phenomenon, and online illegal gambling in particular is spreading. Illegal gambling includes lotteries, betting and casino games. In Switzerland, a report done by the cantons in 2009 estimated that illegal gambling over the internet generated a GGR of around 1 to 2 million Swiss francs (CHF) for the operators via lottery games, 34 million CHF via sport betting and 39 million CHF via casino games. The same report estimated that around 35'000 persons play illegally lotteries and betting games online in Switzerland, and around 40'000 play illegally casino games. The illegal operators can be categorised into two groups. The first group is made up of so-called 'grey market' operators, who are licensed in one country but who offer games of chance online illegally in other. Most of those operators hold a valid licence in a country allowing internet gambling such as Malta, Gibraltar or Isle of Man, but they do not respect the national borders in their activities. Next to these grey market operators, there are the so-called 'black market' operators, which do not hold a licence in any nation state. The problem with illegal operators is that they do not comply with obligations imposed on legal operators, such as taxation or prevention measures. They therefore do not take the social and economic costs into account, but these are left to be dealt with by the countries in question and civil society.

A main reason to regulate games of chance is the negative external effects gambling can create in the form of gambling addiction or pathological gambling. It is characterised by enduring and repeated maladjusted gambling behaviour that diminishes personal, familiar or professional aims. Gambling problems can cause financial and psychological problems. It affects not only the players themselves but has consequences for their relatives and for society at large. State and gambling organisations as well as various social institutions do address this situation. Gambling addiction is a problem in its own right for the persons afflicted by it, but more cynically, it can also be perceived as a problem in terms of the limitations it puts on the operations of organisers. In a sense it threatens the business model by introducing limitations and blockages at the social and political levels. It is a situation that very few organisations in very few gambling markets can ignore. For whatever reason, organisers do have to face this challenge, and so do political authorities, for both political and social reasons. It is in this sense that gambling addiction can be considered yet another rationale for gambling regulation. It is common for regulations to force operators to take measures to limit or prevent addiction. Operators can be obliged to monitor or inform gamblers, or implement bans blocking the access of certain gamblers to the premises (mostly for casinos). Another rationale for gambling regulation is the protection of minors. In most jurisdictions, gambling is not allowed for minors and the regulation requires operators to ensure that no minors are allowed to participate.

These rationales for gambling regulation are shared by jurisdictions. They force states to balance economic objectives with social ones. The UK Gambling Act 2005 clearly states in its very first section that the objectives of licensing are, *inter alia*, to prevent gambling from being a source or a tool for crime and to ensure that it is conducted in a fair and open manner, protecting children and vulnerable persons (United Kingdom 2005).

In most systems, the government collects a part or the total of the benefits. The use of the extra income varies: some cover state deficits, others accomplish public tasks, and others still use the money to support benevolent or charitable projects. Obviously, the states face a paradoxical situation: they have to weigh the economic benefits generated through the games of chance against the risks in terms of criminality and addiction.

For all of these reasons, gambling regulation has been implemented around the world, with the prevailing aim of protecting public interests and therefore this has most frequently tended to take the form of social regulation. It should be highlighted however that while the regulation of gambling is a universal phenomenon, and while such regulation tends to share the same components across countries, it does differ in terms of its degree. For example, the sport betting sector in the UK can be said to have a low regulatory intensity, allowing for numerous competitors and imposing only a low level of restrictions on operators. In contrast, the regulatory system of sport betting and lottery games in Germany can be deemed of a high regulatory intensity, as it limits operation to few organisations, imposing several restrictions on them.

The gambling sector provides an interesting case through which to analyse the influence of the regulatory intensity on the definition of organisational performance. Indeed, such a regulation can have important effects on organisations by pushing them to balance economic interests with social responsibilities. The aim to make profit and the aim to prevent gambling problems are seemingly contradictory, and significant trade-offs between them have to be made. The following section will justify the reasons why games of chance represent an ideal setting in which to examine the research question.

II. Justification of the unit of analysis

The organisations that are licensed to operate gambling differ in their nature. In some countries, they are public, in others private, and in others still they take a hybrid form. They do however share the need to balance their objectives between the demands of the regulatory framework and the goals of efficiency. By thus merging regulation and performance theory, this sector becomes very interesting in terms of the objective of this research. The regulatory system influences managers of organisations in their selection and prioritisation of performance. Not only are financial and operational dimensions of relevance, but also social or legal requirement dimensions. This means that it is not a question of choosing either exclusively economic (e.g. financial) or social dimensions (e.g. social issue participation), but the spectrum is far broader, and intimately linked to how organisations respond to their regulatory environment.

Moreover, countries are increasingly aware of the importance of the gambling sector. The economic interest and the potential addictive consequences for consumers and the social costs for society explain, in large part, why government regulation is maintained. The profits to be made are huge but the potential dangers for the civil society are not to be neglected. However, in recent years the risk inherent to gambling has been recognised by states and civil society something which has had an impact on operators. Indeed, organisations operating in gambling cannot neglect the environment when doing business, and this is even more the case for organisations that operate in regulated markets (Mahon & Murray Jr. 1981). The survival of organisations is not only linked to their economic wellbeing, but also to the goodwill of the state and society. As such it is interesting to analyse the extent to which a regulatory system renders an organisation to adopt also a more social performance definition. Nevertheless, how far these social and environmental consequences will be included in the organisational performance definition is an understudied area.

As discussed in chapter two, the expression of corporate social performance has emerged as an inclusive and global concept in the management literature. For the gambling industry this has a double validity as it is regulated and under public scrutiny. In order to evaluate if an organisation envisages ethical and philanthropic considerations in CSR, the performance definition can be examined. At first sight, the paradox mentioned above seems to be reinforced and the argument could be made that performance and responsible gambling are two sides of one coin. Therefore, it could be that effective organisational performance requires and mandates an organisational engagement in CSR initiatives. One could envisage a situation in which higher benefits would be problematic, for example a case where too many ‘side-effects’ of gambling in the form of gambling addiction were to appear. Therefore, for the gambling sector, and possibly also for any other similarly regulated sector, CSR would be the process through which actors manage to respect the non-formalised boundaries inherent in the spirit (as opposed to in the letter) of the social regulatory obligations, be it to ensure their short-term business survival or their long-term societal fit.

For all of these reasons, the gambling sectors represent an ideal setting in which to gauge the influence of a regulatory intensity on the organisational performance definition.

III. Selection of the sport betting and lottery sectors

As illustrated above, the gambling sector is mainly composed of three different types of activity: casinos, lotteries and (sport) betting. The approach of gambling regulation differs from one country to the other and some countries have developed one regulatory system for all three kinds of gambling (e.g. Canadian provinces) whereas other countries have developed different regulatory systems for the different types of games (e.g. Switzerland and the UK). Hence, the first question that arises is whether this study includes all three activities or whether it concentrates on one gambling activity. As the activities are judged to be different depending on the regulatory regimes established in the countries, and as some activities are not necessarily comparable to others (e.g. casino games are different to bets or lotteries), it is believed that the three sectors cannot be compared to each other (at least not in an amalgamated manner). If this is done, it would incur too high a risk that the analysis focuses more on the differences between these types of games than on the performance and regulation related aspects.

This leaves the question of which sector would offer the most variety in regulatory intensity across countries. This criterion is the one that will best allow the expression of our model. The regulatory systems in the sport betting and lottery sectors are the most different ones across countries. Indeed, the regulatory intensity in this regard reaches from a very low level (in the cases of Austria or Malta) to a very high level (in the case of Germany or Sweden).

The reasoning is very different in regard to casino gambling. Casino gambling, as sport betting, faces a variety of different regulatory intensities in different countries. However, in regard to the ownership, there is mainly an occurrence of privately owned companies, and this in highly restricted regulatory regimes as well. This is not the case in the lottery and betting sector, in which there are different kinds of ownership. Moreover, the public element is much less present in the casino sector than in the sport betting and lottery one.

In selecting the lottery and/or sport betting sector regulations as a basis for this study, different challenges have to be addressed. The first challenge is their dual presence in most organisations. They would be hard to separate and distinguish as units of analysis as they are present and operated often from the same organisational construct. Betting can occur on sporting and non-sporting events, and in this regard the views of countries diverge, as some countries do not allow for non-sport betting at all, whereas others fully allow it. Another challenge to address is that sport betting and lottery can be offered both on- and offline. In order to start from a common basis, the selection chosen consists in organisations that offer mainly offline games while online sport betting and/or lottery games are also possible.

Having thus defined the unit of analysis, the next section will present how the data to answer the research question has been collected.

4.2.2 Data collection

Data has been collected during three different phases, as summarised in the following table.

Data collection	Focus	What	Time
Phase I	Theoretical model	Expert discussions	Summer 2011
Phase II	Independent variable	Document analysis & expert panel	Spring-Summer 2012
Phase III	Dependent variable	Document analysis & interview/survey research	July 2012 – June 2013

TABLE 15: THE PHASES OF DATA COLLECTION

In the next sections, the phases will be outlined in sequence.

I. Data collection phase I: the exploratory stage

In a first exploratory phase, six open, informal discussions with experts from the Universities of Lausanne, Berne, Paul Cézanne Aix-Marseille III and Montreal (ENAP—École nationale d'administration publique) were conducted. Overall, this phase focused on three pillars: first, the importance and interest of the research objective; second, the case of gambling; and third, the general model. The following paragraph will discuss the findings of the expert discussions. These are presented here, as they form the basis of the analytical model's construction.

First, the pertinence of the research question has been confirmed, as there is consensus that there is not one unique definition of organisational performance given in public management literature. Even though performance dimensions have been identified in public management literature before, these dimensions have been primarily targeted at government activities and traditional public organisations, and not so much organisations in regulated industries. A study, which aims to analyse the dimensions applied in a regulated sector and to evaluate the influence of the regulatory system on this selection, is therefore something that has rarely been done. Furthermore, the bridging of public and private performance dimensions was especially mentioned as a novelty for regulated sectors. The interviews mainly confirmed that regulation is an important topic. Moreover, the experts agreed that the link established between regulation and organisation is valid, and that regulation is generally assumed to impact on organisations. Studies have also confirmed, as mentioned above, that there is a link between these components. However, the impact of regulatory intensity has been analysed there in regard to the performance level and not in regard to the dimensions applied by organisations as this research aims to do.

Second, concerning the gambling sector, discussants agreed that it was a good idea to conduct two expert interviews for each case, as it is important to know how a system changes the behaviour of the organisation. They were also convinced that the gambling sector provides an interesting terrain for the study. The gambling sector is in evolution and has to face various challenges. Different countries have, or will in the near future, (re-) regulate the sector. Therefore, for them it is crucial to know the influence of regulatory intensity on the regulated entities; what does a change in the regulatory system mean for the operators; how does a state want to change the system? Moreover they also raised the fact that the societal concern over the negative impacts of gambling has increased over the past years.

Third, in regard to the general model, the construction of the regulatory intensity appears convincing to them. Several experts from the public management field have highlighted the fact that the nature of the organisation (public or private) influences the performance definition but that public ownership does not necessarily go along with a more social focus. They have further argued that gamblers evaluate the offers of state enterprises to be ‘good’ or ‘better’ than those of private entities. Hence, experts have argued that the social dimension tends to receive less attention. This is especially the case where the state enterprise is attached to the department of finance and the goal is to increase state revenue. In contrast, a private organisation facing a high degree of regulatory intensity could concentrate more on responsible gambling and thus assess non-financial and economic dimensions as more important. Indeed, it is clear that the nature of the organisation is an interesting point that lies rightly at the heart of this analysis.

Some comments were made in the expert interviews in regard to the motivation behind the chosen dimensions. Several experts have thus argued that in the gambling sector, organisations are self-regulating some aspects, especially in regard to gambling problems, in order to prevent more binding rules. This point has been expressed for the Loto-Québec where the company puts the engagement in social aspects in a prominent place in the annual report. However, the two international experts interviewed argued that this is more a marketing strategy than an expression of any real concern for the issue, or a preventive measure on behalf of the organisations. In the case of Québec for example, where the regulatory intensity is believed to be low, according to an expert, the organisation focuses on social aspects because it increases the prospect for profits since corporate social responsibility is something most companies are engaging in. Therefore, it does not do so because of a real concern but because of a strategy to increase profits. One expert argued that the focus should be put on the real social performance of a gambling organisation to internalise the negative effects of their core business, i.e. gambling addiction. Other attempts, such as sponsoring, environmental projects or art collections, are undertaken more to show that the organisation is socially active, in order to legitimate the business. The challenge is consequently that the motivation behind the activities may not be clearly captured in the model. Arguably however, the model is a simplification of reality *per se*, and the motivation behind the selection is therefore less important, since the focus is on the question of which dimensions are selected and how they differ across the different regulatory intensities. A concern has been expressed in regard to the answer of organisations queried. Here the risk prevails that even if questions are addressed in the interviews, the answers may not represent reliable preferences, but rather ‘strategic’ or ‘political’ considerations.

The phase I expert discussions provided invaluable feedback for the evaluation of the conceptual model of this study. This exploratory stage was therefore particularly significant, as it confirmed the pertinence of the model and justified taking the work into its next phase, i.e. the grouping of the regulatory intensity, the selection of countries and the data collection in the organisations.

II. Data collection phase II: the regulatory intensity

In this phase, other internationally renowned experts were first asked to categorise the regulatory intensities of several countries into groups, based on the regulatory criteria presented above. As it is not the main objective of this thesis to analyse the regulatory environment and the gap between the perceived and intended regulatory intensities, this was perceived as a good way to approach the regulatory intensity and allow for it to be established for various countries.

An alternative option would have been to directly ask the organisations themselves how they perceive their regulation. This was judges a less convincing method however. Organisations that face the same level of regulatory intensity do not necessarily objectively evaluate this level to be the same. Also, the regulatory intensity perceived by organisations in the same regulatory environment might vary. They could thus wrongly end up in different groups of regulatory intensity, something which would cast doubt on outcome of the research.

The criteria founding the regulatory intensity have been tested by the author in the framework of the research project *Governance, Regulation and Economics of Gambling (GREG)*, which categorised different gambling sectors based on these criteria. Hence, the criteria were pre-tested on a broad basis.

A panel of experts were asked to validate the criteria selected to categorise countries and the classification of the countries into the two groups. The expert panel was composed of:

- Dr. Sandra Marco Colino (Chinese University of Hong Kong)
- Dr. Madalina Diaconu (IDHEAP/University of Neuchâtel)
- Dr. Martin Doris (Chinese University of Hong Kong)
- Dr. Dimitrios Doukas (Queen's University of Belfast, UK)
- Mr. David Folker (General Manager, Football DataCo London)
- Dr. Alan Littler (Tilburg University, The Netherlands)

Based on the ten variables of regulatory intensity, the experts were asked to categorise twenty countries into two groups of regulatory intensity: low-middle (hereafter low level or LRI) and middle-high (hereafter high level or HRI). This categorisation was then compared with the author's own classification which was based on a documentary analysis of legal documents establishing the regulatory system relevant to each country (see chapter 5 below). Where the experts did not agree among them or with the author's categorisation, they were re-contacted and the differences were clarified. The sport betting and/or lottery regulation of six countries were selected based on the agreement of the categorisation among the experts and the type of ownership. As in the sector of analysis low regulatory intensity combined with public ownership does not exist in continental Europe, no such case could be studied. In the end three groups comprising six cases were selected for this study (summarised in the next table):

TABLE 16: CASE SELECTION: COUNTRIES

	France	Norway	The Netherlands	United Kingdom	Belgium	Austria
Regulatory scope	*BROAD*		*BROAD*		*NARROW*	
Market structure	Monopoly	Monopoly	Monopoly	Monopoly	Competitive	Competitive
Regulatory reach	Broad	Broad	Broad	Broad	Narrow	Narrow
Specific public use of money	Yes	Yes	Partially	Partially	No	No
Imposition of type of ownership	Imposed	Imposed	Imposed	Imposed	Free	Free
Publicness	High	High	Low	Low	None	No
Regulatory stringency I	*HIGH*		*HIGH*		*HIGH*	
Presence of a regulator	Yes	Yes	Yes	Yes		
Competences of regulator	Moderate-large	Large	Moderate-large	Moderate-large	Narrow	No
Regulatory stringency II	*HIGH*		*HIGH*		*LOW*	
Distribution channel restrictions	Yes	Yes	Yes	Yes	No	No
Advertisement restrictions	Moderate	Low	Moderate	Moderate	No	No
Obligations in regard to gambling addiction	Moderate	Moderate	Moderate	Moderate	No	No
Regulatory intensity	**HIGH**		**HIGH**		**LOW**	
Cluster in group of regulatory intensity	Middle-high **Group A**	Middle-high **Group A**	Middle-high **Group B**	Middle-high **Group B**	Low-middle **Group C**	Low-middle **Group C**

In a next step the organisations in each country were selected as the units of analysis. Further selection criteria (next to the type of ownership) were the market leadership and the longevity of the organisation. In regard to market dominance, where possible, the market leaders of the sector in each jurisdiction were targeted.

Longevity was also used as a selection criterion since the age of the organisation can have an impact to the extent that younger organisations may not have had time to develop a sufficient routine in regard to the regulation and would possibly require more time to adapt to their environment (Cairns 1985; Cook et al. 1983, 1985; Jackson 2007; Keeler 1972; Reger et al. 1992; Stanley 1973). Hence, only organisations that are mature (older than 10 years) were considered. Ensuring that all organisations considered have the same level of maturity allows for a better level of comparability within our sample.

Table 17 presents the organisations selected as units of analysis of the gambling regulations regimes listed in table 16. The table provides the basic characteristics of each organisation (see chapter five for a detailed discussion of the regulatory environments in each case). In the cases of Belgium and Austria, numerous organisations operate in the retail sport betting sectors, and the study therefore focused on the market leaders. However, in the case of Austria, it was not possible to access the market leader (Admiral Sportwetten GmbH), and other important organisations were hence approached instead. The 'Österreichische Sportwetten (tipp3)' serves as main reference in Austria, though other sport betting organisations were also interviewed. In the case of Belgium, Ladbrokes PLC—the market leader—serves as the main reference.

Group A	**France**	**Norway**
	Française des Jeux (FDJ)	**Norsk Tipping SA**
Date of creation	1976 (Loterie nationale 1933)	1948
Legal form of organisation	Public organisation hold by 72% by state	State owned corporation
Headquarter	Boulogne-Billancourt	Hamar
Games offered	Scratch tickets, drawings, sport betting[34]	Scratch tickets, drawings, sport betting
Retail and online	Both	Both
Number of employees	1079	366
Total wagered 2011	11.4 billion Euros	16 219 056 000 NOK
Profits 2011	89 billion Euros	3.33 billion NOK
Going to public use by law	72% to state	100%

[34] The precise market share of each category of game is available: scratch tickets (43.8%), drawings (46.3%), sport betting (9.9%).

Group B	Netherlands	United Kingdom
	De Lotto	Camelot UK Lotteries Limited[35]
Date of creation	1961	1994
Legal form of organisation	Private foundation	Private stock company
Headquarter	Rjiswjik	Watford
Games offered	Scratch tickets, drawings, sport betting	Scratch tickets and drawings
Retail and online	Both	Both
Number of employees	150	594
Total wagered 2011	348 million Euros	6,525.9 million GBP
Profits 2011	81 million Euros	5,213.7 million GBP
Going to public use by law	100%	1,825.1 million GBP

Group C	Belgium	Austria[36]	
	Ladbrokes PLC[37]	Österreichische Sportwetten (tipp3)	Admiral Sportwetten GmbH
Date of creation	1961 (1886)	2000	1991
Legal form of organisation	Private company[38]	Private company[39]	Private company[40]
Headquarter	Harrow, London	Vienna	Gumpoldskirchen
Games offered	Sport betting	Sport betting	Sport betting
Retail and online	Both	Both	Both
Number of employees	n/a (1566 whole European retail including Ireland, Belgium and Spain)	450[41] (thereof 28 only tipp3)	n/a[19] (Novomatic Group end 2011 world wide 12'057 , thereof 2670 in Austria)
Total wagered 2011	175.5 million GBP	n/a	207 million Euros
Profits 2011	6.6 million GBP	n/a[42]	n/a[20]
Going to public use by law	No[43]	No[44] (only a sport betting tax)	No[22] (only a sport betting tax)

TABLE 17: CASE SELECTION: ORGANISATIONS

[35] The fiscal year goes from 31.03.2011-31.03.2012.

[36] The reports of these two organisations were analysed. *Admiral Sportwetten*, the market leader, was not available for an interview.

[37] These organisations do not dispose of their own annual reports. Hence, the sections on these specific organisations in the annual reports of the corporate group were consulted.

[38] *Ladbrokes PLC* is a British multinational company listed on the London stock exchange since 1967. Ladbrokes was originally founded in 1886 in the UK.

[39] Casinos Austria and Austrian Lotteries and smaller shareholders (newspapers) are the owners of the *Österreichische Sportwetten GmbH (tipp3)*. *Tipp3* is integrated in the corporate structures of the Casinos Austria and Austrian Lotteries albeit tipp3 is an organisation itself.

[40] Admiral Sportwetten is part of the Novomatic Group.

[41] Tipp3 shares employees with the Casinos Austria and Austrian Lotteries (same headquarter in Vienna). 28 employees are working exclusively for tipp3, whereas the other 422 are shared with the other companies.

[42] As the organisation is integrated in a wider corporate group, this information is not available for the company in question.

[43] In Belgium, companies pay a sport betting tax (as is the case with the organisations in the other countries). The tax rate varies among the regions. This is not classified as a specific public use of profits.

[44] In Austria, companies pay a sport betting tax of 2% (as is the case with the organisations in the other countries). This is not classified as a specific public use of profits.

III. Data collection phase III: the definition of performance

Having constructed a model based on an extensive literature review, a model then vetted by international experts in the fields of both public management and gambling, the third data collection phase concentrated on the dependent variable: the definition of performance.

This stage of the data collection was based on two main pillars. First, annual reports of all organisations were gathered and screened for indication of the use of various performance dimensions (as per our construct) and more general 'hints' on the influence of the regulatory intensity on the performance definition. Second, in-depth interviews were carried out with experts of the gambling sector in each of the countries under study. This double approach was taken to validate the analysis and strengthen the responses obtained from the qualitative evaluation under taken in the first step. The baseline year was 2011. This was of course important to bear in mind during the document selection, but something which was also important to clarify with interviewees in order to have a reference year for the discussion. In the next sections, these two steps are presented in more detail.

a. Collection of primary data: in-depth semi structured interviews

Before presenting the interview approach[45] taken in this study, some ethical concerns in regard to interviews will be discussed.

Where interview participants asked for it, full anonymity was granted and completely respected. This is the reason why only the masculine form is used in citations. It is also in order to ensure confidentiality that the comparison of cases and discussion of text passages is not always detailed as would have been ideal, as this would have incurred a risk of making the participant identifiable. Moreover data protection considerations mean that it is not possible to annex the interview transcriptions to this document. Indeed, in this study, all interview participants asked for anonymity with the exception of one, who desired to re-read the interview transcript; something which was of course respected.

In order to reach the stated objectives, the author decided to conduct semi-standardised in-depth single interviews that also included a small number of quantitative questions. The combination of qualitative questions with a smaller part of quantitative ones has several advantages. Open questions have the advantage of allowing respondent to answer freely and without being influenced by pre-defined answer categories, while still directing the discussion towards the specific research problematic (Mayring 2002). In-depth semi-structured interviews also have the advantage that answers can readily be compared with each other (Mayring 2002).

[45] See annex IV for the interview/survey questions.

The procedure of the in-depth interviews included different stages: (1) Introduction to the interview (2) general open questions (thematic access to the topic) (3) quantitative evaluation of concepts in form of a small card game (concentration on concepts, weighting of dimensions) (4) small survey questions (5) concluding remarks (adapted from Lamnek 2005: 365). The open questions were particularly interesting as they allowed for the discovery of new aspects, something which from time to time induced *ad hoc* questions or clarifications.

In the framework of the case studies research in the gambling sector an interview guide for each respondent was developed. A total of fourteen interviews were conducted from September 2012 to end of January 2013.

24.09.2012	NL 1	Interview 1	**17.12.2012**	B 1	Interview 8
27.09.2012	F 1	Interview 2	**13.12.2012**	NL 2	Interview 9
05.11.2012	N 1	Interview 3	**26.12.2012**	B 2	Interview 10
24.10.2012	A 1	Interview 4	**28.12.2012**	NL 3	Interview 11
25.10.2012	A 2	Interview 5	**04.01.2013**	N 2	Interview 12
30.10.2012	A 3	Interview 6	**22.01.2013**	UK 1	Interview 13
21.12.2012	F 2	Interview 7	**23.01.2013**	UK 2	Interview 14

TABLE 18: INTERVIEWS IN CHRONOLOGICAL ORDER

The respondents are all experts in the field of gambling, either directly employed in one of the selected organisations operating games of chance, academic or other professionals linked to the sport betting and lottery sectors. For each case two experts were queried, with the exception of Netherlands and Austria, where three experts were questioned in order to increase the quality of the data. The experts were selected based on three criteria:

- The function they occupy
- They have expressed themselves in public and in a critical way about the issue
- They are recognised by their peers as experts

The aim of the interviews was on one hand to explore which dimensions the organisations are effectively using to define their performance. On the other hand, the research desired to explore whether the dimensions used by the organisations differ between cases of low and high regulatory intensity. Leading questions for the interviews were how the performance of the organisation is defined, and whether the respondents see an influence of the regulatory system on the selection of organisational performance dimensions. To answer these questions, it was deemed necessary that only top executives in the organisations be queried (such as CEO and other executive managers) or experts in the field of gambling that have a proven high knowledge about the organisation under study.

The data collected represents the performance dimensions identified by these interviewees. But as the people interviewed are either working in the organisations at the top management level or are experts of the gambling regulation and organisations in question, it is believed that this provides a close picture of the performance definition representing the effective performance concept used by these organisations. Moreover, with the enlargement of the data from other sources (organisational and other reports), it is believed that the data was further enriched and controlled.

In the aim of triangulating the data, the quantitative questions of the interview were also sent to other participants. The quantitative questions target the indicators used by the organisation to measure its performance, the different dimensions and how they prioritise them. The experts working in the sport betting and lottery organisations were asked to disseminate the survey among the top-level management. However, the response rate was very low and as had already been feared before the survey was conducted, could only be used on an illustrative basis. Next to the fourteen surveys resulting out of the interviews, only ten more survey responses were gathered from these other groups. Rather interestingly in regard to the low response rate is that the lower the regulatory intensity the more people were ready to answer to the survey.

Before the actual interview phase started, a pre-test was conducted. In order to achieve a broad feedback, academics and practitioners were asked to answer the various questions and to fill the survey. The test group was composed of three lawyers, six public management experts, a methodologist, and a gambling specialist. They were queried as to the clarity, pertinence and understandability of the questions. The feedback of the test group did not lead to any major adjustments, but only to some minor changes in formulation of the questions. First and foremost, it served in validating the questions. It is on that basis that the interviews were conducted.

b. Collection of secondary data: content analysis of different documents

The compiled secondary data was taken from annual reports, other publications of the organisations, internal statistics, websites and newspaper articles.

	Documents	
	Organisational	*Other*
F	Française des Jeux, annual reports 2010; 2011.	Rapport public de cour des comptes 2010 Rapport l'Etat acctionnaire 2012 (France 2012) Screen for newspaper articles 'Le Parisien'
N	Norsk Tipping, annual reports, 2010, 2011.	Norwegian Gaming Board (Lotteritilsynet 2004) Screen for newspaper articles 'Aftenposten'
NL	De Lotto, annual reports, 2010, 2011.	Screen for newspaper articles 'De Telegraaf'
UK	Camelot UK Lotteries Limited, Group and Company financial statements for the year ended 31 March 2012. Annual and stakeholder report 2010, 2011.	National Lottery Commission Annual Report and Accounts 2011/2012 (National Lottery Commission 2012) Screen for newspaper articles 'The Guardian'
B	Ladbrokes PLC, annual reports 2010, 2011. Ladbrokes PLC 2011a, 2011b, 2012a, 2012b, 2012c).	Commission des jeux de hasard, rapport annuel 2011/2010 (Commission des jeux de hasard 2011, 2012). Screen for newspaper articles 'Sudpresse'
A	Casino Austria, annual and sustainability reports 2010, 2011. Novomatic AG, annual and sustainability reports 2010, 2011. Österreichische Lotterien, annual reports, 2010, 2011.	Buchmacherverein, Handbuch 2010 (Österreichischer Buchmacherverband 2011). Screen for newspaper articles 'Krone'.

TABLE 19: DOCUMENTS FOR CONTENT ANALYSIS

Using these documents, an extensive content analysis was conducted.[46] The primary basis of the analyses was the organisational documents of 2011 and this for two reasons. First, an examination of the organisational documents of the previous year (2010) showed them to have a similar structure as the 2011 reports. This indicated that it was sufficient to focus on 2011, as the lack of any substantial changes meant that the analysis would not include any situation that would subsequently prove exceptional. Second, documents of other sources (newspapers, regulatory reports, etc.) were studied but yielded no results in regard to the nature of performance. In cases where a CSR report existed but was also integrated in the annual reports, the special report was not coded in order to prevent double coding and an artificial inflation of the number of quotations.

c. Identification of performance dimensions in the data set

For each dimension of performance, sub-concepts and indicators are identified in order to evaluate the presence and importance of each dimension in this study. Through the performance management process, the indicators of performance and the targets of the performance measurement effort can be identified.[47] This directly points to the performance dimensions used in an organisation. The question of what to measure refers to what performance *is*, because performance measures should ideally indicate the nature of performance (Lebas 1995). By looking at what kind of performance information is integrated and used, for example in the communication with the various stakeholders, the dimensions behind the performance construct can be identified. Similarly, performance data is outlined in annual and other organisational reports. Following a bottom-up approach, it is possible to identify the indicators and the targets using such reports. This then allows for the deduction of the corresponding performance dimensions and hence also for the identification of the definition of performance used by the organisation.

For example, in order to detect the financial dimension, in the document analysis indicators such as growth benchmarks, revenue related benchmarks or key financial results benchmarks were looked for. In the interviews, participants were asked whether they use those indicators to measure their performance. In the figure above, this logic is illustrated by presenting for each dimension three indicators or themes that are used to identify a specific performance dimension. Obviously, many other indicators exist and during the analysis many others were indeed used to evaluate the existence of the performance dimensions. [48] Consequently, in the document analysis, indicators were coded based on their affiliation to a specific dimension.

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[46] See Annex I for a list of coded documents.
[47] The process of performance management is a logical sequence of defining targets, collecting data, integrating the data into a management system and putting the information to work (Curristine 2005). Further information on this can be found in performance management and measurement literature such as Van Dooren et al. (2010), Hatry (2006) or Moynihan (2006).
[48] The list of codes identified in the data analysis to detect the individual dimension can be found in annex II.

4.2.3 Data preparation

All interviewees agreed to have the interviews recorded. The duration of the interviews was between 37 and 151 minutes. A total of 12.46 hours of recording material exist. In case statements or answers were not clear, the interview partners were re-contacted afterwards via email or telephone. The interviews were conducted in English, French or German. The final file of interview transcripts includes 217 pages of text, and around 10 survey responses, in addition to the fourteen that result from the main interviews. The interview/survey was developed with the MAMP data software.

4.2.4 Data analysis

In oral and written words, humans express purposes, positions, interpretations and knowledge about their environments. Their statements are largely influenced by the social cultural system they belong to. Therefore they are not only expressing their personal attitudes but also particularities of their culture; for example institutionalised norms and values (Miles & Huberman 1994; Rihoux 2006; Rubin 2011). The content analysis of audio material allows, among other things, to draw conclusions on individual or collective non-verbal phenomena (Lamnek 2005). The content analysis has therefore been considered appropriate in order to analyse the notion of performance in organisations facing sport betting and lottery regulation. In conducting the content analysis, the strategies developed by Mayring (2002) for the document analysis and Yin (2009) for the interview data were followed. The two strategies are very similar, though Yin (2009) concentrates explicitly on interview-generated data. The content analysis of the documents, including the interview transcripts and secondary data collected, was undertaken based on pre-elaborated codes, a list that has been enlarged during the analysis.[49]

<u>I. Qualitative content analysis</u>

A force of the qualitative content analysis[50] is that data material is analysed step by step and in a method-oriented manner, and this even in cases of large text volumes (Lamnek 2005; Mayring 2002). For the secondary data, i.e. the documents, where necessary, the documents were first summarised in order to gain in clarity through abstraction. Second, where necessary, text passages were completed with additional material in order to clarify certain sections. In a third step, with content structuration (Mayring 2002), passages of the text material were extracted and consolidated under specific topics based on the pre-defined code list (Charbonneau & Caron 2009). This form of structuration was deemed appropriate for the research purpose, and based on the conceptual model the main and subcategories could be defined (e.g. dimensions of performance, regulatory intensity with the sub-concepts and control variable). The indicators pointed to individual performance dimensions and consequently a bottom-up approach was followed. The data material was

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[49] See Annex II for the list of codes.

[50] For 30 years, QDA software has been used to analyse qualitative data (Miles & Huberman 1994) without defining a specific method of the analysis. The most frequently used software is Atlas.Ti, NVivo and MAXQDA. In this dissertation Atlas.TI was used to administer the data material, to access certain sections and to evaluate the text based on the codes of the qualitative content analysis.

coded based on these categories and, where necessary, the categories were adapted.[51] Finally, the material in each category was summarised and interpreted.

For the primary data, i.e. the interviews, a very similar strategy was chosen, mainly based on the procedure presented by Yin (2009). First, all interviews were transcribed and passages were, where necessary, summarised. Second, the transcripts were screened and coded based on the main and sub-categories that were used also for the secondary data (see table 19 above). Third, the data materials from the interviews were merged under the different concepts and themes. Their content was further summarised where necessary in each file. Afterwards, the material in each category and theme was sorted by comparing the content of different subgroups and the results were further summarised where deemed necessary. Further, the different concepts were completed with citations from different interviews. Finally, the concepts were combined based on the model developed in order to examine the research question.

II. The analytical framework to address the research question

Having presented the various tools, the methodologies to activate them as well as the various steps in the data collection and analysis, we are now at the very last step of this research: squarely addressing the main research question (see section 4.1.1). The following analytical framework was developed in order to answer the research question of the influence of the regulatory intensity on the performance definition:

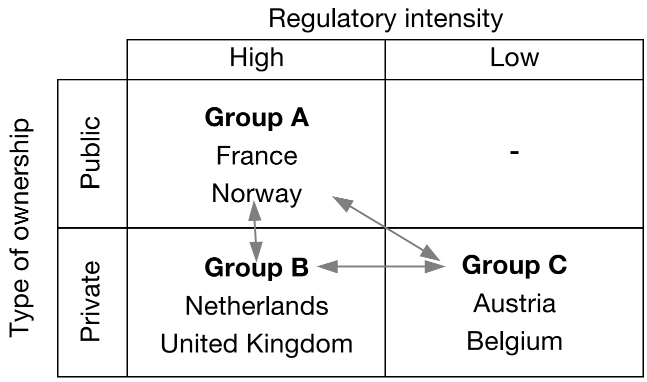

Figure 10: The analytical framework

To examine whether and how the regulatory environment influences the selection of organisational performance dimensions by an organisation, a first step is to identify the dimensions of performance used for each case analysed and construct a performance definition for each of the group. In a second step the comparison of organisations facing high and low regulatory intensity allows for an examination of the research question, and an empirical exploration of the accompanying research model. In order to address this question in a systemic way, the performance definitions of the different groups are compared, concentrating mainly on the high regulatory intensity groups A (France and Norway) and B (Netherlands and United Kingdom) compared to the low regulatory intensity group C (Austria and Belgium). This examination provides responses in regard to the regulatory intensity and the multidimensionality of the performance definition in these

[51] See annex II for the list of codes.

different countries. In a final step group B is compared to group A and group C, as it represents the intermediate group (high regulated, private ownership) between the two extremes that are group A (high regulated, public ownership) and group C (low regulated, private ownership). This final step explores the argument that the type of ownership is less influential in defining performance than the regulatory environment.

Based on all these elements, the following chapter presents the empirical research results obtained through the methodology and approaches outlined in this chapter.

5 INDIVIDUAL CASE DESCRIPTIONS AND ANALYSES

Six jurisdictions mean six approaches to regulate games of chance, and also six different ways in which states implement regulation to attempt to control and channel gambling activities. But what exact shape does gambling regulation take in these countries? Although this research focuses primarily on the definition of performance in a selection of sport betting and/or lottery organisations, the main characteristics of the gambling regulations of each country will also be briefly presented in order to provide the necessary context in which they are embedded.

This chapter therefore provides a description and basic analysis of each of the six cases. Each case description is structured as follows: first, a short historical introduction of the regulation of games of chance paves the way for an overview of the main legislative setting, i.e. an outlining of pertinent legal instruments, and their primary objectives. Next, the primary components of each regulatory system are presented, based on the ten criteria described in chapters three as making up the regulatory intensity (see section 3.4.2). As can be recalled, market access, the regulatory reach, the public use of money, the imposition of the type of ownership and the publicness of the organisation constitute the foundation of the regulatory scope (RSc) of the regulation. For its part, the restrictiveness of the regulation—the regulatory stringency—intervenes on two levels. On the level of the regulator, it is determined by the presence or not of a specific regulatory instance and on the competences of the regulator (RS I). On the level of the organisation, it is determined by the obligations and restrictions imposed on the organisation (RS II).

Once these elements related to RSc, RS I and RS II have been presented, the results of the individual case analysis are detailed, focusing on the appraisal of the performance definition. The objective is to highlight which dimensions the organisations focus on when reporting their performance. For each individual case, the dimensions are presented in the same order (following their appearance in the research model as in section 4.1.3). This is done to maintain a structural logic and make the reading of these descriptions more effective. For each dimension a quantitative and qualitative evaluation of the document and interview analyses is outlined. A table summarises the results and provides an evaluation of the importance of the various aspects by indicating their occurrences numerically. The quantitative occurrence refers to the number of times a reference can be found in each dimension. The qualitative interpretation (or evaluation) is based on the author's subjective evaluation of the importance of each dimension. As the occurrence of the codes in the dimensions does not tell anything about the nature and relations of the dimension, a qualitative evaluation was added in order to deepen the results of the analysis. After the dimensions are discussed for each case, the case-specific section is concluded with a small summary that outlines the first—but not yet final—evaluation of the performance definition to be attributed to the case in question. This chapter will thus provide the descriptive material for the subsequent comparative analysis to be found in chapter six, which focuses more specifically on the question of the influence of regulation on the performance concept and the possible influence of ownership with regard to this relationship.

5.1 THE FRENCH SPORT BETTING AND LOTTERY SECTOR

5.1.1 The genesis of gambling in France

Gambling regulation has a long history in France. It is a history marked by caution and by prudence. It is marked by a general prohibition, only exceptionally allowing for games of chance and if so only through a formal process of authorisation. As early as 1254 a complete prohibition of all games of chance was established (Littler 2011b: 65). Despite this early prohibition, the first state lottery in France, the Parisian 'blanque', was organised in 1539. Its main goal was to restore the state's finances following the numerous wars undertaken by Francis I (Gizycki & Gorny 1970). But due to the large presence of foreign lotteries, this first state lottery failed to attract a sufficient number of players. After an unsuccessful second call for participation in 1541, Francis I's reaction was to introduce a law forbidding the activities of foreign lotteries. From that point onwards, only the 'blanque' (only under the personal auspices of the monarch) and charitable lotteries during carnivals were permitted. Private lotteries was thus prohibited (Gizycki & Gorny 1970).

Later, in 1705, Louis XV instituted a permanent national lottery to collect money for the state Treasury. It also served to help pay for some of his social projects, including the modernisation of hospitals and the restoration of churches and other monuments. In 1776, the government decided to integrate all lotteries into a national organisation, while contracting out the sale and distribution of tickets. A state model was born: the national monopoly. It came to influence neighbouring countries such as Switzerland and Italy (Descotils & Guilbert 1993). In 1805, under the rule of Napoleon I, lotteries were prohibited. They were later to be included in the 1810 Penal Code. Soon after the establishment of the prohibition, an exception was established for the organisation of national lotteries (France 1836). The 'Loterie Nationale' was created in 1933, and by 1978 the Française des Jeux (FDJ) took over the operations of the games (France 1978).

Following the same logic of prohibition as for lotteries, legislation was passed in 1806 prohibiting the establishment of gaming houses, with the exception of the ones located in thermal resorts and in Paris (France 1806). Thanks to this system of exceptions, French gaming houses became hugely popular, attracting people from across Europe. In Paris, gaming houses were rented out to private entrepreneurs, something which immediately led the French government to take restrictive measures. By banning the entry for some people and limiting opening hours and stakes, private gaming houses saw a drastic decrease in revenue. Finally, the negative approach toward gaming houses in Paris led to their closure in 1837 (Schädler 2007). A law confirming this approach was adopted in 1907: the casinos in the spa destinations were still accepted but gaming houses in Paris were to be forbidden (France 1907). In 1920 a financial law was passed which followed the same logic but which excluded as well the still legal the 'cercles de jeux' that operated under the banner of associative organisations (Schädler 2007).

This brief summary of the French approach towards gambling is interesting in so far its general logic is still valid today: an initial complete prohibition, which is rapidly followed by a system of tightly controlled exceptions (Littler 2011: 67).

5.1.2 The current gambling regulation

The French system is not based on any one single piece of legislation, but it has been enacted in a piecemeal fashion. It has even been argued that there has been "*no visible attempt […] to secure a degree of coherency between the regulation of the various forms of gambling*" (Littler 2011: 67). Nonetheless, the following table aims at providing an overview of the different gambling sectors and the main laws.

<table>
<tr><td>General Logic</td><td colspan="4">General prohibition of games of chance based on the law of May 21, 1836.[52] But allowing for exceptions when authorised by government.</td></tr>
<tr><td>Sectors</td><td>Lottery</td><td colspan="2">Betting</td><td>Casino</td></tr>
<tr><td>Sub sectors</td><td>-</td><td>Sport betting</td><td>Horse race betting</td><td>-</td></tr>
<tr><td>Legal basis:</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Retail</td><td rowspan="2">Law on Organisation and Operation of Lottery Games (1978)[53]</td><td>Article on sport betting games (1984)[54]</td><td>Laws on Horse Race Betting and Horse Breeding (1891; 1997)[55]</td><td>Law on Casinos (1907; 1959; 2007)[56]</td></tr>
<tr><td>Online</td><td>Law on Opening Up Online Games of Chance (2010)[57]</td><td>Law on Opening Up Online Games of Chance (2010)</td><td>Law on Opening Up Online Games of Chance (2010)</td></tr>
<tr><td>Operator:</td><td colspan="2"></td><td></td><td></td></tr>
<tr><td>Retail</td><td colspan="2">Française des Jeux (FDJ)</td><td>Pari Mutuel Urbain (PMU)</td><td>Various private owners</td></tr>
<tr><td>Online</td><td>FDJ</td><td>Various licence holders (including FDJ)</td><td>PMU</td><td>Various licence holders for certain types of games</td></tr>
</table>

TABLE 20: THE STRUCTURE OF GAMES OF CHANCE IN FRANCE

Before the recent online gambling legislation of 2010, the clearest set of objectives that could be found in French legislation concerned lotteries and was provided in the Law on Organisation and Operation of Lottery Games (France 1978: Article 1). The first article of that law explained that it aimed to ensure the integrity, security and reliability of gambling operations as well its transparency. It further mentioned that its objective was to channel the gambling demand towards publicly controlled gambling, in order to prevent the development of criminal or fraudulent offers and to prevent and limit gambling addiction (Littler 2011: 67).

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[52] Author's translation of: Loi du 21 mai 1836 portant prohibition des loteries.

[53] Author's translation of: Décret n° 78-1067 du 9 novembre 1978 relatif à l'organisation et à l'exploitation des jeux de loterie autorisés par l'article 136 de la loi du 31 mai 1933 and Loi n° 94-1163 du 29 décembre 1994.

[54] Author's translation of: Loi n° 84-1208 du 29 décembre 1984 portant loi de finances pour 1985.

[55] Author's translation of: Loi du 2 juin 1891 ayant pour objet de réglementer l'autorisation et le fonctionnement des courses de chevaux and Décret n° 97-456 du 5 mai 1997 relatif aux sociétés de courses de chevaux et au pari mutuel.

[56] Author's translation of: Loi n° 1907-06-15 du 15 juin 1907 réglementant le jeu dans les cercles et les casinos des stations balnéaires, thermales et climatiques; Décret n° 59-1489 du 22 décembre 1959 portant réglementation des jeux dans les casinos des stations balnéaires, thermales et climatiques and Arrêté du 14 mai 2007 relatif à la réglementation des jeux dans les casinos.

[57] Author's translation of: Loi n° 2010-476 du 12 mai 2010 relative à l'ouverture à la concurrence et à la régulation du secteur des jeux d'argent et de hasard en ligne.

With the adoption of the online gambling legislation in 2010, the previous lack of well-defined objectives was addressed. (France 2010b: article 3 § 1). The new objectives were stated as preventing gambling addiction, protecting minors, ensuring the integrity, reliability and transparency of gambling operations, preventing criminal behaviour, and monitoring a balanced and equitable development of different branches of gambling in order to prevent their economic destabilisation (France 2010b).

The economic interest of the state is not mentioned in this enumeration of objectives, although the distribution of revenues arising from the different gambling activities illustrates the importance of gambling revenues for the state (Littler 2011: 68). Nonetheless, as economic interests are inadmissible as justifications for restricting the principles of free movement of the EU, it seems obvious why they cannot be included in the list (European Union 2007: article 49 and 56). However, in view of the way the French state does approach gambling regulation and the important revenues from it that are allocated to local and national government, economic factors are arguably significant. Revenues of games of chance are in fact allocated to the state budget or to charitable causes, either completely (in cases where the organisation is a public enterprise), or partially (based on substantial levels of taxation) (Littler 2011: 68).

In regard to the *delimitation of games of chance*, it is defined for each game category. In a report of the senate (Trucy 2002) it has been outlined that for each game several characteristics are present in different proportions, contributing to the different character of each specific game. These elements are the pure hazard, the skill of players and the use of calculation and strategy. In sport betting and lottery games, the chance to win is exclusively related to hazard. In casinos machines and 'boules' games are also exclusively related to hazard. With card games, calculation and strategy play a more significant role. In the case of horserace betting, the player's knowledge in regard to the horses, the trainer, the jockeys and the course is important for the prediction of the outcome (Trucy 2002). It is only presence of a small amount of luck that is decisive when it comes to categorising a game as a game of chance though it is not necessarily expressed in this way legally.

A consequence of this different evaluation of games of chance is the sector-approach in the gambling regulation. Games of chance are regulated on the national level and the territorial reach is unified, but the structure of the gambling sector is fragmented in four parts: offline sport betting and lottery, offline horserace betting, offline casinos and gaming circles and finally, the online gambling sector for certain games, such as poker and sport betting.

Card games, boules and gambling machines are operated in casinos and gaming circles, the Pari Mutuel Urbain (PMU) operates horserace betting and several licensed operators operate online games of chance. The PMU is in the hands of the horse breeding associations and the profits are used for that specific purpose. Private operators run the around 200 casinos in France, where a system of taxation ensures a certain income for the state budget. The recently adopted online gambling regulation (France 2010b), allows the operation of certain types of games on the internet under a system of licences, to private and public operators. Finally, the lottery- and retail sport betting sectors are exploited by a single state operator, the Française des Jeux (FDJ), i.e. the organisation that is considered in more detail in this thesis.

I. The regulatory scope of the sport betting and lottery regulation

The *market structure* of the retail sport betting and lottery sector is based on an exclusive licence, forming a monopoly. One operator holds this unique right to operate lotteries, sport betting games and scratch tickets on the French territory. The Law on Organisation and Operation of Lottery Games (France 1978) and article 48 of the Law on Finance of 1994[58] (France 1994) attribute the operation of lotteries to the FDJ. Sport betting services were permitted through the establishment of the 'Loto sportif' in the article 42 on sport betting games in the Finance law of 1984 (France 1984: article 42), as modified by the Law on Finance of 1993 and the Decree on the Organisation and Operation of Lottery Games[59] of 1997, and are, at least in the retail sector, also exclusively operated by the FDJ (France 1993, 1997).

The *regulatory reach* of the sport betting and lottery regulation is not limited to the market structure but goes further in its scope, and thus increases the intensity of regulation. The regulatory regime establishes a *specific public use of money* as a part of the revenues goes to the state budget and another part to sport and solidarity projects. The largest segment (approximately 69% of the gross global annual revenue) is directed to the general state budget, for example via the Treasury. The 'Centre National de Développement du Sport (CNDS)' is the only 'charitable' body that receives funding from the FDJ (Littler 2011: 92-94). To this adds contributions to the social security system that are not specific to the gambling regulation but applies to all French companies (France 1996). The aggregate rate of taxation for the FDJ seems to fluctuate on an annual basis, at around 29% of total turnover (Interview 2).

The *type of ownership* of the FDJ is imposed by law, as it has to be a public enterprise in form of a stock company and the bylaws are approved by the Ministry of Economics and Finance[60] and the Ministry of the Budget[61] (France 1978). The FDJ is *de lege* a fully state

[58] Author's translation of: Loi n° 94-1163 du 29 décembre 1994 de finances rectificative pour 1994.
[59] Author's translation of: Décret N° 97-783 du 31 juillet 1997 relatif à l'organisation et à l'exploitation des jeux de loterie autorisés par l'article 136 de la loi du 31 mai 1933 et modifiant le décret n° 78-1067 du 9 novembre 1978.
[60] Author's translation of: Ministère de l'Économie, des Finances et de l'Industrie
[61] Author's translation of: Ministère du budget, des comptes publics, de la fonction publique et de la réforme de l'État

owned company, even though de facto the state holds only 72% of the capital.[62] Of the remaining 28% of the shares, 20% are held by the ancient holders of the national lottery, and the rest by the employees of the FDJ and other smaller shareholders (Trucy 2011). One interviewee added in that the shareholders are very much aligned in regard to the strategic orientation of the FDJ (Interview 2). Therefore, even though the company operates under private law (Interview 7), a high degree of *publicness* can be observed. Moreover, the French president appoints the president of the FDJ for a period of five years after the Board of Directors of the FDJ has nominated the potential future president. The Board of Directors of the FDJ is composed by nine government representatives who are senior officials appointed by decree (Française des jeux 2012).

The regulatory scope of the sport betting and lottery sector	
Market structure	Exclusive licence forming a monopoly held by FDJ
Regulatory reach	Broader than market structure
Specific public use of money	Total of profits used for public use
Type of ownership	Imposed
Publicness	High

TABLE 21: RSC SPORT BETTING AND LOTTERY SECTOR IN FRANCE

II. The regulatory stringency of the French sport betting and lottery regulation

a. The regulator level

The regulatory instance is the Ministry of Economics and Finance and the Ministry of the Budget (France 1978: article 24). In 2010/2011 the Gaming Advisory Board ('Comité Consultatif des Jeux' (CCJ)), whose jurisdiction covers all gaming and betting, was established to advice the budget minister in implementing the policy for the games operated by the FDJ (France 2010b: article 3). It also advises the minister in regard to a marketing initiatives programme and on the action plan of the FDJ on responsible gambling and the fight against money laundering. Even though the law of 2010 (France 2010b) covers online gambling mainly, its first section does apply to all games of chance. The CCJ has units for different kinds of games, in which one is for the PMU and the FDJ together (Interview 2), and it approves the responsible gambling programmes. However, it seems that there is no further inspection in regard to the efficient implementation of the programmes.

In regard to *competences of the regulator, en amant* there appears to be nothing concrete. Once the organisation is created it is under the supervision of the Ministry of Economics and Finance and the Ministry of the Budget. In regard to the competences *en aval*, the system is quite strict, as each new game needs an authorisation in form of an enactment. Since the earliest days, the palette of products has been steadily enlarged. For example, the birth of the sport lotto was based on article 42 of the Finance Law of 29 December 1984, and the mid-1990s saw the authorisation of the operator to offer individual, disposable games (France 1994: article 48). In regard to illegal gambling there are no special competences. There is in France however a so-called 'police des jeux' which tackles illegal gambling, and

[62] It is not that the state has diminished its shares over time but it has on the contrary increased them (Interview 2). In the beginning, the 'Société de la Loterie Nationale et du Loto National', as FDJ was initially called, was held to 51% by the state. In 1990, the name was changed to the Française des Jeux, and through a 1997 decree it was established as the operator of the national lottery (France 1997).

the Law for the Adaptation of Justice to the Evolutions in Crime[63] (2004) outlines obligations in regard to illegal gambling (France 2007: articles 36, 37, 38 and 40; Interview 2).

The regulatory stringency of the sport betting and lottery sector: the level of the regulator	
Presence of a regulator	Yes, Ministries of Budget and of Economics and Finance
Competences of regulator	Large

TABLE 22: RS I SPORT BETTING AND LOTTERY SECTOR IN FRANCE

b. The organisational level

The first component to consider in regard to the regulatory stringency is the distribution channel restrictions. The FDJ is allowed to operate its games on the internet, but two different types of online regimes apply. The traditional lottery sector is under the retail sport betting and lottery regulation, and the FDJ is the only operator to be permitted to offer lottery products online. The situation differs in regard to online sport betting games and poker. With the opening up of the online sector in 2010, the FDJ acquired licences for the two types of games, and faced other licensed competitors. The online poker games are operated in association with the group Lucien Barrière (Barrierepoker.fr) under the 2010 licence system.

In regard to advertisement, the CCJ can advise the budget minister in regard to the marketing programme initiated by the FDJ. With the new online gambling regulation established with the Law on Opening Up Online Games of Chance, any operator of games of chance in France is subjected to the same advertisement restrictions (France 2010a). Adverts are allowed for legal games in all media (France 2010b: article 7). Further, the concession specifications can also include conditions in regard to advertisement.

Responsible gambling objectives have only recently entered the regulatory agenda (Interview 2) and this, as Littler (2011) highlights, is mainly for two reasons. First, due in part to the signals sent from the European Court of Justice (ECJ) and other European institutions and second, due to modern technologies such as the internet, making gambling much more accessible and thus spreading the risks of problem gambling (Littler 2011: 68). Even though responsible gambling has become increasingly important, and the French legislation prohibits the sale of the organisation's products to minors, it defines the latter rather sonly as those who are less than 16 years old. This is in sharp contrast to casino and horse betting games, which cannot be sold to minors less than 18 years old. This seems quite paradoxical for a state supposed to propose a secure gambling environment (Littler 2011: 68). But in two decrees concerning the FDJ, an explicit reference to the prevention of gambling addiction[64] as an objective was made in 2006 (France 2006a, 2006b; Littler 2011b).

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[63] Author's translation of: Loi n° 2004-204 du 9 mars 2004 portant adaptation de la justice aux évolutions de la criminalité (1).
[64] The French term used is not the one of problem gambling but of addiction (as in the case of the Netherlands). In respect of national terms of art, addiction is not replaced with problem gambling, but consequently both terms refer to the same issue.

In 2006, a consultative body—the 'Comité consultative pour l'encadrement des jeux et de jeu responsable (COJER)'—was established by the Ministry of Economics and Finance to generate a responsible gambling framework as outlined in article 19 of the Law on Organisation and Operation of Lottery Games (France 1978, 2006a).[65]

The COJER gives its opinion on the FDJ's annual commercial plans before they are approved by the Ministry of Economics and Finance. Moreover, the COJER has a more general mandate to advice the government in regard to control and frameworks of FDJ products. With the new online gambling law the COJER was integrated in the CCJ (France 2010: article 3), i.e. the body that advises the minister of budget in the matter (Interview 2).

The regulatory stringency of the sport betting and lottery sector: the organisational level	
Distribution channel restrictions	Yes
Advertisement restrictions	Moderate
Obligations in regard to gambling addiction	Moderate

TABLE 23: RS II SPORT BETTING AND LOTTERY SECTOR IN FRANCE

In summary, and despite the recent opening up of online games as a response to the pressure coming from the European community and from the reality of illegal gambling, the regulation in France is a regulation of prohibition, which provides a strict framework for sport betting and lottery games (Anderson et al. 2012). Games of chance are a sensitive activity in France, calling for social regulation (Interview 2). The French government keeps a tight relationship with the sport betting and lottery operator. It is of interest therefore to question how the FDJ defines its performance under the high regulatory intensity, something which will be done in the next section.

5.1.3 The performance definition of the Française des Jeux

The results of the qualitative analyses yield a multidimensional performance circumscription of the FDJ. The table below illustrates the quantitative occurrence of codes for each dimension and their qualitative evaluation in both the interviews and the reports of the organisation.

Occurrence and evaluation of dimensions	**Interviews**		**Reports of Organisation**	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	30	++	52	++
Operational dimension	20	=	57	+
Stakeholder management dimension	14	=	23	+
Legal requirement dimension	23	+	14	+
Social issue participation dimension	54	++	45	++
Public values dimension	10	-	11	-
Total	151		202	
Legend: *++ very high importance* *+ high importance* *= neutral importance* *- low importance* *-- very low importance*				

TABLE 24: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF THE FDJ

[65] Author's translation of: Décret du 17 février 2006 relatif à l'organisation et l'exploitation des jeux de loterie autorisés.

Nevertheless, the results of the quantitative evaluation[66] of the interviews and organisational reports illustrate that two dimensions occur more frequently, namely the financial—and the social issue participation dimensions. The qualitative interpretation[67] of the occurred codes reinforces these observations especially for the social issue participation dimension.

<u>I. The financial dimension</u>

The financial dimension is quantitatively (52 occurrences in the reports and 31 occurrences in the interviews) and qualitatively very important for the performance definition of the FDJ. The importance of the financial dimension is already apparent in the CEO's message clarifying the mission of FDJ to promote gaming model in the service of the public based on trust and redistribution (Française des Jeux 2012b: 1; Interview 7).

For the FDJ, the term 'redistribution' is a key term, which refers to three things: first to the redistribution of winnings to the players, second to the redistribution of profits to the state budget, sport and solidarity projects (legal requirement dimension) and third to society at large, through the foundation of the FDJ (the social issue participation dimension) (Française des Jeux 2012b: 1; Interview 7).

Interestingly, the financial dimension is throughout the data set outlined in relation to other dimensions, namely the legal requirement, social issue participation and public values dimensions (Française des Jeux, 2012; Interview 2 and 7). Profit development is arguably not pursued at all costs, but the sales progression has to be reasonable, supportable, sustainable and then finally profitable. Moreover, individual wagers have to follow a moderate development (Française des Jeux 2012b: 1; Interview 2). In case the progression is too risky or unreasonable the FDJ intervenes. When games are developing too fast they are re-evaluated and adapted in view of responsible gambling (Interview 2). An aggressive sales strategy is not in alignment with the gaming model of the FDJ (Interview 7). For example, the FDJ is very proactive in regard to match-fixing and as soon as they detect abnormal wagers they stop sales immediately, something which is not "*a normal economic reflexion*" (Interview 2), and even more so as the wagers in the French sport betting and lottery system are guaranteed by the state and not by the operator itself. In the view of the interviewee, a pure-profit driven company would not be that proactive. But trust is very important for the business model of the FDJ and hence there cannot be any suspicion (Interview 2). Of course, it can be argued that it has also to do with the reputation and the image of the firm, but the FDJ is very balanced in the profit/risk equation and hence, profitability is surely important but not at any price.

Another important indicator of the FDJ is cost-efficiency. The FDJ operates under a commission system, i.e. a percentage of the total amount wagered can be used to cover

[66] Quantitative occurrence refers to the number of times references occur in each of the dimension.
[67] Qualitative interpretation (or evaluation) refers to the author's subjective evaluation of the codes. As the occurrence (quantitative evaluation) of the codes in the dimensions does not tell anything about the nature and relations of the dimension the qualitative evaluation was added in order to deepen the results of the analysis.

their activities. In case the operator is too cost-efficient, this percentage would be lowered. Over the past twelve years, the commission has been decreased from 8% to 5% (Interview 2). It is argued that if profits were to be the sole objective, the state protection of the sector, via the creation of a monopoly, could not be defended (Interview 2). This fact is another indication that the financial performance is of course important to the company, but that it is not the ultimate goal. Moreover regulation is guiding the business activities (Interview 2):

"Regulation can drive a company to act unprofitably (...)"

In the view of the company in question, its role is to be a depositary of money owned by the state. The company pursues a balanced economic model in which pure commercial performance is not the primary objective. It is far more important to respect regulation and to achieve public objectives (Interview 2; 7).

In summary, the financial dimension is very important for the French performance definition, but it is not the sole or the primary one.

II. The operational dimension

The operational dimension is quantitatively more important in the reports (57 references) than in these interviews (20 references). The qualitative evaluation reveals that it is an important dimension in the reports and of neutral importance in the interviews. It is not a final performance dimension.

One aspect of the operational dimension occurring frequently is the *customer perspective,* which is at the heart of the mission, with the company constantly engaged to satisfy its clients (Française des Jeux, 2012: 1, 9; Interview 2). Several targets have been developed to measures customer satisfaction, for example the satisfaction rate of customers (Française des Jeux 2012: 22, 24, 28, Interview 7). The acquisition of new clients is also a key indicator for the FDJ, although the question of responsible gambling is constantly taken into account (Interview 7). Indeed, in order to pilot a viable business model, the FDJ focuses more on acquiring new customers than on increasing the amount wagered by existing clients (Interview 2). Moreover, voluntary operational measures have been taken to limit excessive gambling, for example through an upper limit of wagers per scratch ticket (Interview 2; 7). Another central concern is the need to constantly adapt to consumers' expectations and, in order to live up to these expectations, the customer perspective has been closely linked to the learning and growth perspective (Française des Jeux 2012: 24, 28, 61).

For the *learning and growth perspective,* product and distribution channel innovations are very important (Française des Jeux 2012: 8, 10, 22, 28). The FDJ is very creative and for example develops games in co-production with customers (e.g. 'Poil à gratter'). Similarly, one interviewee labelled clients 'wiki-consumers', meaning that they do not want to be treated as passive targets but as partners, having a say with regard to the products (Interview 2). New ways to stay in contact with the consumers have been constantly developed, for example through social media such as Facebook (Interview 14). Innovations are accompanied by the evaluation of possible risks for consumers and society. One interview participant (Interview 2) called this approach 'responsible innovations' and argued that in a very business-like environment a company would play against its players and try to encourage them to loose money. However, this was explained as being against the values of the FDJ, where responsibility and other values are not only an instrument of corporate communication but guides all business operations and activities (Interview 2):

"(...) All the FDJ tries to do is, in a legally protected and regulated framework, to couple values (with a 's') and performance to create value (without 's'). And this is called 'responsible innovation'."

In regard to the *internal business process perspective,* an element worth mentioning is the link between the financial security in the processes and the integrity of the various games. Secure transactions and strict control processes are essential requirements for the company (Française des Jeux 2012: 8, 11, 58 etc.). Other indicators are quality management systems that are constantly improved and certificated in order to enhance efficiency and productivity (Française des Jeux 2012). Interestingly, in the interviews, the internal business processes did not occur once, indicating that it is a dissatisfier, i.e. as long as all is well, it is not of a concern, but dissatisfaction would result in an immediate reaction (Interview 2, 7).

In summary, the operational dimension is surely important for the FDJ but it is not an end in itself, but rather enhances the overall financial performance. Consequently, the operational dimension is often linked to other performance dimensions, first of all to the financial dimension but also to the legal requirement- and the social issue participation dimensions (Française des Jeux 2012; Interview 2, 7).

III. The stakeholder management dimension

The stakeholder management dimension is occurs quantitatively more frequently in the reports (23 references) than in the interviews (14 references). In the reports, the qualitative evaluation reveals the stakeholder management dimension to be an important one, whereas it is of neutral importance in the interviews. Overall the qualitative evaluation results in a little importance given to the stakeholder management dimension, and this despite the fact that some stakeholders, such as the state, the customers and the employees, are important for the company (Française des Jeux 2012: 37, 57, 62). There are numerous examples testifying to this, such as the establishment of a social programme to assist winners dealing with a possibly destabilising experience (Française des Jeux 2012: 24, 56, 58). Not all stakeholder management activities of the organisation are directed towards stakeholder satisfaction however, but some are directed towards good social performance and compliance with corporate values. Retailers for example have to share the values of the organisation as it is believed to increase the attractiveness of the selling points and to enhance the economic development of the region in which the selling points are located (Française des Jeux 2012: 26, 31). In case a retailer acts fraudulently, there are strict policy guidelines. Such retailers will not receive a second chance (Interview 2).

The environmental footprint of the company is another concern, though it is less dominant in the reports (Française des Jeux 2012: 64) and even less so in the interviews (Interview 2, 7). The FDJ is measuring its environmental impact through quantitative measures, but these are not actually linked to the organisational performance (Française des Jeux 2012; Interview 2, 7).

In summary, the stakeholder management dimension seems to be of neutral importance to the performance definition of the FDJ. Nonetheless, employees, the state and the customers are important stakeholder groups who are the subjects and objects of performance measurement.

IV. The legal requirement dimension

The legal requirement dimension is quantitatively (23 quotations in the interviews and 14 in the reports) of little importance to the performance definition of the FDJ. The qualitative evaluation alters this position to a high importance for the performance definition of the FDJ.

There are mainly two reasons that can explain the underrepresentation of the legal requirement dimension in the quantitative evaluation. First, the organisation does not count the legal requirement dimension as part of the performance definition, despite that fact that compliance with legal requirements is of very high importance to the organisation. Secondly, and closely linked to this first explanation, the legal requirement dimension occurs frequently in an indirect manner. The redistribution of profits to charity, which is mandatory by law, is often referred to and is the focus of the performance measurement effort. The company does however not outline this aspect in terms of compliance with legal obligations, as the organisation's 'raison d'être' (Française des Jeux 2012). Indeed, it is explained that it is the gaming model ('modèle de jeu') of the FDJ, which gives priority to responsible gambling and to the redistribution to charitable causes (Française des Jeux 2012; Interview 2, 7), two aspects that do include compliance with regulation. An area where direct reference to the legal requirement dimension occurs is when the FDJ claims to go beyond legal obligations to prevent negative effects such as excessive gambling (Française des Jeux 2012).

The importance of the legal requirement dimension was also underlined at several occasions in the interviews (Interview 2, 7). It was clearly indicated that a successful sport betting and lottery organisation needs to respect the entirety of the regulatory framework (Interview 7). In the absence of a derogation to the general prohibition of games of chance, the FDJ would not exist and hence compliance with legal obligations is crucial for the company's survival (Interview 2). One interviewee added that as it holds a monopoly, the organisation is accountable to the government to justify the state protection (Interview 7), something that further underscores the importance of the legal requirement dimension.

Another interviewee went even further in this regard, by arguing that the operator plays the role of a second regulator, not by substituting existing regulation, but by directing future regulation towards new developments (Interview 2). It is in this spirit that the European Lotteries Association, on the initiative of French and Finish operators, developed a few years ago a code of conduct for sport betting. This code of conduct has inspired numerous legislations, one of them being the French online gambling law of 2010 (Interview 2).

In short, the legal requirement dimension is very important for the performance definition of the FDJ, and this from two angles. First, it *is a precondition* for any other activities that legal obligations are satisfied, or the whole business would be at risk. This means that the legal requirement dimension is a so-called ‘prerequisite dimension’. Second, it is also a ‘result dimension’ of vital significance for the performance measurement effort, as it calls for a mandatory redistribution of profits and measures to prevent gambling addiction.

V. The social issue participation dimension

The social issue participation dimension is both quantitatively (54 references in the interviews and 45 in the reports) and qualitatively of a very high importance to the performance definition of the FDJ.

Three main indicators were revealed in the data set for the social issue participation dimension, the first of them being the voluntary redistribution of profits to sport. The FDJ created a foundation over twenty years ago that engages in patronage (Française des Jeux, 2012; Interview 2, 7). Recently, the Board of Administrators decided to double the budget of this foundation to around 4-5% of the annual profits (Interview 2). The second indicator illustrating the importance of the social issue participation dimension is made up of voluntary measures to prevent and reduce gambling addiction. The FDJ goes beyond the mandatory measures (e.g. the legal requirement dimension) and takes various additional measures such as the sensitisation of retailers toward gambling problems, or a risk-evaluation of new products before applying for a license (Française des Jeux 2012; Interview 2, 7). For the FDJ the social aspects are embedded in the business and only responsible products are developed and offered (Interview 2). For instance, during the competition for the design for the scratch ticket ‘poil à gratter’, where the winning picture of a pet would be printed on the ticket, a message was circulated, explaining that only adult animals were accepted in the competition, in order to underline the fact that games of chance are not intended for minors (Interview 2). The third indicator illustrating the importance of the social issue participation dimension is made up of voluntary measures against match fixing, doping and corruption in sports. In the daily operations of sport bets, as soon as abnormal behaviour is detected the sales are stopped (Interview 2). The sport betting and lottery business is an economy of trust and redistribution, and the interview participants underlined the impossibility of accepting any kind of illegal behaviour which would disturbing this confidence (Interview 2, 7). At the same time, such actions are clearly also necessary to protect the reputation of the company and to prevent the organisation to loose money. Organisations have a financial incentive to stop sport betting activities that are under suspicion of being fixed because otherwise they would risk losing money and customers. It could be argued that this motivation is hence clearly operational and financial but since the motivation for action is not in focus in this study, it has here been deemed an indicator of the social issue participation dimension of performance.

In summary, the social issue participation dimension has a very important position in regard to the performance definition. Interestingly, interviewees insisted that the focus on the social issue participation dimension is only possible thanks to the exclusive right attributed to the company and the subsequent protection from direct competitors. Operating under a competitive framework, the resources invested in the social issue participation dimension would be redirected for other aspects (marketing, communication, etc.), something that would lower the importance this dimension for the definition of performance (Interview 2, 7).

VI. The public values dimension

The public values dimension is quantitatively (10 references in the interviews and 11 in the reports) and qualitatively of a low importance to the performance definition of the FDJ. Nonetheless, across the data set, several values were mentioned such as integrity and security (Française des Jeux 2012; Interview 2, 7). Clearly these values are linked to the internal business perspective because they are crucial for risk management and process systems. Another value that is worth mentioning is solidarity, and it is mainly linked to the mandatory (i.e. legal requirement dimension) and voluntary (i.e. social issue participation dimension) redistribution to good causes (Française des Jeux 2012; Interview 7). Equity is also seen as a crucial value, and it is mostly related to the promotion of an honest, fair and transparent game that serves the public interest. Integrity, solidarity and equity are all values directing the business model of the company. These values are arguably also outlined in the regulation as an operator is required to ensure the integrity, reliability and transparency of the gaming operations (Interview 7). The FDJ incorporates these values and takes a social and public perspective, which goes beyond the financial dimension (Interview 2).

In summary, despite sporadic reference to different values throughout the data set, the public values dimension does not appear to be a proper performance dimension, but rather an almost hidden element, which guides other processes. The public values dimension is consequently often linked to other dimensions, such as the operational, the legal requirement or the social issue participation dimensions.

VII. Concluding remarks: a bottom-up reflection

In conclusion, the performance definition of the FDJ is multidimensional. First, it is defined in terms of the progression of wagers and the redistribution of profits to the different beneficiaries, something which points to the financial, legal requirement and social issue participation dimensions. Second, it is defined in terms of the offer and the development of the offer in each product segment, i.e. the operational and financial dimensions. Third, as the key financial report outlines, it focuses on the players, their wagers and their gains as well as on the retailers in terms of their number, the location in the national territory, and the investments for the modernisation made by retailers, i.e. the operational and financial dimensions. Fourth, in regard to social responsibility, seven aspects through which the FDJ measures performance are outlined, namely responsibility, human resources, clients, partnerships, environment, governance and societal aspects, i.e. the social issue participation, legal requirement and stakeholder management dimensions. Finally, the financial report of FDJ (Française des Jeux 2012a) closes with a section on sport financing, which can be mandatory (via the profits allocated to the CNDS), i.e. the legal requirement dimension, and voluntary (via the foundation created by the FDJ), i.e. the social issue participation dimension.

Three dimensions, namely the financial, the social issue participation and the legal requirement dimensions, are of tremendous importance for the performance definition of the FDJ, and they are measured based on redistribution (for the financial and legal requirement dimensions), and the responsibility needed when offering games of chance (for the legal requirement and social issue participation dimensions). Another aspect that is not directly detected but which is still present is the idea that the organisation is pursuing a public policy and has a strong compliance focus, i.e. the legal requirement dimension. One interview participant summarised the performance focus nicely by stating that the FDJ is obliged to have a regulatory vision, a commercial vision, a political vision and a social vision, because these aspects separate the FDJ from unlicensed operators (Interview 7).

5.2 THE NORWEGIAN SPORT BETTING AND LOTTERY SECTOR

5.2.1 The genesis of gambling in Norway

Gambling has a long tradition in Norway, but its regulation was never in its favour. Since hundreds of years, there has been a general prohibition of games of chance, based on the Norwegian objective to protect its citizens from the negative effects of gambling (Lotteritilsynet 2004: 10). This general prohibition is outlined in the General Civil Penal Code section 298 and 299 (Norway 1902). Despite the general prohibition Norway does however allow for certain games of chance when authorised. The first legalised gambling was introduced when Denmark and Norway were united under the Danish King in 1719, and the revenues from these activities were intended for the benefit of orphans. After the independence from Denmark, lotteries were regulated under the Act on Lotteries and other Games of Chance, dating back to 1851 (Lotteritilsynet 2004: 10). This act prohibited all forms of gambling, but created a regime of exceptions for certain games for charity. Hence, in 1912, the government granted an authorisation for 15 years for a publicly controlled lottery to operate for the benefit of forestry and the fight against tuberculosis. The Act of 17 July 1925 subsequently extended the lottery. Gambling activities were increased as well, and through the Act of 1 July 1927, permission was given to arrange wagers through a totalisator linked to horse racing. Licences could only be granted to organisations and companies whose objective was support horse sports, horse husbandry and breeding (Lotteritilsynet 2004: 10-11).

As regards to gambling machines, the first were deployed in 1937, and the only legal requirement at that time was a police authorisation for business purposes (Lotteritilsynet 2004: 10-11). As the technological evolution rendered the machines more and more electronic and increased the speed of payouts, the legislation was adapted and the deployment of gambling machines came to be further defined in the Lottery Act of 1995. As a result of this legislation, benevolent and humanitarian organisations were permitted to arrange lotteries, which included operating gaming machines. It was thought that this would decrease the deployment of such machines for pure business reasons, but it rather led to the emergence of intermediaries, i.e. private companies that operated and deployed the machines in agreement with organisations holding a licence. For their efforts they were either paid by a part of the profits or on a commission basis (Lotteritilsynet 2004: 11). This evolution, combined with an increased focus on gambling problems, called for a stricter system for gaming machines, something which resulted in a change in policy. In 2007 Norsk Tipping was hence attributed an exclusive licence to entertain such machines, with the obligation to reduce them in numbers, restrict their presence to certain places and to eliminate certain risk-elements from the machines (Lotteritilsynet 2004: 11).

At present the Norwegian gambling market is completely run by state owned enterprises. Norsk Tipping offers sport betting and lottery games, and shortly also online casinos, while Norsk Rikstoto offers various types of horse betting.

5.2.2 The current gambling regulation

As illustrated, in Norway, money games are prohibited in general under General Civil Penal Code sections 298 and 299 (Norway 1902). Derogation from the general principle of prohibition is possible if authorised by the government. Therefore, a system of exclusive licences allowing some form of legal gambling is in place for horse race betting, sport betting and lotteries.

General Logic	General prohibition of games of chance under General Civil Penal Code.[68] But allowing for exceptions when authorised by government.		
Sectors	**Lottery**	**Betting**	
Sub sectors	-	Sport betting	Horse race betting
Legal basis:			
Retail & Online	Lottery Act 1995[69] Gaming Act 1992[70]	Lottery Act 1995 Gaming Act 1992	Lottery Act 1995 Tote Act 1927[71]
Operator:			
Retail & Online	Norsk Tipping		Norsk Rikstoto

TABLE 25: THE STRUCTURE OF GAMES OF CHANCE IN NORWAY

[68] Lov-1902-05-22-10 Almindelig borgerlig Straffelov (Straffeloven). Unofficial translation: http://www.imolin.org/doc/amlid/Norway_General%20Civil%20Penal%20Code.pdf.

[69] Author's translation of: Lov-1995-02-24-11 Lov om lotterier m.v. (lotteriloven).

[70] Author's translation of: Lov-1992-08-28-103 lov om pengespill m.v. (pengespilloven).

[71] Author's translation of: Lov-1927-07-01-3 Lov om veddemaal ved totalisator (totalisatorloven).

Three different laws regulate the legal gambling in Norway. The Tote Act of 1927 regulates all horse race betting exclusively operated by Norsk Rikstoto. The Lottery Act of 1995 regulates gaming in general and all lotteries that can be organised by charitable and humanitarian organisations, when authorised (Lotteritilsynet 2004: 12). With the exception of one game ('the extra game') this law does not apply to Norsk Tipping. Games of chance operated by Norsk Tipping are regulated by the Gaming Act of 1992 (Lotteritilsynet 2004: 12). Casinos have always been, and still are, forbidden in Norway.

A consequence of the three laws regulating the exceptions to the general principle prohibiting gambling is a dual approach, with sport betting and lottery on one side and horse race betting on the other (Lotteritilsynet 2004). The *territorial reach* of these two gambling sectors is nation-wide. The current licence holder allowed operating horse race betting games is Norsk Rikstoto. Norsk Rikstoto is an independent foundation created in 1982 by the Norwegian Trotting Association and the Norwegian Jockey Club, and it operates a broad range of horse race betting games (Lotteritilsynet 2004). The Ministry of Agriculture administers the Tote Act and the profits are used, among other things, for horse breeding (Norway 1927: article 1). On the other hand, a single state operator named Norsk Tipping exploits the sport betting and lottery sector. It is the regulation of this organisation that is in the focus of the next sections.

The objectives of the government with regard to the regulation of lotteries are outlined in article 1a of the Lottery Act, where they are stated as being to ensure that lotteries are held under secure circumstances and under public control in order to prevent negative social consequences, as well as to ensure that revenues are used for social and humanitarian work (Norway 1995). The government assumes that to channel the desire to gamble into an offer operated by public organisations is the most efficient way to achieve these objectives, as such gambling is secure and under full control and supervision by the state (Lotteritilsynet 2004: 12-14).

The way 'lotteries' are defined in the Norwegian legislation they not only refer to lottery games and scratch tickets but also to betting- and casino style games, and is therefore akin to a general definition of games of chance (Norway 1995: article 1a). The *delimitation of games of chance* from games of skill is based on the need for a stake, the chance to win a prize based partially or totally on luck. It is also worth highlighting that the article concerning the objectives of the regulation explicitly refers to the economic interest of the state in the games of chance, as it is outlined that it will provide revenues for social and humanitarian purposes (Lotteritilsynet 2004: 12). On first sight this economic objective could be argued to be inadmissible under EU law based on the article 49—freedom of establishment—and the article 56—freedom to provide cross border services of the Treaty of the Functioning of the EU. Though Norway is not part of the EU, it is member of the European Economic Area allowing the European Free Trade Association (EFTA) to participate in most aspects in the internal market of the EU, which means that the question of the inadmissibility of the Norwegian law could be raised. Indeed, the Norwegian regulation has been contested before EFTA courts, where it was argued by Ladbrokes[72] to be incompatible with EEA agreements corresponding to the free movement of services of the EU (Anderson et al. 2012). The EFTA courts confirmed the compatibility of the Norwegian legislation with the EEA agreement however (Lotteritilsynet 2004: 12).[73]

I. The regulatory scope of the sport betting and lottery regulation

As mentioned, two different laws touch the sport betting and lottery sectors in Norway: the Lottery Act of 1995 which is also pertinent for other gambling activities, and the Gaming Act of 1992, which applies exclusively to the games operated by Norsk Tipping.

The *market structure* of the Norwegian sport betting and lottery sector is based on a government approved monopoly. Indeed, the Gaming Act of 1992 attributes the right to operate sport betting and lottery games to one organisation (Anderson et al. 2012). The *regulatory reach* of the sport betting and lottery regulation is not limited to the market structure but has a wider scope. The regulatory regime establishes a *specific public use of money* as outlined in article 10 of the Gaming Act (Norway 1992). Following amendments in 2002 to the Gaming Act, Norsk Tipping's profits are allocated in equal parts to culture and sport. The government redistributes the funds for sports. Two thirds of the cultural funds are redistributed by the parliament, and the rest by the government. In a report of the Norwegian Gaming Board the new redistribution key is given as 45.5% to sports, 36.5% for culture and 18% to humanitarian organisations and organisations benefiting society (Lotteritilsynet 2004: 18-19). For example, the proceeds from the so-called 'Extra' game go to health and rehabilitation and were in 2011 of 223.7 million Norwegian krones (NOK) (Norsk Tipping 2012: 1). Similarly, the profits of the VinnVinn scratch card were allocated to the ten biggest humanitarian organisations in Norway (Norsk Tipping 2012: 1). And very innovatively, the Grassroots Share allows the customer to decide over an amount equal to five per cent of the stake what team or association they want to support (Norsk Tipping 2012: 1). The profits from the game 'Extra' are to be allocated by the charitable foundation Health and Rehabilitation, which allocates the funds in equal shares to projects for preventative measures, rehabilitation and research (Lotteritilsynet 2004: 18). The annual report of Norsk Tipping outlines that the ordinary profits of 3.33 billion NOK and the returns from investments of 260 million NOK were used for the benefit of good causes (Norsk Tipping 2012: 1).

The juridical form of the company is imposed by law, which stipulates that it has to be a public enterprise (Norway 1992: article 3). Norsk Tipping was established in 1946 and is since 1993 *de jure* and *de facto* a fully state owned limited liability company (Lotteritilsynet 2004: 11). In the annual report of the organisation, it is written "*Norsk Tipping is a corporation owned 100 per cent by the government*" (Norsk Tipping 2012: 1). All games and gaming rules are subject to ministry approval. The report of the organisation also states that

[72] See EFTA court rulings: e.g. Judgment of 30 May 2007, Ladbrokes Ltd. v the Government of Norway.
[73] For further information see Anderson et al. (2012); Littler (2011b); Littler et al. (2011).

"the Minister of Culture functions as the company's general assembly, and the profits are distributed by the Ministry of Culture" (Norsk Tipping 2012: 1). For all of these reasons, the organisation incorporates a high degree of publicness, and even more so as the Board is composed of at least five members all appointed by the King for a period of two years (Norway 1992: article 6). The Board than appoints the president and determines the wager and other conditions. The CEO participates in Board meetings, but without voting rights (Norway 1992: article 6).

The regulatory scope of sport betting and lottery sector	
Market structure	Monopoly created by the government
Regulatory reach	Broader than market structure
Specific public use of money	Total of profits used for good causes
Type of ownership	Imposed
Publicness	High

TABLE 26: RSC SPORT BETTING AND LOTTERY SECTOR NORWAY

II. The regulatory stringency of the Norwegian sport betting and lottery regulation

a. The regulator level

The Ministry of Culture and Church Affairs administers the Gaming Act (Lotteritilsynet 2004). The Lottery Act establishes a Gaming Board and a Lottery Complaints Board (Norway 1995) competent for the integral gambling sectors, hence including Norsk Tipping AS and Norsk Rikstoto gaming (Lotteritilsynet 2004: 13). In 2001 a new state supervisory entity for lotteries and betting games was created, named the Gaming Board. The Gaming Board monitors the implementation and correct application of the three laws. It is also responsible for the design of the games in regard to their potential to trigger gambling problems. In regard to the *competences,* the Gaming Board authorises *en amont* the operator and approves *en aval* each game that the licence holders aim to operate. For each game the Gaming Board defines the payout-rates to the players. The Gaming Board can also withdraw authorisations and granted permits, and impose coercive fines (Norway, 1995, section 14). It even acts as the administrative appeal body for police decisions in the frame of the Lottery Act (Lotteritilsynet 2004: 13). The Lottery Appeal Board is the administrative instance litigating appeals against decisions of the Lottery Gaming Board (Norway 1995: section 4). In regard to illegal gambling, the Norwegian Gaming Board has competences in the matter, and collaborates closely with the police to tackle illegal gambling (Norwegian Gaming Board 2004).

The regulatory stringency of the sport betting and lottery sector: the level of the regulator	
Presence of a regulator	Yes, the Lotteritilsynet (Gambling Board)
Competences of regulator	Large

TABLE 27: RS I SPORT BETTING AND LOTTERY SECTOR NORWAY

b. The organisational level

The stringency of the regulation is not only influenced by the mere presence of the regulator and its competences but also by the restrictions imposed on the organisation. The regulation has several impacts on the business activity of Norsk Tipping.

The first element is in regard to *distribution channels*. Norsk Tipping is allowed to offer remote gambling and will soon offer casino style games on the internet (Interview 3). It is argued that in this way it meets its objectives to channel gambling activities away from illegal gambling, and towards legal gambling. Any form of remote gambling needs authorisation by the Gaming Board (Interview 3).

In regard to *advertisement restrictions*, the company is allowed to advertise its games. The regulation does not restrict advertisement by authorised operators but does not allow illegal operators to advertise their games. Responsible gambling objectives are important and the regulation establishes several *obligations concerning gambling addiction*. As mentioned, the profits made from the 'Extra' game are allocated to a health foundation that in turn attributes them to projects in the area of prevention, treatment and research on gambling problems. The Gaming Act stipulates that machine gambling is not for people under 18 years and that the ministry can also establish age limitations for other games (Lotteritilsynet 2004: 44). Norsk Tipping has introduced stricter regulation on its own accord, by applying an 18-year age limit on all of its games and has also voluntarily limited the stakes allowed. Moreover, the organisation is actively working for the prevention of gambling problems through mandatory limitations of the wagers for all people using the internet offer. Each player has to pre-define his or her budget, and in case of modifications a player has to wait for 24 hours before playing again (Interview 3).

The regulatory stringency of sport betting and lottery sector: the organisational level	
Distribution channel restrictions	Yes
Advertisement restrictions	Moderate
Obligations in regard to gambling addiction	High

TABLE 28: RS II SPORT BETTING AND LOTTERY SECTOR NORWAY

In summary, the Norwegian regulation is one of prohibition, and it provides a strict framework for games of chance. The reasons behind this strict regulation are the inherent risks associated with gambling, such as gambling addiction and criminal behaviour like match fixing, money laundering or fraud in general. The Norwegian government has close ties with the gambling operators and the operator itself follows a policy of strict control and prevention measures. It is believed that there is a need for a strong attractive offer in order to channel consumers of illegal gambling towards the legal gambling offers operated by Norsk Tipping (interview 3). This is also one of the reasons why Norsk Tipping will soon offer casino style games on the internet.

Having thus presented and discussed the regulatory intensity of the Norwegian sport betting and lottery sector, the next section will elaborate on the performance interpretation of Norsk Tipping.

5.2.3 The performance definition of Norsk Tipping

The qualitative analysis of the interviews and reports draw a multidimensional picture of the performance definition of Norsk Tipping, as illustrated in the following table.

Occurrence and evaluation of dimensions	**Interviews**		**Reports of Organisation**	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	31	++	48	++
Operational dimension	47	+	74	+
Stakeholder management dimension	22	=	19	=
Legal requirement dimension	34	++	31	++
Social issue participation dimension	51	++	34	++
Public values dimension	11	-	1	--
Total	195		207	
Legend: ++ very high importance + high importance = neutral importance - low importance -- very low importance				

TABLE 29: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF NORSK TIPPING

Despite the multidimensionality of the performance definition, some of the dimensions are more important than others. The financial dimension, the legal requirement dimension and the social issue dimension are of a particularly high priority for the performance evaluation, even though, especially for the latter two dimensions, they are only implicitly expressed in the data set.

I. The financial dimension

The financial dimension is quantitatively (48 occurrences in the reports and 31 occurrences in the interviews) and qualitatively of a very high importance for the performance definition of Norsk Tipping.

The importance of the financial dimension is clear in the annual report, which opens with the quote of the CEO: "*records made yet again in 2011*" (Norsk Tipping 2012: 3). The profits made and their redistribution to players in the form of winnings and to charity are key focuses of Norsk Tipping (Norsk Tipping 2012; Interview 3, 13). In the case of Norway, redistribution is mandatory, though Norsk Tipping also spontaneously supports some activities in the local community (i.e. voluntary redistribution).

Interestingly, the financial dimension is linked throughout the data set to other dimensions. Profits are not realised at the expense of the legal requirement dimension (i.e. mandatory measures of responsible gambling) or of the social issue participation dimension (i.e. voluntary responsible gambling measures) (Norsk Tipping 2012). The market share is another important indicator for the financial dimension, and it is also linked to other dimensions, such as the operational dimension (i.e. product development and innovation) and the social issue participation and legal requirement dimensions. The latter since it is a main objective to increase the market share and hence to channel gambling towards legal offers (Interview 3, 12). Another link can be observed between the financial dimension and the operational dimension, since an attractive offer is needed in order to increase the market shares, and this will increase the bottom-line for charitable causes (e.g. legal requirement dimension) (Interview 3).

An interesting aspect is also that the organisation a few years ago followed a strategy very similar to that of the illegal operators currently offering their products in Norway over the internet (Interview 12). Indeed, Norsk Tipping was developing new games similar to those operated by these companies. There was then an increased focus on profits and the financial performance, something which resulted in the monopoly being challenged before the EFTA courts. Consequently, the organisation stepped back, and instead aligned its success criteria more with the legal aspects that would defend the monopoly (Interview 12). Gambling addiction was another reason for this strategic reorientation, as Norsk Tipping is very careful that financial results are not realised at the costs of its responsibility in this regard (Interview 12).

In summary, financial performance is very important for Norsk Tipping but not the primary objective. Norsk Tipping does not aim to make profits at any price, and—indeed—this would in any case not be possible, as too aggressive a strategy would question the state protection of the sector.

II. The operational dimension

The operational dimension is quantitatively (74 occurrences in the reports and 47 codes occurrences in the interviews) and qualitatively evaluated an important dimension for the performance definition of Norsk Tipping.

Especially the customer perspective is very important and customer acquisition is a key performance indicator. In the strategic plan, the company wants to acquire 150 000 new customers by 2015, something which is linked to the goal of increasing the market share to 70% (Norsk Tipping 2012: 11; Interview 3). Adverts are crucial in order to reach these targets, as is a successful channelling of illegal gambling towards the legal games offered by Norsk Tipping (Norsk Tipping 2012: 16; Interview 13). Despite a high marketing activity, the guidelines for government-controlled games are strictly followed and a marketing code of conduct exists. Moreover, compared to 2010, less spending was made on marketing in 2011 (Norsk Tipping 2012: 16). Norsk Tipping's market strategy—compared to that of the illegal operators present on the online market—is said to be reasonable and dictated by responsible gambling reflections (Interview 3). Customer satisfaction is another important aspect of the organisation and it is something that is constantly reviewed in customer surveys (Norsk Tipping 2012: 16; Interview 3).

Interestingly, the customer perspective is closely linked to the *learning and growth perspective* and *the internal business process perspective*. A core focus of the organisation is to improve the attractiveness of the game portfolio (Interview 3). Therefore products are constantly renewed, more matches are offered, live betting is introduced and distribution channels enlarged (e.g. through mobile devices) in order to give the player the opportunity to play wherever he or she is (Interview 3). The Ministry of Culture and the Norwegian Gaming Authority approved the plans of Norsk Tipping for some online casino games in 2011, something which will probably be launched by the end of 2013. For the first time, the state owned company will thus offer casino style games on the internet, and only there (Interview 3). Being creative and innovative is arguably important for Norsk Tipping in order to live up to customer expectations, and this with an active contribution from the players. For instance, as mentioned, customers can choose the type of charity to support with a fixed percentage of their stakes in the Grassroots game (Norsk Tipping 2012: 18; Interview 3).

In regard to the internal business process perspective, several developments have been undertaken. An internal restructuring process was launched in the autumn of 2011. This effort targeted an increased business and customer orientation. A bigger focus was thus placed on the competences of the human resources, in order to have the right people at the right places to reach the goals of increased business and customer orientation (Norsk Tipping 2012: 12; Interview 3). Moreover, various internal management systems were improved or established: the responsibility platform was improved, for example through the introduction of a better monitoring system of the gaming behaviour of customers (Norsk Tipping 2012: 6, 7, 9, 16 etc.; Interview 3). In a similar effort, the ID and payment system was improved. The internal business process perspective can thus be said to be in constant management focus of the management, and this in turn contributes to the customer perspective and the financial dimension (Norsk Tipping 2012: 6; Interview 3).

In summary, the operational dimension is very important in the Norwegian setting, and as it is seen as enhancing future financial performance it is definitely also linked to the financial dimension. Further linkages are observed to the legal requirement (e.g. mandatory measures to prevent gambling problems) and to the social issue participation dimensions (e.g. voluntary measures to reduce gambling problems).

III. The stakeholder management dimension

The stakeholder management dimension is quantitatively (19 references in reports and 22 in the interviews) and qualitatively of neutral importance to the performance definition of Norsk Tipping.

The quotations detected refer to different stakeholder management issues where performance is evaluated, often through the use of indicators. The improvement of the ecological footprint by reducing the paper used and other emissions is one aspect evaluated (Interview 13). An effort is also intended in order to follow a separate environmental policy for the company in the future (Norsk Tipping 2012: 17-18). Moreover relationships with retailers and sales bodies are close, and a conference has for example been held to meet retail partners and sales representatives. The sales segment accounts for the majority of sales and it was hence seen as important to get their feedback (Norsk Tipping 2012). Next to the relation with the stakeholder group of the retailers, the employees are also an important stakeholder group. Employee satisfaction is put in focus as the organisation arguably makes effort to generate a good working environment (Norsk Tipping 2012). Despite tight relationships with stakeholders, the performance of the stakeholder management dimension is only marginally measured.

One important question is whether or not to include the beneficiaries of the profits in the stakeholder management dimension. As discussed, beneficiaries can be placed in this dimension when they are shareholders profiting and investing in the organisation to increase future profits. In the Norwegian case, this does not apply and the beneficiaries do therefore not fall in this dimension. However, for the organisation they are argued to be important stakeholders, and this especially in the case of sport organisations. This is also linked to the fact that the organisation interacts actively with humanitarian and sport organisations in product development (Interview 3). So, in this regard they are clearly stakeholders and partners in product developments, as the latter hopefully increases the future profit of the organisation. The stakeholder management dimension is a prerequisite to satisfy society, and to contribute to the positive image of the company. In case the organisation fails, its image would be hurt, something that the regulator would not be likely to appreciate, and consequently intervene (Interview 3).

In summary, the stakeholder management dimension is not a core focus of the performance concept of the company. It is often linked, more or less indirectly, to other dimensions, such as the financial dimension, or the stakeholder management dimension.

IV. The legal requirement dimension

The legal requirement dimension is quantitatively (34 references in the interviews and 31 in the reports) and qualitatively of a very high importance to the performance definition of Norsk Tipping.

The importance of mandatory redistribution (e.g. the legal requirement dimension) for the performance definition is already apparent on the first pages of the annual report (Norsk Tipping 2012: 3). By law, the organisation has to redistribute its profits and to be responsible, not only in regard to gambling addiction but also in regard to fraud, money laundering and illegal gambling (Interview 3, 12). The regulation obliges Norsk Tipping to offer responsible and attractive games, and to give the proceeds to charity (Norsk Tipping 2012; Interview 3, 12). This also highlights a second element of importance to the company: responsibility. Responsible gaming is said to guide the business activity (Interview 12), and although the annual report and during the interviews, the words ‘responsibility’ or ‘responsible’ were common (Norsk Tipping 2012; Interview 3, 12). Indeed, that the organisation acts and operates games of chance in a responsible way is also a legal requirement, and it is the ‘raison d’être’ of the monopoly.

A third indicator of the legal requirement dimension that often occurs in the data set is the fight against illegal gambling. The strategy in this regard is that an attractive offer will channel gambling behaviour towards the legal operator (Interview 12). The organisation assumes a very proactive stance towards the regulation, voluntarily taking many initiatives (Interview 3; 12). Hence, the voluntary measures in regard to responsible gambling and the fight against illegal gambling are indicators of the social issue participation dimension.

In summary, the legal requirement dimension is a prerequisite dimension, as disrespect would result in the closure of the business. Moreover all games and gaming rules are subject to approval by the ministry (Norsk Tipping 2012: 15, 16, 31 etc.) As mentioned, the legal requirement dimension is highly important for the performance definition and this is mainly illustrated by three indicators: mandatory redistribution to charity, mandatory measures in regard to gambling addiction and voluntary efforts to prevent illegal gambling.

V. The social issue participation dimension

The social issue participation dimension is quantitatively (51 references in the interviews and 34 in the reports) and qualitatively of a very high importance to the performance definition of Norsk Tipping.

Three main indicators illustrate the importance of the social issue participation dimension. First, the social issue participation dimension relates to voluntary measures to combat illegal gambling, doping and match fixing. For the latter, for instance, Norsk Tipping is in a working group on match fixing with sports organisations and the department of sport (Norsk Tipping 2012; Interview 3). In regard to illegal gambling, Norsk Tipping outlines that an attractive offer is an important tool to channel gambling behaviour from illegal to legal games (Norsk Tipping 2012: 16; Interview 3). Hence, the social issue participation dimension is linked to the operational- and financial dimensions.

A second indicator, though of a far smaller degree, is voluntary redistribution. This is only possible to a limited extent as the mandatory redistribution already uses all profits for charity, leaving the organisation with close to no leeway for voluntary redistribution. Nonetheless, some money is occasionally allocated to projects in the local community (Interview 3, 13).

Third, and most importantly, the voluntary measures to prevent gambling addiction are a main indicator for the social issue participation dimension (Norsk Tipping 2012; Interview 3, 13). The list of measures in this regard is long and comprises for example a risk evaluation of all new games, an obligation that all players have to register and acquire a player card, the voluntary introduction of the age limit of 18 years for all games, the setting of loss limitations by the players that apply to all sales channels, the possibility to reduce the loss limitations when pre-defined (e.g. Multix and Belago), adjustments of limitations online followed by a 24 hours break, staff training and training of the employees of retail partners, and regular meetings with professional institutions of gambling problems (Norsk Tipping 2012; Interview 3,12). Very interestingly, Norsk Tipping can analyse gambling behaviours of customers through the information from the playing card. At present Norsk Tipping has observed that there are few players who play large sums, and who are using the global limitations to a maximum. Considering that these customers are at risk, they are closely observed by the organisation (Interview 3). In 2013 a monitoring system for responsible gaming will be established in order to get even more data on a monthly basis (Interview 3). The performance of Norsk Tipping in regard to responsible gambling is measured on an annual basis with KPIs (Interview 3). To actually measure performance of these activities and not only undertaking them, is indicative of the high importance of the social issue participation dimension for the performance definition of Norsk Tipping.

In summary, Norsk Tipping is highly committed to the social issue participation dimension, and particularly responsible gambling, which it places in the centre of the performance measurement effort (Norsk Tipping 2012; Interview 3).

VI. The public values dimension

The public values dimension is quantitatively and qualitatively found to be of low importance in the interviews (11 references). Similarly, the evaluation of the quotations in the reports also reveals a very low occurrence of this dimension, if not a complete absence.

The lack of references in the data set indicates that the public values dimension is not a performance dimension for Norsk Tipping. Nonetheless, the interpretation of the data suggests that certain such values are important when it comes to guiding the business processes and the behaviour of the organisation. Values that are constantly in focus of Norsk Tipping are security and transparency in regard to internal processes (Norsk Tipping 2012; Interview 3, 12), and they can therefore be linked to the operational dimension. The data set suggests that the public values dimension is a dissatisfier for the organisation: a few years ago Norsk Tipping was struggling when it pursued a more aggressive business strategy and the values were less respected (Interview 13). Hence, after the re-orientation towards a more balanced strategy, public values have been placed in a central focus in order to build up the reputation and foster a robust organisation. At present, the organisation respects these values, which is why they are in less direct focus (Interview 3). One interviewee also added that as soon problems would occur in this regard, the focus would be likely to shift towards public values again (Interview 3).

In summary, the public values dimension guides processes and the behaviour of the organisation but does not actually constitute a performance dimension *per se*. Moreover, such values are mostly outlined in relation to other dimensions such as the operational or the legal requirement dimensions.

VII. Concluding remarks: a bottom-up reflection

In conclusion, the performance definition of Norsk Tipping is multidimensional, with a strong focus on three dimensions: the financial, the social issue participation and the legal requirement dimensions.

The analysis has revealed five groups of indicator that occur frequently in the data set. The first such group is defined in terms of progression of wagers and the redistribution of profits, cash flows, gross sales, number of active players, number of prizes or average sales per player, something which points to the financial, legal requirement and social issue participation dimensions. A second group uses terms like the offer and the progression of the offer in each product segment, i.e. the operational and financial dimensions. Third, the market share is of high importance for the performance measurement. Fourth, in regard to social responsibility several aspects are measured based on the information on the player cards, and this in order to closely monitor players and to conduct research in the matter of gambling problems, something which points to the social issue participation dimension. Fifth, indicators are also developed mainly based on the GRI for the environment, employees' health and satisfaction.

The three dimensions that dominate the performance definition Norsk Tipping relate particularly to redistribution (e.g. the financial and legal requirement dimensions) and the responsibility in offering games of chance and the paybacks to society (e.g. the legal requirement and social issue participation dimensions). Another aspect that is not directly detected but which is still present is the idea that the organisation pursues a public policy by channelling illegal games towards the legal gambling offer in Norway, in order to achieve this target it is of tremendous importance to maintain an attractive offer that can compete with the illegal products offered to Norwegian citizens (Interview 3).

5.3 THE DUTCH SPORT BETTING, INSTANT LOTTERIES AND LOTTO SECTOR

5.3.1 The genesis of gambling in the Netherlands

Games of chance and gambling regulation in the Netherlands (NL) know an ancient history. The first signs of active gambling in the NL were found on walls and vases and date back more than 40'000 years (Anderson et al. 2012: 176). Gambling regulation on the other hand dates back to the early 18th century when lotteries were used to fund political campaigns (Huls 2002: 5). Before a regulation was established, gambling addiction and its consequences were a topic of societal debate and it was believed that legalised gambling would prevent such negative externalities. This resulted in the establishment of the Dutch State Lottery in 1726 (Anderson et al. 2012: 176).

In the 19th and 20th centuries games of chance were regulated through criminal law (Huls 2007: 69-79). In the beginning, the State Lottery was operating in competition with several private lotteries. A century later, in 1848, a general prohibition on lotteries was established but it did not apply to the state lottery, something which therefore ensued in a state monopoly. Today, the Dutch State Lottery is the oldest still operating lottery in the world (Anderson 2012 et al. 2012: 176). In 1905 the sector was opened up, through a legislation that allowed other lotteries for charitable purposes, but until 1961 only prizes in form of goods and services were allowed. Horse race betting was very popular in the NL since the 18th century onwards, but it was banned in 1911 (Anderson 2012 et al.: 177). Horse race betting was legalised again in 1949 under a Totalisator Act, which also introduced a monopoly system (Anderson et al. 2012).

The system of games of chance was consolidated in the Betting and Gaming Act (BGA) in 1964. The BGA reunited the lotteries (state owned and licensed private charity lotteries), sport betting (football pool) and horse race betting under the same umbrella (Anderson et al. 2012: 178). Hence the BGA initially applied to the state lottery, charitable lotteries, sports—

and horse race betting. The BGA was several times amended for instance in 1974 in order to also include lotto and casino games in the monopoly system (Littler & Franssen 2012). In 1976 not only the first lotto draw took place but also the first casino was opened in the city of Zandvoort (Littler & Franssen 2012). Similarly, in 1994 more amendments to the BGA resulted in a monopoly for instant lotteries (Littler et al. 2011). On 1 January 1996 the Dutch Gaming Control Board was established in order to advice the Ministry of Justice in regard to the gambling monopolies (Littler & Franssen 2012). In 2000, the BGA was further modified in order to update the slot machine legislation, including linked jackpots and multi players for arcades. The arcades were hence transformed into slot casinos. In the same year the government wished to review the gaming regulation in order to liberalise the gambling market. However, this plan was not realised as only few years later a new government followed a more restrictive gambling policy, keeping the monopolies system for the different types of games (Anderson et al. 2012).

5.3.2 The current gambling regulation

The BGA of 1964 is still the main law regarding games of chance in the NL (Diaconu 2010: 27). Games of chance are generally forbidden unless the operator holds a license issued by the Dutch authorities (Netherlands 1964: article 3(1)). The only licences that can be granted are specific types of games of chances mentioned in the Act of 1964. The recognised exclusive licence types are lottery (Netherlands 1964: 9(1)), good causes' lotteries (Netherlands 1964: 3(1)) (including a bank giro lottery, a national postcode lottery and a sponsor bingo lottery), instant lotteries (Netherlands 1964: 14b(1)), sports betting (Netherlands 1964: 16(1), lotto (Netherlands 1964: 27b(1)), horse betting (Netherlands 1964: 24) and casinos (Netherlands 1964: 27h(1)) (Littler & Franssen 2012). Non-exclusive licences can be granted for small-scale charitable lotteries. The State Lottery and Holland casinos hold permanent licences whereas the other exclusive licences are issued for a period of five years (Netherlands 1964: 27h(1)). Even though the act is silent in regard to online gambling licences some of the retail licence holders are allowed to operate their games online (Littler & Franssen 2012). The following table provides an overview of the main gambling sectors and the laws they are based on.

<table>
<tr><td>General Logic</td><td colspan="5">General prohibition of games of chance under the Betting and Gaming Act of 1964.[74] But allowing for exceptions when licensed by government.</td></tr>
<tr><td>Sectors</td><td colspan="2">Lottery</td><td colspan="2">Betting</td><td>Casino</td></tr>
<tr><td>Sub sectors</td><td colspan="2">-</td><td>Sport betting</td><td>Horse race betting</td><td>-</td></tr>
<tr><td>Legal basis:</td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td>Retail
&
Online</td><td colspan="2">Betting and Gaming Act of 1964</td><td>Betting and Gaming Act of 1964</td><td>Betting and Gaming Act of 1964</td><td>Betting and Gaming Act of 1964</td></tr>
<tr><td>Operator:</td><td colspan="3"></td><td></td><td></td></tr>
<tr><td>Retail</td><td rowspan="2">De Staatsloterij (the State Lottery)</td><td colspan="2" rowspan="2">De Lotto (instant lotteries (not online); lotto and sport betting)</td><td rowspan="2">Sportech Racing PLC</td><td>Holland Casino</td></tr>
<tr><td>Online</td><td>Prohibited</td></tr>
</table>

TABLE 30: THE STRUCTURE OF GAMES OF CHANCE IN THE NETHERLANDS

The BGA is silent on the objectives of the regulation (Netherlands 1964). Nonetheless the Minister of Justice reports every few years to the lower house of Parliament. The 2005 such report summarises the objectives of the gambling regulation as being the regulation and control of gambling, with particular attention to combating gambling addiction, the protection of the consumer and the fight against illegal gambling and criminality (Netherlands 2006). In the 2012 proposal of the Secretary of State for Security and Justice to reorganise the regulatory regime, these objectives were later confirmed (Netherlands 2012). Furthermore, the objectives have also been affirmed in various court proceedings, both on a Dutch and a European level (Littler & Franssen 2012).

In regard to the *delimitation of games of chance,* it is not explicitly provided, but Article 1(a) of the BGA mentions that without a licence under the act it is prohibited to engage in games of chance, defined as competitions for prizes or premiums, where the outcome is determined by chance and can in general not be influenced by the participants (Littler & Franssen 2012). Rather interestingly and contrary to many other jurisdictions, this definition is not conditioned by the need to have placed a stake before participation. The degree of chance needed is not clear (Littler & Franssen 2012). This is illustrated by a recent debate with regard to Poker, a game which used to be considered a game of chance and that was only offered in casinos (Littler & Franssen 2012). In 2010 the District Court of The Hague held that poker is not a game of chance under the current legislation (Netherlands 2010). This does not imply that chance has no role to play in determining the outcome of poker games but rather that it cannot be shown ‘in general’ that it plays the role required to fall under the definition of the BGA (Littler & Franssen 2012). However, as an appeal is pending, poker is still considered a game of chance and therefore continues to be offered only in casinos (Littler & Franssen 2012).

Article 27g BGA provides the legal basis to offer casino games in the NL while article 27h(1) BGA establishes the basis for the licence (Littler & Franssen 2012). The sole casino licence[75]

[74] Author’s translation of: Wet van 10 december 1964, houdende nadere regelen met betrekking tot kansspelen.
[75] In Dutch: Beschikking Casinospelen 1996 Nationale Stichting tot Exploitatie van Casinospelen.

is issued to Holland Casino that operates fourteen casinos (Netherlands 1964). In January 2011 governmental plans privatise Holland Casino and breaking up the monopoly were made public (Interview 1). Holland Casino allocates all net profits to the state, with the exception of amounts allocated to its equity (Littler & Franssen 2012). Slot machines are also allowed outside of casinos when licensed. The machines can only be operated in relation to cafés and restaurants where no further activities are found, or in gaming arcades. Licences are non-exclusive and for a limited or unlimited period of time (Littler & Franssen 2012).

The lottery sector in the NL is composed of the State Lottery[76] and a number of charitable lotteries. The Ministry of Justice has issued the licence to the foundation for the Exploitation of the Dutch State Lottery (Littler & Franssen 2012).[77] The State Lottery holds the licence for an unlimited period of time. The State Lottery is regulated by Title II of the BGA, which specifies that only one licence can be granted and that 60% of the stakes must be paid back to players under the form of winnings (Netherlands 1964: 9(1)). The licence cannot be transferred to any other entity than the licence holder. Moreover only the latter is allowed to sell, offer, distribute or promote the lottery products of the State Lottery. The profits of the State Lottery are remitted to the exchequer (Anderson et al. 2012: 183).

Besides the State Lottery, charitable lotteries are permitted and they can apply for a five years licence with the specific purpose to raise funds for charitable purposes (Netherlands 1964: 3). At least 50% of the sales revenues must be used for charitable causes and the licensee decides on the distribution of the revenues (Littler & Franssen 2012). For all lottery operators, online gambling is not mentioned in the BGA but outlined in the individual licence terms. Neither the licence for the State Lottery nor the licences for the charitable lotteries expressly state online gambling as possible. But as the operators need to submit the participation rules to the Minister of Justice for approval, it may be possible to operate the games of chance also online if they include a reference to online gambling in their submission (Littler & Franssen 2012). Aside from the State Lottery and charitable lotteries, De Lotto offers lotto games and instant lottery in form of scratch tickets (Littler & Franssen 2012).

Horse race betting is regulated in articles 23 to 27 of the BGA and is subject to a monopoly. Further conditions are enumerated in the Totalisator licence.[78] Only one licence can be issued for horse race betting, and it is always valid for a period of five years, though renewal is possible. The present licence holder is the Scientific Games Racing, which operates horse race betting in the NL since 1 July 1998. In October 2010, Sportech Racing PLC acquired Scientific Games Racing and is now operating under the Dutch licence (Littler & Franssen 2012). They can also operate online wagering as the operation through direct electronic channels is allowed in the licence ('e-commerce').

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[76] Author's translation of: De Staatsloterij.
[77] In Dutch: Stichting Exploitatie Nederlandse Staatsloterij.
[78] In Dutch: Beschikking van de Minister van 19 juni 2008, nr. 5551529/08/DSP, houdende verlening van een vergunning tot het organiseren van een totalisator.

Taxation on gambling is regulated in the Law on Gambling Taxation.[79] Two main distinctions are made. First, it depends on whether the provider is domestic or foreign, and secondly what type of gambling is operated, online gambling, offline casino games or other offline games and slots (Littler & Franssen 2012). A tax rate of 29% on gross gaming revenue is applicable to slots, offline casinos games, and online games when provided by a party located in the NL (Littler & Franssen 2012). For all other offline games of chance winnings by players above Euro 454 are also subject to a gambling tax of 29% (Littler & Franssen 2012). In the same logic, if a Dutch resident participate in online gambling provided from outside the NL, a rate of 29% applies to gross earnings per month, and stakes are hence deductible from prizes and the tax has to be paid on a monthly basis. A player winning a prize in an offline foreign game of chance also has to pay gambling tax at 29% on the prize (Littler & Franssen 2012: 15).

Although the Dutch gambling market is not very important in size it is a quite complicated one. Since its adoption the Gaming Act has been amended on numerous occasions resulting after 45 years in *"a hopelessly complex piece of legislation that even insiders sometimes find difficult to understand"* (Littler et al. 2011: 210). Plans to open up the internet gambling sector were envisaged but have not (yet) been introduced (Littler & Franssen 2012). The Dutch government prepared changes to the legal framework for online gambling in the country, and a gambling bill was originally expected to licence poker and other games by the summer of 2012. However, political turmoil in the NL in early 2012 resulted in postponing this initiative (Interview 1). However, at the moment of writing, no further steps have been taken in regard to the modifications of the gambling regulation even though the Dutch operators and gambling experts do believe that they will come soon (Interview 1, 9, 11).

Despite the suspension of the restructuring of the gambling regulation one element has emerged from the plans to re-regulate games of chance. On 20 December 2011 the Dutch Senate approved a legislative proposal introducing a new independent regulatory body, 'the Gaming Authority'. On 1 April 2012 this body began its work with the aim of more efficient enforcement of the BGA (Moussaoui & Franssen 2012). The drivers behind the establishment of the new Gaming Authority were the proved incapacities to restrict unregulated gaming activities, especially in regard to remote gaming, as prior to the recent amendments the BGA was only enforceable based on Criminal Law (Moussaoui & Franssen 2012). Moreover, the former regulators, namely the Ministry of Security and Justice, the Ministry of Finance and the National Gaming Control Board did not dispose over any means through which to combat unlicensed operators (Moussaoui & Franssen 2012).

So, keeping in mind that the Dutch gambling regulation is likely to change in the near future, the following sections discuss the sport betting, instant lotteries and lotto regulation.

[79] Author's translation of: Wet van 14 september 1961, houdende regelen inzake de belastingheffing met betrekking tot kansspelen.

I. The regulatory scope of the sport betting, instant lotteries and lotto regulation

The *market structure* in the sport betting, lotto, and instant lottery sector is a monopoly. As mentioned above one licence is possible for each type of game. The National Sports Totalizator Foundation (De Lotto in short) holds semi-permanent licenses in these three games, creating one monopoly over the three exclusive licences. De Lotto has held the exclusive licence for sport betting since its introduction in 1969. The licence was originally supposed to expire in January 2012 but was extended until January 2015 (Littler & Franssen 2012). Articles 15 to 22 BGA outline the provisions for sport betting along with further conditions enumerated in the licence agreement (Littler & Franssen 2012).[80] Title IIA of BGA authorises the Minister of Justice to allocate a licence to one entity to operate an instant lottery. The instant lottery licence has been held since 1994 by De lotto and is renewed every five years. The instant lottery licence outlines the various provisions of the licence (Netherlands 2011).[81] Similarly, Title IVA of BGA authorises the Minister of Justice to issue one licence to organise the lotto, plus a corresponding 'regular' lottery, to one entity. The lotto licence has been held by De Lotto since 1974 and is also renewed every five years (Littler & Franssen 2012).

The *regulatory reach* of the sport betting, lotto and instant lottery sector is not limited to the market structure but has a wider scope and thus increases the intensity of regulation. The regulation establishes a *specific public use* of the money. The BGA outlines that the sport betting licence can only be issued if the revenues are used for the public benefit. Hence, profits are used in their totality for sports, culture, social wellbeing and public health (Netherlands 1964: article 16(1)) (Littler & Franssen 2012).

Even though the BGA is silent on the *type of ownership*, it is considered as imposed, as the government issues licences only to entities allocating all profits for good causes and it is unlikely that a private for-profit operator would receive the licence. De Lotto is a non-profit foundation governed by private law. A five-member commission whose Chairman is appointed by the Minister manages De Lotto. Other members of the commission belong to organisations representing the beneficiaries of the revenues generated by De Lotto (De Lotto 2012; Interview 1). In March 2011, the Council of State held that only one member appointed by government does not allow for a strict governmental control, as the person can be easily overruled by the majority.[82] This finding resulted in the appointment of an additional member of the board by the government (De Lotto 2012: 11), which further increased the *publicness* of De Lotto.

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[80] In Dutch: Beschikking van de Minister van Justitie van 14 januari 2010, nr 5637097/10/DSP, houdende verlening van een vergunning tot het orgnisieren van sportprijsvragen, lotto en het cijferspel, as amended by the Wijziging Beschiking Sporttotalisator 2010 of 7 December 2010.

[81] In Dutch: Beschikking instantloterij. Beschikking van de Minister van Veiligheid en Justitie van 28 September 2011, nr. 5710109/11/DSP.

[82] For further information see Littler (2011a).

The regulatory scope of the sport betting, instant lotteries and lotto sector	
Market structure	Exclusive licence per type of games forming a monopoly held by De Lotto
Regulatory reach	Broader then market structure
Specific public use of money	Total of profits used for public end
Type of ownership	Imposed, non-profit organisation
Publicness	Low

TABLE 31: RSC SPORT BETTING, INSTANT LOTTERIES AND LOTTO SECTOR IN THE NETHERLANDS

II. The regulatory stringency of the sport betting, instant lotteries and lotto regulation

a. The regulator level

In 1996, the Gaming Control Board[83] was established to monitor the legal gambling institutions in the NL and to control the distribution of gambling licences (Anderson 2012: 180). The Gaming Control Board was not an independent regulatory body, although it provided non-binding advice to the Ministry of Security and Justice primarily regulating the games of chance. Since April 2012 a new regulatory entity controls and monitors the gambling market namely the Dutch Gaming Authority[84] (Littler & Franssen 2012).

The Dutch Gaming Authority is composed of three members: a president, a substitute president and member and a member. Hence, there is not only a regulator *present*, but the Gaming Authority also disposes over far reaching *competences en amont* and *en aval*: it is now responsible for issuing, enforcing, revoking and supervising all Dutch licences and gaming policy, whereas policy formulation remains the responsibility of the Ministry of Security and Justice. The existing licences have been awarded and renewed by the Ministry of Security and Justice. In future it will be for the Gaming Authority to issue and renew the licences. Once awarded or renewed the licences are published in the official gazette while the parties can oppose the decision during the eight weeks following the publication (Littler & Franssen 2012).

The Dutch Gaming Authority is also responsible for keeping an updated register for self-exclusions. Furthermore, the Dutch Gaming Authority disposes over various administrative enforcement instruments, such as the distribution of fines of up to EUR 780,000 or 10% of the company's turnover, or the issuing of administrative orders to confiscate goods or enter a building (Littler & Franssen 2012). Furthermore, it can impose incremental penalty payments to enforce the gaming regulations. In case of more severe infringements or criminal offences the Dutch Prosecution Service would be activated (Littler & Franssen 2012). Moreover, in regard to unlicensed gambling, operators are blacklisted. In the proposal for the new gaming policy, financial transaction blocking and IP blocking have been discussed, but at the time of writing no further indications have been given as to whether such measures will be introduced in the near future. The Gaming Authority is funded by the industry as the licensees pay a certain fee (Littler & Franssen 2012).

[83] Author's translation of: College van Toezicht op de Kansspelen.
[84] Author's translation of: Kansspelautoriteit.

The regulatory stringency of the sport betting, instant lotteries and lotto sector: the regulator level	
Presence of a regulator	Yes, Dutch Gaming Board
Competences of regulator	Large

TABLE 32: RS I SPORT BETTING, INSTANT LOTTERIES AND LOTTO SECTOR IN THE NETHERLANDS

b. The organisational level

The licence agreements issued to De Lotto contain conditions for the products that may be offered. De Lotto can for example not offer bets on more than 400 events a year. Moreover, limits are set restricting the maximum amount of wagers that can be placed on one bet and on a weekly basis. A single stake cannot be higher than 22.69 EUR on off- and online products. Online the weekly limit is 250 EUR for participants over the age of 24, and 100 EUR for participants aged between 18 and 24 (Littler & Franssen 2012). For Lotto games, De Lotto is permitted to offer 422 games on an annual basis. The maximum single stake is the same as with sport betting, namely 22.69 EUR, and players cannot play for more than 100 EUR per day on lotto games over the internet (Littler & Franssen 2012). In regard to instant lotteries, De Lotto is permitted to offer up to 120 million scratch cards per year. Although free scratch cards are permitted, the maximum selling price is of 30 EUR per card. Over the course of a year the payback rate to players in prizes must be between 47.5% and 65% of the stakes (Littler & Franssen 2012).

In regard to *distribution channels,* online gambling in the NL is subject to a restrictive policy. As noted above, the BGA is based on a 'prohibited-unless-licensed' approach and does not contain any legal basis for the award of licences, which permit online gambling. Through the approval of participation rules, an online offer can be possible (Littler & Franssen 2012). The NL has adopted an 'e-commerce' approach of offering gambling services over the internet, which is not defined in the BGA, nor in the semi-permanent licences, and which allows the licensee to offer their services online (Littler & Franssen 2012). In a letter to parliament dating from July 2007, the Minister of Justice interpreted e-commerce as *"the use of the internet as an alternative sales and communications channel for existing gambling products"* (Netherlands 2007: 9) and which did not *"encompass 'interactive gambling' or 'e-gaming'"* (Netherlands 2007: 9). Hence, De Lotto holds licences that include provisions to allow online gambling of the gaming products also offered in the retail sector (Littler & Franssen 2012).

In regard to *advertisement restrictions*, rules concerning advertisement are found in the Dutch Advertising Code[85] and apply to all current operators (Littler & Franssen 2012). The code deals with three areas, namely the advertising content, vulnerable groups and sponsorship. Advertisement should not be misleading with regard to the chance of winning, nor should they suggest that gambling is a means to solve financial or social problems (Littler & Franssen 2012). Other provisions impose that information is provided, such as in regard to responsible gambling and addiction, to maintain the anonymity of winners and the availability of independent advice on how to deal with large wins (Littler & Franssen 2012). Advertisement for unlicensed games of chance is prohibited (Netherlands 1964). Overall the

[85] Author's translation of: De Nederlandse Reclame Code.

restrictions on advertisement are moderate. However, the regulator monitors the marketing operations of the operators and takes steps in case it is too expansive. One interview participant stated that few years ago De Lotto was advertising in an expansive way and the regulator advised it to reduce its advertisement activities (Interview 1).

In regard to *obligations in regard to gambling addiction*, the BGA is silent on the matter in the sport betting sector, though it is an issue in other gambling sectors, and has since always been a topic of discussion in Dutch society (Littler & Franssen 2012). Despite the disregard for the matter in the legal texts, the fight against compulsive gambling is a key objective of the Dutch gaming policy. This is for example underlined by the minimum age of 18 established for sport betting, by the limited number of products allowed to be offered on an annual basis and by the limitation of the individual stakes per game and per week or day. Moreover, in contrast to the sport betting and lotto licence, the instant lottery licence sets out the explicit obligation to have a balanced policy in the field of the prevention of gambling addiction and advises the operator to take measures to prevent excessive participation in instant lottery games. However, across all De Lotto products it is required to state 'Do not put everything on the game—play with moderation' on the front receipt of participation (Littler & Franssen 2012).

The regulatory stringency of the sport betting, instant lotteries and lotto sector: the organisational level	
Distribution channel restrictions	Yes (other remote than internet)
Advertisement restrictions	Moderate
Obligations in regard to gambling addiction	Moderate

TABLE 33: RS II SPORT BETTING, INSTANT LOTTERIES AND LOTTO SECTOR IN THE NETHERLANDS

III. Outlook

The Dutch gaming legislation and the corresponding licences and case law are proof of a high regulatory intensity in the gambling sector. The gambling regulation in the NL is marked by the legal battles between De Lotto and private operators, such as Betfair and Ladbrokes, since 2003. In both cases the circumstances were similar as De Lotto is able to offer sports betting products over the internet and other European licensed operators are not able to obtain a licence and are therefore restricted from entering the Dutch market. In its final ruling on 23 February 2012 the Dutch Supreme Court concluded that the Dutch authorities pursue a coherent and consisting gambling policy (Littler & Franssen 2012).

Even though changes will occur in the Dutch gambling regulation in the near future, especially in regard to the online regulation and the privatisation of Holland Casino, the regulatory intensity of the private foundation operating in the sport betting and lottery sector is high at present. Hence it is interesting to discuss how De Lotto defines it organisational performance in this regulatory environment.

5.3.3 The performance definition of De Lotto

The performance definition in the Dutch sport betting, instant lottery and lotto sector is of a multidimensional nature. Several dimensions are seemingly of the same importance and the performance concept is horizontally constructed. The table below summarises the results of the qualitative analysis in the different performance dimensions:

Occurrence and evaluation of dimensions	Interviews		Reports[86] of Organisation	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	36	++	21	++
Operational dimension	45	++	23	+
Stakeholder management dimension	27	=	9	-
Legal requirement dimension	47	++	27	++
Social issue participation dimension	35	+	21	+
Public values dimension	23	=	2	--
Total	213		103	
Legend: ++ very high importance + high importance = neutral importance - low importance -- very low importance				

TABLE 34: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF DE LOTTO

I. The financial dimension

The financial dimension is quantitatively (21 occurrences in the reports and 36 occurrences in the interviews) and qualitatively of a very high importance for the performance definition of De Lotto.

In the message of the CEO an increased focus was laid on the development of sales, the turnovers, and consequently, the return to the beneficiaries (De Lotto 2012: 11). In the reports of the organisation sales developments, in general and per product, and the profits and their redistribution are key focuses of the financial dimension (De Lotto 2012: 13, 14, 20, 21, 22, 23). Redistribution is often mentioned in relation to the profits paid to the beneficiaries, but also to the players in the form of winnings as well as the pay-out rate of each game (De Lotto, 2012: 15, 23; Interview 2; 9). Hence, throughout the data set, the financial dimension is linked to other dimensions such as for example the legal requirement dimension (e.g. through mandatory redistribution of profits to beneficiaries) (De Lotto 2012; Interview 1; 9; 11).

The financial dimension is crucial to the performance definition of the company (Interview 1, Interview 9, Interview 11). Hence, another key indicator is cost control in order to maximise the profits (Interview 1). The commercial performance was frequently mentioned as one of the main focuses of the organisation. One interviewee mentioned that it is of course one of the main elements but that the regulation also protects the consumers, raising the attention of the organisation on other important aspects (Interview 11). Another interview participant summarised it as following: *"overall, I think they would define themselves along the line of how much money they raise for charity, they raise for sports and good causes"* (Interview 9). De Lotto is a private non-profit foundation that by definition does not look to maximise the profits for shareholders but for the beneficiaries (Interview 9). However, as the beneficiaries are partially the founders of the organisation this line is obliterated. Hence, the financial performance dimension is clearly a very important dimension for the performance definition of De Lotto.

[86] The report of the organisation is not very voluminous what explains the lower number of references.

II. The operational dimension

The operational dimension is quantitatively (45 occurrences in the reports and 23 in the interviews) a very important dimension and interestingly, the operational dimension occurred even more frequently than the financial dimension in the codes. Despite this however, the qualitative evaluation of the quotations reveals a slightly different result, because qualitatively, the operational dimension is higher valued in the interviews (very important) than in the reports (important).

The *customer perspective* is an important part of the operational dimension (Interview 1, 9, 11; De Lotto 2012). Customer-focus and player-orientation are core aspects of operations (De Lotto 2012: 15, 23). One interview participant argued that the organisation is closely monitoring the marketing and public relation activities (Interview 11).

The organisation outlines in its report that as a result of the financial crisis consumer confidence has decreased and the consumer spending has declined, as measured based on the number of subscriptions (De Lotto 2012: 13). Customer loyalty is very important for the organisation, especially in times of economic difficulties. De Lotto was able to keep the number of customers constant, whereas in other gambling sectors the turnovers have decreased sharply and lost customers due to the economy. For De Lotto it is very important to keep the customers and to sustain the relationship with them (Interview 1).

The *learning and growth perspective* also occurs frequently and especially product developments make up a crucial indicator (De Lotto 2012; Interview 1). For each product group, the sales development and the product cycles are closely monitored (De Lotto 2012: 20, 21, 22). Another important indicator is innovation, as measured by the investments made in new distribution channels (De Lotto 2012: 23). Especially in the future, technical innovations will gain in importance because De Lotto needs to attract the younger generation (18-34 years old). The average age of the customer is around 35, and the question that follows is how to attract the future costumers who are more focused on new media (Interview 1).

The *internal business process perspective* did not occur many times across the data set for De Lotto (De Lotto 2012; Interview 1, 9, 11). This could lead to the assumption that the internal business process perspective is of little importance, but it would arguably be a rash conclusion, as it appears more likely that the internal business processes are not mentioned by the organisation as they function well. Indeed, it is far more probable that the internal business process perspective is thus a dissatisfier factor, i.e. that as long as it works well, it is not in the focus of the organisation. Inversely, as soon something would go wrong the organisation would concentrate on these aspects.

In summary, the operational dimension is important for the performance definition of De Lotto and is evaluated to contribute to future financial performance and is hence closely linked to the financial dimension. The organisation needs to evolve, innovate and keep up with the technical developments constantly. But not all perspectives covered to the same extent in the performance definition.

III. The stakeholder management dimension

The stakeholder management dimension is quantitatively more important in the interviews (29 references) than in the reports (9 references). The qualitative evaluation reveals that it is of low importance in the reports and of neutral importance in the interviews.

The organisation may disagree with this result, as they are likely to consider the mandatory redistribution to beneficiaries as part of the stakeholder management dimension. However, in line with the definition used this study, the mandatory redistribution is counted into the legal requirement dimension. One aspect that does appear frequently in the stakeholder management dimension is however the relationship with the beneficiaries (De Lotto 2012).

Another stakeholder group worth mentioning is that of politicians, and the highlighted importance of lobbying by the government. One interviewee mentioned that the organisation is very successful in lobbying discretely behind the scenes (Interview 9) and another mentioned that De Lotto is very successful in lobbying to preserve the regulatory status quo (Interview 11).

Close to absent form this data set is the employee satisfaction evaluation: codes in relation to employees' are missing, and the term 'employees' is mentioned only four times in the report (De Lotto 2012),

Similarly, indicators on suppliers are missing from the data set, and De Lotto seemingly considers that they adhere to the values of the organisation and are performing socially (Interview 1; De Lotto 2012). One element entirely absent and even evaluated of little importance when directly asked is that of ecological aspects, such as the green footprint of the organisation (De Lotto 2012; Interview 1, 9, 11).

In summary, the stakeholder management dimension appears to be of little importance for the performance definition and it is rarely evaluated or measured through the use of performance indicators. One interviewee mentioned that De Lotto is reactive to European and Dutch developments and not pro-active. Hence, the interview participant doubted that De Lotto is actually measuring the performance in the stakeholder management dimension (Interview 11). Another interviewee also deemed the stakeholder management dimension as absent in the performance definition of De Lotto (Interview 9).

IV. The legal requirement dimension

The legal requirement dimension is quantitatively (47 references in the interviews and 27 in the reports) and qualitatively of a very high importance to the performance definition of De Lotto.

The mission statement to offer responsible games and to contribute to the development of sports, culture, social welfare and health reveals the importance of the legal requirement dimension (De Lotto 2012: 3). Two main indicators for the legal requirement dimension are referred to. First the mandatory redistribution, though not outlined as a legal obligation, is important for the performance definition of De Lotto (Interview 1, 9, 11; De Lotto 2012). Close to every time the organisation outlines its financial performance it indicates the amount allocated to charity and sport, and it hence indirectly refers to the legal requirement dimension (De Lotto 2012: 15, 34). Second, the mission statement underlines the importance of responsible gambling, which is part of the legal requirement dimension in case this target is outlined in the regulation. De Lotto is active in the prevention and treatment of gambling problems and takes several measures in this regard (Interview 1, 9, 11; De Lotto 2012).

A further element related to the legal requirement dimension and closely monitored by the organisation is the legal developments in the Dutch gambling landscape and the aims of modernising the regulation (De Lotto 2012: 8-12; Interview 1, 11). These developments take a large part in the report and are mentioned by the CEO and the president of the Board of Directors (De Lotto 2012: 8-15).

To litigate against illegal operators that offer their products online to Dutch citizens and to report on the results is also one aspect of the legal requirement dimension that is used by De Lotto (De Lotto 2012; Interview 11). De Lotto defines compliance as the set of measures that focus on the implementation and enforcement of external regulations, professional standards as well as internal procedures and rules to prevent the reputation and integrity of any harm (De Lotto 2012). Reports are submitted to the regulator on a regular basis (Interview 1, 11). All of these measures are examples indicating the importance of the legal requirement dimension to De Lotto's performance definition. The crucial position of the legal requirement dimension to the performance conceptualisation of De Lotto is also mentioned in all interviews (Interview 1, 9, 11).

In sum, De Lotto defines its success based on commercial success, i.e. the financial and operational dimensions) and the legal performance, i.e. the legal requirement dimension. The balance between these two dimensions is crucial for De Lotto (Interview 1) and the data analysis reveals the importance of the legal requirement dimension as an important component to define performance, but also as a prerequisite for any business activity.

V. The social issue participation dimension

The social issue participation dimension is quantitatively (35 quotations in the interviews and 21 in the reports) and qualitatively of high importance to the performance definition of De Lotto.

Especially one indicator underlines the importance of the social issue participation dimension, namely the voluntary measures in regard to gambling problems. Responsible gambling as a main focus is already expressed in the mission statement of De Lotto (De Lotto 2012: 3). Interestingly, in the interviews, the issue was rarely raised and interviewees explained that though De Lotto is active in the matter and it is part of the social issue participation dimension, but it is not something that is communicated externally (Interview 1, 9, 11). First, because they do not want it to be perceived as a marketing and communication tool and second De Lotto does to not worry the society too much in regard to this matter (Interview 9, 11).

In regard to problematic issues such as match fixing, the extent to which such areas count towards the performance definition is doubtful. The organisation is active in the discussion on match fixing (Interview 1) and does evaluate it as inherent to the business, but in how far the performance of these activities are measured is a pertinent question and no indication was found, in reports and interviews, that De Lotto does measure its actions in that issue. Two interviewees expressed the view that the activities in regard to match fixing are not part of the performance conceptualisation (Interview 9, 11).

An indicator that is absent in the case of De Lotto is the voluntary redistribution and this because the organisation allocates all profits mandatorily to charity and sport, and it is hence part of the legal requirement dimension. Indeed, the financing of charities, sport and charity is the ‘raison d’être’ of the company (Interview 1).

In summary, the social issue participation dimension is important for the performance definition of De Lotto and this is mainly measured by the various undertakings in regard to responsible gambling.

VI. The public values dimension

The public values dimension is quantitatively and qualitatively evaluated to be of neutral importance based on the quotations in the interviews (23 references), whereas the quantitative and qualitative evaluation of the reports (2 references) reveals a very low importance of the public values dimension for the performance definition of De Lotto.

The analysis of the documents illustrates that the public values dimension is not an important performance dimension and it could even be argued that it is not part of the performance definition of De Lotto. In the interviews, values such as transparency, fairness, security, equity and reliability are evaluated to important to the organisation as they guide the processes and activities of De Lotto, but they are not part of the performance definition of the organisation. Values such as fairness, transparency and security were often outlined in relation to the internal processes, but they belong to the operational dimension and do not form a distinct performance dimension (Interview 1, 9, 11).

In summary, public values are important for the organisation but not for the performance definition and they do not constitute a separate performance dimension in this case. If public values were detected in the data set they were related to operative business aspects and not in the name of a public values dimension.

VII. Concluding remarks: a bottom-up reflection

In conclusion, the performance definition of De Lotto is multidimensional, with a strong focus on two particular dimensions, namely the financial and the legal requirement dimensions. The bottom-up analysis has found the following indicators to occur frequently in the data set: The overall sales development and the sales development of each product and the profits made are closely monitored, i.e. the financial dimension. Closely linked is the revenues realised for sports and good causes, i.e. the legal requirement dimension. Other indicators include customer satisfaction, i.e. the customer perspective, innovations, i.e. the learning and growth perspective, internal processes, i.e. the internal business process perspective or responsible gambling, i.e. partly the legal requirement, and partly the social issue participation dimension).

One interviewee summarised it quite nicely by outlining that De Lotto balances commercial performance and legal performance and has a multidimensional focus of performance by including other aspects, such as operations or customers, crucial for a successful organisation (Interview 1).

5.4 THE UNITED KINGDOM'S NATIONAL LOTTERY SECTOR

The object of this chapter is the analysis of the gambling regulation in the UK. The territory of the UK encloses England, Scotland, Wales and Northern Ireland. Moreover, some overseas territories (as Alderney, Gibraltar or the Isle of Man) are also part of the UK. This research concentrates on England, taken as an example for the other countries.

5.4.1 The genesis of gambling in the United Kingdom

The history of games of chance in England is very ancient and, as presented in detail by Ashton (1898), dates back to the dice introduced by the Saxons, the Danes and the Romans (Ashton 1898: 12). With regard to gambling regulation, there were directives concerning dice gambling already in the 12^{th} century. The first actual Gaming Act was passed by Parliament in 1710 (Anderson et al. 2012). Since then gambling and gambling regulation has undergone many changes, moving from a prohibitive stance towards a stance of liberalisation. Orford (2012) has thus identified three eras of gambling regulation. In a first era of partial prohibition gambling was mostly prohibited (Orford 2012). Since 1853 betting houses were illegal and the passing of the Street Betting Act in 1906 prohibited also the acceptance of bets on streets and public places (Orford 2012). The Brit's most popular form of gambling at that time—horse race betting—was hereafter illegal with the exception of betting at the racecourses themselves. But the implementation of the prohibition was ineffective and new forms of gambling appeared, such as betting on football matches or dog races (Orford 2012).

The second era of gambling regulation has been identified by Orford as the *era of tolerance* (2012: 2083) and it began with the Betting and Gaming Act of 1960. During this time, close to all forms of games of chance were legalised, including commercial gaming clubs and casinos, licensed betting offices and gambling machines in and outside casinos. Despite the legalisation of games of chance, gambling activities were more tolerated than encouraged and provisions applied to the providers of games of chance, for example betting offices were prohibited to serve food or drink and the interior of the shops had to be invisible from the streets. Games of chance were at that time not yet seen as having a productive economic function (Miers 2004). Gambling operators were allowed to meet the existing demand but not to stimulate it. Proposals for new casinos and bingo clubs, for example, would be denied unless they could provide evidence of an existing need to satisfy the demand. Casinos, that were small by modern standards were members only clubs and had to be located in one of the 52 permitted areas (Orford 2012).

The third era identified by Orford is the *era of liberalisation*, introduced with the adoption of the National Lottery Act in 1993 (2012: 2083). The National Lottery offered its first products in 1994 and became highly popular immediately. Funds were partially used for charity and the government promoted lotteries as being of a different nature from other forms of gambling, or only hardly evaluated them as gambling at all. Promoters of other forms of games of chance started lobbying for a move towards liberalisation and the liberalisation of the National Lottery can thus be seen as a catalyst of these demands. In consequence the Gambling Board regulating games of chance at that time undertook minor liberalisations that did not demand a change in legalisation such as the lowering of restrictions (Orford 2012) on membership and opening hours for casinos, an increase in numbers and types of gambling machines in bingo halls and betting shops, a reduction of the minimal age to 16 for the participation in football betting pools and so on. Games of chance were now regarded as a ordinary business which should be allowed to innovate and flourish with restrictions in place that were absolutely necessary (Orford 2012). This resulted in the current gambling environment in Britain, which is marked by a colossal and diverse gambling market (Orford, 2012: 2083).

5.4.2 The current gambling regulation

The regulatory environment in the UK changed on 1 September 2007 with the full entry into force of the Gambling Act 2005 (UK Gambling Commission 2008). This act governing close to all forms of gambling, with the exceptions of the National Lottery and spread betting, replaced previous legislation dating back to 1845 (UK Gambling Commission 2008). The Financial Conduct Authority regulates spread betting, which is not subject of this study, as it is a part of financial services (UK Gambling Commission 2013e). The National Lottery is regulated by the National Lottery Act of 1993 and has its own regulator namely the National Lottery Commission (NLC). Out of the legal separation, a multiple system of gambling emerged in the UK. Next to the traditional forms of games of chance such as betting on horse and dog races and private card games and sport betting via bookmakers, and the more recently legalised casino, bingo, lottery, pools and machine gambling spread betting was added (which originated as a form of financial speculation and is regulated as a financial service), as well as betting on different sport and non-sport events through a betting exchange (rather than a bookmaker). To this list adds poker tournaments, playing virtual casino games on new machines, so called fixed-odds betting machines in betting shops, and using the internet and other remote channels to access games of chance or playing virtual games of chance (Orford 2012). The UK Gambling Act of 2005 will be briefly presented, as it concentrates on betting, casino and lotteries (while keeping in mind that other forms of gambling exist), before turning to the National Lottery regulation which is the main focus of the research. Hence the main regulation and sectors of games of chance in the UK are the following:

General Logic	General allowance of games of chance under the UK Gambling Act of 2005 when licensed.				
Sectors	**Lottery**	**Betting**			**Casino**
Sub sectors	-	Sport	Horse race	Non-sport events	-
Legal basis:					
Retail & Online	National Lottery Act 1993 (amended 1998, 2006)	Gambling Act 2005	Gambling Act 2005	Gambling Act 2005	Gambling Act 2005
Operator:					
Retail & Online	Camelot	Numerous operators	Numerous operators	Numerous operators	Numerous operators

TABLE 35: THE STRUCTURE OF GAMES OF CHANCE IN THE UK

The objectives of the gambling regulations are outlined in the mission of the Gambling Commission. First, to it aims to keep crime away from the industry, second, to ensure gambling is fair and open and third, to protect children and other vulnerable persons from being harmed or exploited by games of chance (UK Gambling Commission 2013h). The basic rule is that gambling is allowed when an operating licence has been acquired and for certain establishments a personal licence is also requested (United Kingdom 2005). The local authority in question issues these licences and since the enactment of the Gambling Act in 2007, local authorities are to publish a statement of Gambling Policy to set out the licensing guidelines (United Kingdom 2005: section 349).

Gambling is defined as gaming, betting, or participating in a lottery (United Kingdom 2005: section 3). Therefore, for an event labelled as gambling, a contribution of something valuable and an outcome dependant on chance is needed. Activities that have these characteristics but that are neither gaming, betting nor participating in a lottery are also covered by the law. In regard to the *delimitation of games of chance*, the presence of a little luck classifies a game to be a game of chance in the UK, i.e. it is a game of chance even when superlative skills can overcome chance (United Kingdom 2005).

The newly created Gambling Commission (GC) is the regulator and it is funded through application and licence fees, based on the sector, size and complexity of the gaming operation. The GC is an independent non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS) (UK Gambling Commission 2013e). The GC licences operators and individuals in Great Britain that provide gambling services in form of arcades, betting (with the exception of spread betting), bingo, casinos, gaming machine supply and maintenance, gambling software supply, lotteries (with the exception of the national lottery) and external lottery managers, remote gambling (including online betting, betting by telephone or via any other electronic communication device) using British-based equipments (UK Gambling Commission 2013e).

The Gambling Act 2005 designates certain kinds of local authorities in England and Wales and ‘licensing boards’ in Scotland as to be licensing authorities. Such authorities have different tasks: they issue premises licences, regulate gaming and gaming machines in clubs, grant permits to family entertainment centres for the use of well-defined lower stake gaming machines, grant permits for prize gaming and register small society lotteries (UK Gambling Commission 2013a).

At the time when the Gambling Act 2005 came into force on 1 September 2007, over 140 land-based casinos were in operation. These casinos were, and still are, operating under the Casino Act of 1968. Since then, the number has remained overall stable with openings and closures more or less in balance. Since the Gambling Act 2005 was adopted only one casino has been established. In addition, there are some establishments that do not operate as casinos and that are licensed by local licensing authorities, but which operate casino-style games. Under section 175(4) of the Gambling Act 2005, it would be possible to open one regional casino and an additional 16 casinos, of which eight small and eight large ones, and this in pre-defined regions. However, the government has decided not to go ahead with the regional casino for the moment (UK Gambling Commission 2013a). The first large casino under the Gambling Act 2005 opened in the London Borough of Newham in December 2011 (United Kingdom 2012). Three companies own the majority of casinos in the industry, namely Genting UK (Genting Casinos/Clubs) with 44 casinos, the Rank Group (Grosvenor Casinos and ‘G’ Casinos) with 36 casinos and the Gala Coral Group (Gala Casinos) with 27 casinos (UK Gambling Commission 2013f: 31).

The betting sector in the UK has a long tradition and it is one of the most liberalised gambling sectors across the world. Betting is defined in the Gambling Act 2005 as the making or accepting of a bet on the outcome of a race, competition or other event or process; the likelihood of anything occurring or not occurring; or whether anything is or is not true (United Kingdom 2005). The non-remote betting activity is organised by off- and on-course betting operators. As of 30 September 2012, there were 418 licences held by operators for the activity non-remote general betting standard (off-course) and 614 licences for the activity non-remote general betting limited (on-course). Four operators dominate the betting industry, namely William Hill, Ladbrokes, Gala Coral Group and Betfred. As of 30 September 2012, their estates accounted for 84% of all betting shops (UK Gambling Commission 2013f: 16).

There are four types of betting identified by the Gambling Act 2005: general betting (on and off course bookmakers), betting prize competitions (for example, fantasy football), pool betting (for example Tote) and betting intermediaries, who provide services to facilitate the making/acceptance of bets. The licence system knows different type of licences. For example, general betting licence holders are able to offer facilities for betting at premises-based bookmakers (off-course), on tracks (on-course) or by remote means (UK Gambling Commission 2013d). Pool betting on the other hand incorporates racecourse pool betting, football and other sports pool betting and many of the ‘fantasy football’ type competitions

(UK Gambling Commission 2013d). The organisations active in betting pay application and annual fees, but there is no public use of the money stipulated by law (United Kingdom 2005).

As concerns the lotteries regulated by the Gambling Act 2005, the act separates between ‘simple’ or ‘complex’ lotteries, with the main difference being that the latter are allowed to allocate prizes by a series of processes of which only the first has to be exclusively based on chance (UK Gambling Commission 2013b). In simple lotteries prizes are allocated integrally by chance. The term lottery includes raffles, tombolas, and sweepstakes. In contrast, free draws and prize competitions are not lotteries. Lotteries cannot be organised for commercial or private gain (UK Gambling Commission 2013b). The GC continues to regulate society lotteries with proceeds of over 20’000 pound sterling (GBP) in a single lottery or total proceeds of over 250’000 GBP in a calendar year, and local authority lotteries. It also regulates all external lottery managers. Societies and local authorities promoting these lotteries and external lottery managers need to be licensed by the GC (UK Gambling Commission 2013b). Smaller society lotteries are regulated by local authorities (United Kingdom 2009). A society is defined as non-commercial if it is organised for charitable, sporting, cultural or other purposes, apart from private or commercial gain. Societies may employ a licensed external lottery manager to promote all or part of their lottery on their behalf (UK Gambling Commission 2013f: 46).

Remote gambling is defined by the Gambling Act 2005 as gambling in which persons participate through the use of remote communication that includes the internet, telephone, television, radio, and any other kind of electronic or other technology facilitated communication (United Kingdom 2005). This definition is arguable very broad, susceptible to also include future technological developments. Remote gambling is possible if the operator holds a licence issued by the GC for all forms of games of chance regulated under the Gambling Act of 2005, as for remote casinos, remote betting and remote lotteries (UK Gambling Commission 2013c). As a result of the Gambling Act 2005 any remote gaming operator based in the European Economic Area (EEA), including Gibraltar, or in a 'white listed' country, can advertise and locate some of their operation in the UK without paying the standard UK gambling taxes, as long as they do not have any of their remote gambling equipment (as defined in section 36 of the Gambling Act) in Britain. Operators located in other countries than the EEA or white listed are prohibited from advertising their sites in the UK, but the Gambling Act 2005 does no prohibit foreign operators from take bets from customers in the UK. Remote gambling is relatively highly taxed, with a tax rate of 15% on the gross gambling revenue. In addition operators based in the UK also have to pay a corporate tax, which can be as high as 28% (in contrast to other countries such as Malta, that has a corporate tax rate of 5%).

Having thus shortly presented the gambling sectors of the UK not covered in this study, the next section will present the sector in focus of this study, namely the National Lottery regulation.

I. The regulatory scope of the national lottery regulation

The primary legislation founding the national lottery regulation is as mentioned the National Lottery Act of 1993 (NLA) (as amended in 1998 and 2006). Section 5 of the NLA creates the *market structure* of a monopoly, by stipulating that only one body can be licensed under the act at the same time (United Kingdom 1993).

The NLA of 1993 defines two kinds of licenses. First, the section 5 licence is the operating licence that is granted by the NLC to the operator of the National Lottery. The licence application process is organised in the form of an auction system. The auction is organised so that competitive bidders make their offer to the NLC that then issues the licence to one chosen bidder. In August 2007, Camelot was awarded a third licence to operate the National Lottery, which started on 1 February 2009 and was due to run to 2019 (Camelot 2012: 9). However, in March 2012, Camelot's licence was extended by four years, to 2023, following the NLC's agreement to Camelot's proposal to deliver some 1.7 billion GBP in additional lottery funding over the next 11 years (Camelot 2012b).

The *regulatory reach* is broader than the regulation of the access to the market. The section 5 licence sets out the way in which the National Lottery must be run. The section 5 licence contains conditions that require the operator to issue and comply with codes of practice, strategies or procedures that are subject to the approval of the Commission. The second type of licence is for bodies to promote lotteries. Each constituent lottery promoted as part of the National Lottery requires a separate licence under Section 6 of the National Lottery Act. Section 6 licences operate for a limited time. There is no restriction on the number of bodies that can hold such licences, although if the section 6 licensee is not the operator (i.e. the section 5 licensee), then a licence can only be granted with the agreement of the operator (United Kingdom 1993).

Moreover there is a *public use of money*. The National Lottery Act 1993 (as amended) provides that the section 5 licence must contain a condition that requires the operator to pay sums to the National Lottery Distribution Fund (NLDF) and the Olympic Lottery Distribution Fund (OLDF) (United Kingdom 1993). These funds are the channels through which the operator transfers the 'good cause' allocation of the lottery income to the Secretary of State. The Secretary of State oversees these two funds and the money is then divided between the distribution bodies. The proceeds of the National Lottery support the arts, heritage, sport, charities and community and voluntary groups as well as projects concerned with health, education, the environment and sports (Camelot 2012c). The lottery funders decide which projects have successfully applied for a grant independently, though they have to follow government guidelines in making their decision.[87] Further, in case the profits of Camelot go beyond a certain level, depending on sales, they are partially redistributed to good causes as defined under the Third Licence (Camelot 2012: 10). Moreover, Camelot pays a lottery duty of 12% of the sales and a corporation tax that was in 2011 of 11.5 million GBP, something which represents an effective tax rate of 27.1% (Camelot 2012: 11).

[87] Further details can be found at www.lotteryfunding.org.uk.

The *publicness* of Camelot is low as there are no government representatives in the organisation. However, the organisation is controlled by the NLC, something that has a positive influence on the publicness criterion. The law does not impose the type of ownership, though the government indirectly selects the ownership during the license tender process.

The regulatory scope of the national lottery sector	
Market structure	Exclusive licence forming a monopoly held by Camelot Group PLC
Regulatory reach	Broader then market structure
Specific public use of money	Close to all of profits used for public use
Type of ownership	Not in the law but indirectly through the licence attribution
Publicness	Low

TABLE 36: RSC NATIONAL LOTTERY SECTOR UK

II. The regulatory stringency of the national lottery regulation

a. The regulatory level

The NLC is the main regulator for the national lottery sector and it is established as an executive non-departmental public body. The DCMS is responsible for the National Lottery policy. It also sets the policy and financial framework within which the distributing bodies for National Lottery grants operate.

The NLC commission is responsible for the National Lottery. They ensure fairness in regard to players, that their interests are protected and that the selected operator works in the interest of maximising the benefits that the Lottery brings to the nation. The NLC's work is funded through the NLDF (National Lottery Commission 2012). The NLC has several competences *en amant* and *en aval*. The NLC is responsible for the regulation and licensing of the National Lottery, and runs the competition to award the licence to a commercial operator. The NLC is also responsible for the licensing of games, and has the power to impose financial penalties when the organisation does not comply with regulation (National Lottery Commission 2012). In regard to measures against illegal, unlicensed gambling, it falls upon the Gambling Commission to take measures but they follow a very reactive approach in that matter (UK Gambling Commission 2013g). The GC is only proactive in the sense that complaints brought to its attention are not always investigated as the resources are limited. The GC uses its resources to investigate matters of national or regional importance, matters of high risk to licensing objectives as well of high risk to the integrity of the licensing regime (UK Gambling Commission 2013g).

The regulatory stringency of the national lottery sector: the regulatory level	
Presence of a regulator	Yes, National Lottery Commission
Competences of regulator	Large

TABLE 37: RS I NATIONAL LOTTERY SECTOR UK

b. The organisational level

In the UK, the type of ownership is not imposed by the regulation, but it is indirectly decided by the NLC during the tender process. The organisation operating the National Lottery at present is Camelot Group PLC, an organisation held since 2010 by he Ontario Teachers' Pension Plan (OTPP). The organisation is governed by private law, and the license agreement imposes several obligations on it (Camelot 2012c). In the interviews the regulation was often referred to as process based, meaning that the operator has to follow guidelines for its operations while the regulation under the Gambling Commission is referred to as output based (Interview 13, 14). However, one interviewee pointed out that with the merger of the NLC into the GC, this could change in the future (Interview 13). In regard to *distribution channels* the organisation is allowed to operate some categories of games online, namely the lottery game, draw-based games and interactive instant win games. Another form of remote gambling is via interactive digital television and play by text. All new forms of distribution channels need the prior approval of the NLC, as outlined in the licence agreement (National Lottery Commission 2009)

Some *advertisement restrictions* are in place as the operator is obliged to adopt a code or codes of practices covering advertising, sales promotion and public relations of the National Lottery and any other ancillary activities (National Lottery Commission 2009). In regard to *obligations to prevent gambling addiction,* the operations of Camelot have to be conducted in a responsible manner. The licence agreement requires the operator to have a strategy in place to prevent and ensure that the design and promotion of the games do not encourage excessive play. This plan has to be approved by the NLC and provides among other things the way of monitoring and support for the treatment of problem gamblers under the age of 16 should be carried out, the restriction of the access to the games and maximum amount of draws per hour (National Lottery Commission 2009).

The regulatory stringency of the national lottery sector: the organisational level	
Distribution channel restrictions	Yes
Advertisement restrictions	Moderate
Obligations in regard to gambling addiction	Moderate

TABLE 38: RS II NATIONAL LOTTERY SECTOR UK

III. Outlook

In 2010 the government announced that the GC and the NLC were to merge (Commission 2013). At the time of writing, the merger was not yet completed and the analysis here therefore concentrates on the situation prior to it. However, the plans to merge the two bodies would arguably result in a lowering of the regulatory level, despite assurances to the contrary (Interview 13). The regulation of the national lottery sector in the UK is currently very high. One interview participant highlighted that at the moment, the NLC is an input-based regulator. They tell Camelot what they should do in order to achieve regulatory goals. By contrast, the GC follows an output-based policy. They do not really care how an organisation carries out the activities as long as they achieve the envisaged result. One example given by an interview participant is that nobody under the age of 18 is supposed to play, so the GC regulation obliges operators to put an indication above the machines saying that nobody under the age of 18 should play on them, but this is how far it goes. Camelot on the other hand has to prove to the NLC that nobody under the age of 16 can actually buy a ticket, indicating that the National Lottery regulation is stricter and more prescriptive in nature (Interview 13). The merger of the two commissions is supposed to save costs and it is not supposed to change the way the regulators operate. However, one interview participant doubts that it will not influence the operative level (Interview 13). Furthermore, the same interview participant explained that the GC has to pursue an output-based policy as it is responsible for over 180 organisations and cannot apply a prescriptive policy. At the same time, the NLC and Camelot are in a one-to-one relationship, something which would of course allow for more prescriptive regulation, though the interview participant in question guesses that with the merger the NLC regulation is most likely to soften (Interview 13).

In summary, the regulatory intensity of the National Lottery Regulation in the UK is at present very high, with a regulation going further than market access and establishing several restrictions for the private operator. The next section is devoted more specifically to the performance orientation of the national lottery operator Camelot Group PLC.

5.4.3 The performance definition of Camelot

The performance orientation in the UK national lottery sector is multidimensional. Several dimensions are of the same importance and the performance concept is horizontally constructed. The table below summarises the results of the qualitative analysis in the different performance dimensions.

Occurrence and evaluation of dimensions	**Interviews**		**Reports of Organisations**	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	23	++	69	++
Operational dimension	32	++	47	+
Stakeholder management dimension	20	=	28	+
Legal requirement dimension	21	++	45	++
Social issue participation dimension	23	+	40	+
Public values dimension	16	-	9	--
Total	135		238	
Legend: ++ very high importance + high importance = neutral importance - low importance -- very low importance				

TABLE 39: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF CAMELOT

I. The financial dimension

The financial dimension is quantitatively (69 occurrences in the reports and 23 in the interviews) and qualitatively very important for the performance definition of Camelot. The importance of the financial dimension is very clearly outlined in the annual report (Camelot 2012). Redistribution is a key focus for Camelot (Camelot 2012; Interview 13, 14) and the message of the CEO outlines that the records in sales mean more money for good causes (i.e. mandatory redistribution), more money for the players in the form of prize money (i.e. redistribution to winners), and more money paid in the form of taxes (i.e. mandatory redistribution). The redistribution to various stakeholders (stakeholders being defined very broadly in the context of the National Lottery) is mentioned in close to all quotations that relate to the financial dimension. Throughout the data set, the financial dimension is linked to other performance dimensions, such as the stakeholder management, legal requirement and social issue participation dimensions.

Another key indicator for the financial dimension is sales development (Camelot 2012; Interview 13). One interviewee argued that the organisation focuses on the consumers and consumer expectation and offers the games of chance desired by customers, and this wherever and whenever they want it, without neglecting the responsible gambling target. The same interviewee continued by saying that such matters are all driven in the same, one, direction, i.e. that of maximising profits for shareholders and the returns to good causes (Interview 13). Even though this is a very frank way to state it, the impression gained from the introduction of the CEO goes in a similar direction, as the CEO is quite eager not to mention the financial benefits for the shareholders, but hides commercial success behind how different stakeholders benefit from the profits. The bottom line of the message of the CEO is nonetheless the overall financial performance and the financial results in the different products and distribution channels, and the link to the redistribution to good causes (Camelot 2012). All kind of financial indicators are measured and performance information of the different activities is collected and used. One interview participant emphasised that retailers either rewarded or punished based on how they are scored (Interview 13).

One interview participant explained that even though the operator positions itself externally as responsible, other priorities, such as sales and profits, tend to prevail in internal communication (Interview 10). This financial focus is identified in the data set but the data also reveals the importance of other performance dimensions and in sum, the financial dimension is certainly very important but not the sole performance dimension.

II. The operational dimension

The operational dimension is quantitatively (47 references in the reports and 32 in the interviews) and qualitatively (with a slightly higher evaluation in the interviews than in the reports) important for the performance definition of Camelot.

Especially the *customer perspective* is very important for the operational dimension. The organisation places its customers at the heart of the business and wants to be a trusted brand (Camelot 2012). Customer satisfaction is a very important indicator, and one interviewee argued that this is mainly in the perspective of increasing sales, since the customer basis drives profits and returns to good causes and shareholders (Interview 13). Hence, the operational dimension is clearly linked to the financial dimension.

The *learning and growth perspective* is also very important for Camelot. Here research and development targets make up an important indicator. Innovations that drive diversity are a priority and this for products and distribution channels alike (Camelot 2012; Interview 10). This improves the market position and is essential to attract new customers and to satisfy existing customers (Camelot 2012). Moreover, the organisation emphasises that being innovative also carries with it a certain risk, as the innovation may not succeed, or the regulator may not allow the organisation to use it (Camelot 2012). For example, the organisation desired to add commercial services such as mobile-phone top-ups to the lottery terminals, a proposal that was turned down by the National Lottery Commission.

Moreover, Camelot looks to enter other markets through diversification, for example by engaging in consulting and private management services to lotteries in other countries (e.g. the Californian state lottery). Consequently, they are open to opportunities to grow (Interview 14).

In regard to the *internal business process perspective*, productivity is an important indicator. The distribution network and the retailers' performance are evaluated in this regard (Camelot 2012). The organisation wants to deliver the products wherever the consumer desires to consume them (Interview 10). Moreover, restructuring processes have been undertaken in Camelot in order to better achieve the objectives of diversification and penetration of new markets (Camelot 2012). Another important aspect that is worth mentioning is the risk management of Camelot, where the assessment is made using financial and non-financial indicators (Camelot 2012). Camelot has several key indicators to measure the operational dimension such as systems up time and systems performance. In summary, the operational dimension is important and is linked to the financial dimension, as good performance in the operational dimension results in good performance in the financial dimension (Interview 10).

III. The stakeholder management dimension

The stakeholder management dimension is quantitatively more important in the reports (28 references) than in the interviews (20 references). The qualitative evaluation reveals that it is of high importance in the reports and of neutral importance in the interviews.

Camelot has a very broad definition of stakeholders, including anyone who is affected by the organisation or who impacts the way it does business (Camelot 2012). Therefore shareholders, employees, players, the wider public, retailers, suppliers, the government, the media, the regulator, the National Lottery distribution bodies, the public-interest groups and the local communities are all mentioned in the organisation's annual report (Camelot 2012; Interview 14). Employee satisfaction is an indicator of the stakeholder management dimension, and in this regard targets and KPIs are defined and staff surveys are conducted (Camelot 2012; Interview 14). The organisation has also set up a staff forum to discuss and improve policies that affect its employees.

Another aspect pointing to the importance of the stakeholder management dimension is the concern for the environment. The company desires to reduce the environmental footprint of its offices by using less paper, power and fuel, and targets are measured through KPIs (Camelot 2012). Moreover, the organisation is sensitive to the ethical and social performances of its suppliers, which are also measured and monitored through KPIs (Camelot 2012). The relationship with the government is also a significant aspect with regard to the stakeholder management dimension. The organisation continues to work with relevant governmental departments on the development policy and legislation that affect the business (Camelot 2012).

The stakeholder management dimension occurred much less frequently in the interviews than in the annual report. One interviewee outlined that engagements in that regard do not really guide the operations but that they are mainly communicated externally to increase acceptance in society, justify the licence and keep up a good reputation, something which will benefit future profits (Interview 13). This argument abates the importance of the stakeholder management dimension for the performance definition.

In summary, the stakeholder management dimension is present and valid for the conceptualisation of performance but it is not one of the most important dimensions. Moreover, it seems to be used exactly in the way defined in this study, as the different activities are essentially undertaken in order to enhance future financial performance, rather than constituting outcome dimensions in their own right.

IV. The legal requirement dimension

The legal requirement dimension is quantitatively (21 quotations in the interviews and 45 in the reports) less important than in the qualitative evaluation. The qualitative analysis suggests a very high importance of the legal requirement dimension for the performance definition of Camelot.

The mandatory redistribution to good causes is an important indicator for the legal requirement dimension, though it is not presented in this case as being part of this dimension (Camelot 2012; Interview 13, 14). Close to every time the organisation discusses its financial performance, it indicates the amount raised for good causes. The main part of this charitable contribution is required by law, as the licence agreement stipulates that the National Lottery has to allocate 28% of sales profits to good causes.

Compliance with all licence requirements and any other law that is applicable to the organisation is an important aspect of performance, and something that is closely monitored by the organisation itself (Interview 14; Camelot 2012). This key role of the legal requirement dimension was also highlighted by one interviewee, who mentioned that Camelot succeeds in making a substantial profit for good causes while actually guaranteeing compliance with all the rules that they are subjected to (Interview 14). The key role of the legal requirement dimension and its influence on the operative level is also illustrated in regard to permitted products and distribution channels, in particular when it comes to innovations. The organisation explains that there is also a certain risk involved in this aspect, due to the regulator. As authorisation by the NLC is needed for new innovations, there is a certain element of uncertainty as to whether new innovations will be accepted, and it has already happened that the regulator has refused to issue product licenses following a risk evaluation (Camelot 2012).

Another significant indicator for the legal requirement dimension is responsible gambling, and the measures taken to protect players. Camelot does not outline this aspect as being a question of compliance with legal obligations however, even though they are partially mandatory measures to prevent gambling addiction.

The licence renewal is also a subject that is important for Camelot, because it is obviously the key for the survival of the company, and the organisation therefore deploys resources and energy to acquire new licences or to extend the existing licence (Interview 14). Both interviewees raising the question as to whether this would not be a negative aspect of regulation, as it induces the organisation to concentrate on the license tender process and less on the business, thereby using resources that could be better used elsewhere (Interview 13, 14).

In summary, the legal requirement dimension is key to the performance definition of Camelot. However, it is a dimension that is often hidden in the data set, and this not only in the sense that the compliance aspect is not mentioned, but also in the sense that it is not directly considered part of the performance definition The legal requirement dimension is not only a prerequisite dimension but also a main dimension for the performance definition of Camelot.

V. The social issue participation dimension

The social issue participation dimension is quantitatively (23 quotations in the interviews and 40 in the reports) and qualitatively of a high importance to the performance definition of Camelot.

The first indicator for the importance of the social issue participation dimension is made up by voluntary measures in regard to gambling addiction. Several measures are considered in this regard, such as the establishment of a player protection panel to develop strategies to protect players and non-players from harm, financing of research, treatment and education, risk assessment of new games, etc (Camelot 2012; Interview 14). Some doubts were raised in one interview with regard to the requirements of these assessment tools (Interview 13), but in another interview the risk assessments were evaluated as being very efficient (Interview 14).

Across the interviews, the participants' opinions diverged on the matter of the motivation of responsible gambling activities for Camelot, ranging from being seen mostly as a marketing and PR tool, to being considered a core focus of mission and strategy (Interview 13, 14). If the correct motivation is the one in the line with the first argument, it would fall under the stakeholder management dimension, whereas if it would follow the second latter line of reflection, it would rather be a part of the social issue participation dimension. On second thought, the interview participant who first argued that Camelot does not take measures in regard to the social issue participation dimension acknowledged that it does takes voluntary measures in regard to gambling problems (Interview 13). This is significant especially as there are also other elements to indicate the importance of these indicators to Camelot. Indeed, Camelot was a driving force behind the European Lotteries Corporate Social Responsibility Code and the certifications of organisations in regard to responsible gambling (Interview 14). Moreover, the performance of responsible gambling activities is evaluated based on pre-formulated targets that are measured through KPIs. This underlines the importance of responsible gambling to Camelot. Another indicator of the social issue participation dimension that is worth mentioning is the voluntary redistribution to good causes. Camelot voluntarily supports local communities with time, money and skills, through charities and projects that are significant to their employees (Camelot 2012).

In summary, the social issue participation dimension is present but the evaluation of its importance is difficult. The evaluation of the different sources nonetheless allow for the argument that the social issue participation dimension is important for the performance definition, and that responsible gaming is of a particular importance, for the organisation, as it guides its business activities and is evaluated through KPIs.

VI. The public values dimension

The public values dimension is quantitatively and qualitatively evaluated of a low importance based on the quotations in the interviews (16 references), whereas the quantitative and qualitative evaluations of the reports (9 references) reveal a very low importance of the public values dimension for the performance definition of Camelot.

In the data set, transparency and accountability are mentioned as core values for the operation of the games (Camelot 2012). Trust is another value that is mentioned by Camelot in relation to the brand itself: British citizens have evaluated Camelot to be one of the most trusted brands (Camelot 2012). Another value mentioned in an interview was empathy with customers (Interview 13). Moreover, solidarity, integrity and precaution are important values for Camelot, which influence the way it manages the lottery business (Interview 14).

In summary, the public values dimension is seemingly not a distinct performance dimension for the performance definition of Camelot. Public values were identified in the data set, but rather tend to guide the operations of the organisation and are not part of the performance definition.

VII. Concluding remarks: a bottom-up reflection

In conclusion, the performance definition of Camelot is multidimensional, with a strong focus on two dimensions, namely the financial and the legal requirement dimensions.

A bottom-up approach indicates the following indicators as occurring very frequently in the data set: First, elements such as sales and shareholder value, i.e. the financial dimension, second, returns to good causes, i.e. the legal requirement dimension, third, compliance with all regulations, i.e. the legal requirement dimension are frequently mentioned. Further, customer satisfaction (i.e. the operational dimension) and relationships with shareholders, suppliers, retailers and government (i.e. the stakeholder management dimension) are also important for the performance definition of Camelot.

5.5 THE BELGIAN SPORT BETTING SECTOR

5.5.1 The genesis of gambling in Belgium

Games of chance in Belgium know an ancient history. The casino in Spa is one of the oldest casinos in the world, and it has been operating since its foundation in 1763. The first organised lottery even dates back further, to 1465, and was organised to raise money to build chapels, almshouses, canals and ports.

Charitable lotteries were regulated by the Act of 1851 (Belgium 1851) and the National Lottery Act of 22 July 1991 (Belgium 1991) regulated the National Lottery. The organisation of horse race betting needed an authorisation by the Minister of Finance. This requirement was based in tax law, and more precisely on article 66 of the Tax Act (Belgium 1970c) and articles 44-56 of the Royal Decree of July 8, 1970 on Taxes (Belgium 1970b) and articles 6-7 of a Ministerial Decree of 17 July 1970 (Belgium 1970a). Certain types of sport betting were also in need of an authorisation issued by the Minister of Sports. This requirement was established in the Act of June 23, 1963 on Physical Education (Belgium 1963).

The Gaming Act of 1902 delivered a general prohibition of games of chance but allowed for a few exceptions. The Criminal Code punishes non-authorised games of chance through articles 301-304. Despite the prohibition of casinos in the Gaming Act of 1902, the presence of eight casinos was tolerated for over a century and casinos paid taxes on their revenues to the Ministry of Finance (Littler et al. 2011). Hence, they were operating in some sort of a grey area.

As a result of this fragmented regulatory landscape, the adoption of the Gambling Act (GA) of 1999 was seen as the logical consequence. It aimed to channel the gambling activities in a way to protect players, guarantee the integrity of the game and to prevent crime (Littler et al. 2011). Moreover, it aimed to organise an effective control on all gambling activities and to install an efficient licensing body advising the actors and monitoring compliance with the legislation in force (Belgium 2009). The two most important innovations were the establishment of a gaming authority and the licensing system, which included the following five types of licenses (Littler et al. 2011: 154):

- Type A for casinos (max. 9);
- Type B for gaming machine halls (max. 180);
- Type C for bars (includes the right to place two bingo machines);
- Type D for employees in a casino or gaming machine hall;
- Type E for different activities linked to games of chance such as the sale, lease, delivery, putting at disposal, import, export, manufacture and services concerning maintenance, repair and equipment of games.

The E licence cannot be combined with an A, B or C licence (Belgium 1999: section 20 and 25). The newly created gaming commission delivers these licenses. The gaming commission advises and controls the operators and is established within the Ministry of Justice (Littler et al. 2011). It is composed of representatives from different ministries including Justice, Home Affairs, Finance, Public Health, Economics and the Minister who has the National Lottery in his/her competences (Belgium 2010: 10§2; Littler et al. 2010).

Even though the GA contributed to the consolidation of the games of chance regulation in Belgium, two parts remain apart: the National Lottery and the sport betting sector that was regulated elsewhere (Littler et al. 2011). The National Lottery Act (NLA) of 1991 was modified in 2002 and regulates the National Lottery (Belgium 2002). The National Lottery disposes over a monopoly for the provision of lotteries and also has the right to offer gambling and betting (Belgium 2002). Moreover, the GA of 1999 did not foresee the past few years' boom in internet gambling. This kind of games would arguably have been prohibited, as there was no licence foreseen by law, but the enforcement of such a prohibition has proved highly inefficient (Littler et al. 2011). For this reason, the GC took the lead in 2008, to revise the Gambling Act, something which resulted in the implementation of a modified GA (Belgium 2010) on 1 January 2011 extended to further include bets, online gambling and media games (Marique 2012).

5.5.2 The current gambling regulation

The GA of 1999 is still the main instrument on gaming in Belgium today, but as just mentioned, it was updated in 2011. All betting activities are now under the control of the GC. Before this modification, betting was mainly unregulated and did not fall under any tax measures. The new provisions apply for horse race and sport betting, betting on sports events being prohibited in Belgium (Littler et al. 2011). As only retail sport betting is in focus of this research, the next section will concentrate on land-based sport betting, keeping in mind that the situation also applies for horse race betting. It should be noted that the previous legislation remains in force, something which means that the general prohibition of games of chance persists, as does the idea of the licence system.

General Logic	Prohibition of gambling is the general rule with the granting of licences as exception (Gambling Act 1999).[88]			
Sectors	**Lottery**	**Betting**		**Casino**
Sub sectors	-	Sport and horse race	Non-sport events	-
Legal basis:				
Retail & Online	National Lottery Act 2002[89]	Gambling Act of 1999 (as modified 2010)	Prohibited in the Gambling Act of 1999 (as modified 2010)	Gambling Act of 1999 (as modified 2010)
Operator:				
Retail & Online	Monopoly	Numerous operators	-	Nine casinos

TABLE 40: THE STRUCTURE OF GAMES OF CHANCE IN BELGIUM

The main objective of the gambling regulation as established by the Gaming Act is to implement effective protection measures for players and minors, and to combat illegal gambling offers (Marique 2012). Hence, one of the measures established in the new Gambling Act was the minimal age limit of 21 for players in casinos and arcades and of 18 for players on machines in street locations (Littler et al 2011). A similar measure was the limitation of the maximum hourly loss to 25 Euros in establishments holding a B licence, and 12.50 Euros in street locations. Moreover, credits were forbidden in all gaming establishments, as well as large progressive (linked) jackpots (Belgium 2010).

In regard to the *delimitation of games of chance*, the Gaming Act clarifies the matter only implicitly. The definitions of various terms can be found in its section 2, where it is stated for

[88] Author's translation of: Loi du 7 mai 1999 sur les jeux de hasard, les établissements de jeux de hasard et la protection des joueurs modifié par la loi du 10 janvier 2010.
[89] Author's translation of: Loi du 19 avril 2002 relative à la rationalisation du fonctionnement et de la gestion de la Loterie Nationale.

that for a game to be considered gambling, it needs to contain a small element of chance (Belgium 2010). Based on this definition, the Gaming Commission decided to evaluate poker as a game of chance as it involves the pledging of an amount combined with a degree of chance (Commission des jeux de hasard 2011). This also highlights that only little chance is sufficient to categorise a game as a game of chance.

Games of chance are regulated mostly on the national level—with the exception of the applicable tax rate for online gambling, which is a regional matter—and the territorial reach is unified. The gambling sector is nevertheless fragmented in five sectors, as a result of the gaming classes outlined in the GA of 1999 (Littler et al. 2011) and the separate law for the lottery sector. Indeed, the GA outlines four classes of gaming establishments (Belgium 2010: article 6). Class I are the casinos, Class II and Class III are the gaming arcades and establishments, and since the 2010 amendments, Class IV are the betting shops (this category is in the focus of this research and explained in detail in the next section) (Commission des jeux de hasard 2012). In addition to these classes, there is also a lottery sector, which is divided into the operations of the national lottery and bingo, tombola and prize draws organised by charitable organisations (Commission des jeux de hasard 2012).

The Lottery Act of 1851 regulates the charitable lotteries. Under this act a charitable organisation can use gaming to raise funds when authorised (Belgium 1851). Charitable lotteries are exempted from the tax code and must only pay the licence fee (Commission des jeux de hasard 2012).

The National Lottery is regulated by its own National Lottery Act and was modified in 2002 (Belgium 2002). The National Lottery disposes over a monopoly for the provision of lotteries and also has the right to offer gambling and betting (Belgium 2002: article 6, §1 1°-3°). The National Lottery can operate other forms of gambling in competition with other operators (Commission des jeux de hasard 2012). The organisation was founded in 1934 and is since 2002 an anonymous society (S.A. corporation). It remains a public corporation that is connected to the government with a management contract defining its operations and structure. A licence issued by the GC has to be received when the National Lottery offers games of chance in gaming establishments (Belgium 2004). Some measures were introduced then in order to protect players, for example temporary or permanent self-exclusion and limits on the amounts wagered (Commission des jeux de hasard 2012).

Class I establishments are the nine casinos, and they are regulated by the GA. Sections 25-43 of the GA stipulate the rules that apply in order to receive a class A licence (Belgium 2010). Applicants have to provide a recent copy of their criminal record, a recent certificate of good character that outlines that they possesses over their civil and political rights, a copy of individual and corporate taxes paid, and they also have to disclose the identity and financial stake of all shareholders. In addition the applicants must provide proof that they are able to pay the 250’000 Euro warranty fee (Belgium 2010). The federal gaming taxes for casinos can be found in sections 43-75 of the Tax Code (Belgium 1992).

Another gambling sector in Belgium is the gaming machines established outside casinos (Class II and Class III). Class II establishments are the gaming arcades and amusement park venues, which are limited to 180 in total. In these establishments only games of chance authorised by the Gaming Commission can be operated. Class III establishments are bars or entertainment locations allowed to sell any type of drinks, but which have to be consumed on the premise, and in which a maximum of two games of chance can be operated, but where the number of gaming machines is unlimited. In Class II and Class III establishments the player's average loss per hour is limited to 25 Euros and 12.50 Euros respectively (Belgium 2010: section 8). The gambling machines have to be verified prior to the certification by the Gambling Commission. Responsible for this control is the Metrology Division of the Belgian Ministry of Economy (Belgium 2010: section 52). Similar to casinos, the applicant has to reveal the identity of the shareholders as well as provide a certificate of good character for each director and a copy of individual and corporate tax returns. Further, there is a requirement for a letter from the major of the borough certifying that the legal operating conditions are fulfilled. The applicant also has to prove his or her financial ability to pay the 75'000 Euros warranty fee, and to disclose the financial interest of the directors. Moreover, the legislation outlines several conditions, when for example the establishment moves location. Similar, though less stringent conditions are also required for a Class C licence. Moreover, there exist five different categories of amusement machine taxes (Belgium 2010).

Online gambling has been allowed since 2011 when the government introduced online gambling licences. The licences A+, B+ and F1+ can only be issued to operators that hold a Class A, B or F1 land-based licence (Commission des jeux de hasard 2012). The online licences are subject to a licence fee and the validity period is linked to the main licences, which are for 15 years for Class A, and 9 years for Class B and F respectively (Commission des jeux de hasard 2012). The licensing authority is the GC. All licensing documents, policies and guidelines were made public months before the market opened. The difference to the French online regulation is that in Belgium only existing land-based operators can obtain an online licence (Commission des jeux de hasard 2012). To combat illegal gambling the gaming commission uses blacklists and ISP blocking (Commission des jeux de hasard 2012). Technical standards and rules apply for the operators. Moreover, an organiser of a sporting event or the representative of a foreign company in Belgium involved in taking bets, must pay a betting tax (Belgium 2010).

Having presented the general structure of the gambling sectors in Belgium, the next sections concentrate on the land-based sport betting regulation, the sector in focus of this study.

<u>I. The regulatory scope of the sport betting regulation</u>

With the 2010 amendments of the GA, sport and horse race betting is now also under the control of the GA and the GC (Belgium 2010; class IV as defined in article 6). Non-sport betting remains prohibited in Belgium (Littler et al. 2011). Class IV establishments have to transfer bets to a betting organiser that holds a F1 licence and they are not authorised to offer betting on unlicensed events (Marique 2012). Class IV establishments may be mobile or fixed (Belgium 2010; article 43/4, §2, first subsection). All Class IV licences need to be paired with a F1. The licence types as presented above are maintained. Hence, the *market* *structure* is based on a closed licensing system (currently 34 licences are operating but soon there will be 35 operators as the National Lottery will receive a licence for betting games). The number of F1 licences is limited but not the number of establishments that a F1 licensee can operate. So therefore, the system is allowing for several competing shops. Two different licences exist for land-based sport and horse race betting. The F1 licence is for permanent betting establishments and the F2 licence is for temporary venues located close to site of the sporting competitions (Commission des jeux de hasard 2012).

The *regulatory reach* of the sport betting regulation is narrow even though there exist some licence conditions. F2 licence holder cannot serve alcohol and F2 holders are not allowed close to a location that can serve alcohol. In F1 locations alcohol servings are allowed but need to be consumed on the premises. F1 licence holders are permitted to sell specialised newspapers, sports magazines, gadgets and non-alcoholic beverages and are allowed to operate two automatic gaming machines offering wagers on activities similar to those undertaken in the betting establishments (Belgium 2010; article 43/4, §2, subsection 2). These machines offer bets placed on virtual events and not online bets on real events. Hence, the regulatory reach is very narrow. License holders have to pay a licence fee and a gaming tax applies but there is no *specific public use of money* in the Belgian sport betting market. Moreover, the *type of ownership* is not imposed and no *publicness* is present in the sport betting organisations.

The regulatory scope of the sport betting sector	
Market structure	Competitive closed licence system
Regulatory reach	Narrow
Specific public use of money	No
Type of ownership	No
Publicness	None

TABLE 41: RSC SPORT BETTING SECTOR IN BELGIUM

II. The regulatory stringency of the sport betting regulation

a. The regulatory level

In Belgium, the presence of the regulator was already established in 1999 with the empowerment of the GC. Since the amendments of the GA in 2010 the GC is responsible for issuing the nine different types of operating licences as stipulated in article 25 of the GA (Marique 2012). The GC has competences *en amant* and *en aval* as it grants the licences and controls the licensees. It can sanction licensees, for example through suspension, and administrative fines can be imposed even on non-licensees (Belgium 2010: article 15§1 and 15§3). However, the GC does not have large competences in regard to illegal gambling but can only inform the crown prosecutor of an infringement (Belgium 2010: article 15§2, subsection 1). Overall, and as outlined by the interview participants, the GC and the operators' relationship relies on trust and the GC is more focused on illegal online operators in order to blacklist and block IP addresses (Interview 8, 10).

The regulatory stringency of the sport betting sector: the regulatory level	
Presence of a regulator	Yes
Competences of regulator	*En amont* large, *en aval* small

TABLE 42: RS I SPORT BETTING SECTOR IN BELGIUM

b. The organisational level

In regard to the regulatory stringency on the organisational level, there are few restrictions in place. No *distribution channel restrictions* can be observed and online betting is allowed when holding a F1+ licence in addition to the land-based licence (Belgium 2010). Hence, the regulation requires a connection between online and offline operations in the sense that only land-based operators can apply for an online licence (Littler & Franssen 2012). Other mobile devices are also used to offer the betting games (Belgium 2010). Moreover, no *advertisement restrictions* appear to apply for legal operators (Belgium 2010).

In regard to *obligations to prevent gambling addiction*, it is less the operator and more the gaming commission that is active (Interview 8, 10). The GC itself is very active, mandating different studies. The main tool used by the commission to combat the problem gambling is the self-exclusion database and the GC is in contact with a number of problem gambling clinics and institutions and distributes the literature to these establishments. Nonetheless, some restrictions are in place. For the class IV establishment and betting, a minimum age of 18 applies (Belgium 2010: article 54§1). Moreover, any gambling on credit is forbidden under the GA (Belgium 2010: article 58 subsection 1).

The regulatory stringency of the sport betting sector: the organisational level	
Distribution channel restrictions	None
Advertisement restrictions	None
Obligations in regard to gambling addiction	Low (but regulator takes measures)

TABLE 43: RS I SPORT BETTING SECTOR IN BELGIUM

In summary, the regulatory intensity in the sport betting sector in Belgium is low. The market structure is competitive and few requirements are imposed on operators once the licence is granted.

5.5.3 The performance definition of Belgium Ladbrokes PLC

The performance orientation in the Belgium sport betting sector is multidimensional, concentrating mainly on the commercial or economic performance dimensions. The table below summarises the results of the qualitative analysis in the different performance dimensions.

Occurrence and evaluation of dimensions	**Interviews**		**Reports of Organisation**	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	28	++	65	++
Operational dimension	32	++	51	++
Stakeholder management dimension	16	-	27	+
Legal requirement dimension	25	+	16	-
Social issue participation dimension	19	-	18	-
Public values dimension	14	--	6	--
Total	134		183	
Legend: *++ very high importance* *- low importance*	*+ high importance* *-- very low importance*	*= neutral importance*		

TABLE 44: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF LADBROKES PLC

I. The financial dimension

The financial dimension is quantitatively (65 occurrences in the reports and 28 in the interviews) and qualitatively very important for the performance definition of Ladbrokes. The financial performance is at the heart of the focus of the organisations. The annual report of Ladbrokes lists the business and financial highlights directly after the front page and even before the table of contents (Ladbrokes PLC 2012b). These statements point to the turnovers realised and the market position as a leader (Ladbrokes PLC 2012). The financial indicators are numerous times mentioned throughout the report (Ladbrokes PLC 2012). These statements are of course not limited to the Belgian sport betting market but relate to the overall business activities of Ladbrokes (Ladbrokes PLC 2012). Nonetheless it shows the overall aim of long-term growth and value for shareholders (Ladbrokes PLC 2012). The importance of profitability and the revenue realised is also outlined as the overall definition of success in the interviews (Interview 8). One interview even emphasised that all that counts is profits and shareholder value (Interview 10).

Under *measuring our performance* the report outlines the key performance indicators (KPIs) that include for example gross win per shop, EBIT per shop or net revenue (Ladbrokes PLC 2012). The financial focus of the organisation is also illustrated in the reports when the different markets and distribution platforms are presented (Ladbrokes PLC 2012).

Under *European retail*, the example of the Belgian sport betting market is typical. The amounts staked, the net revenue, the betting tax, the gross profit, the operating costs and finally the operating profits are stated in table form for the year 2011, compared with the year 2010 and the year change in percent is indicated. In the text describing the Belgian results, it is highlighted that the "*performance of the Belgium business has been predominantly driven by a change in tax regime from a turnover tax to a 15% gross profits tax. (...) This change was fully passed on to customers and we have seen amounts staked increase steadily throughout the year with an expected decrease in net revenue more than offset by the decline in betting tax*" (Ladbrokes PLC 2012: 11). This quote illustrates not only the importance of financial results but also the positive influence of a decrease of a regulatory requirement, in this case the level of taxes, and its positive influence on financial results.

Another important aspect, as briefly mentioned above, is the number of competitors in the market and the anticipation of the future (Interview 8). The organisations need to take into account the competitors, something which increases the focus on costs and revenues. Market shares and the number of customers are therefore other very important indicators for the performance of the organisation (Interview 10). In regard to competitors one interview participant spoke about fair rather than free competition, as also being important for the profitability of the organisation (Interview 10). Therefore, all these other aspects also point in the same direction, namely that of the profits realised at the end of the year. Therefore, the financial dimension is the overall goal of any other activity undertaken, and it is thus categorised as the most important result dimension.

II. The operational dimension

The operational dimension is quantitatively (51 references in the reports and 32 in the interviews) and qualitatively evaluated to be very important for the performance definition of the Ladbrokes PLC.

The *customer perspective* is frequently mentioned in the data set and is very important for the operational dimension and vital for the growth of the organisation (Ladbrokes 2012; Interview 8; 10). Key indicators are developed to measure the organisation's performance in regard to customers (e.g. 'net promoter score' to asses how likely customers recommend Ladbrokes to other people) (Ladbrokes 2012). Moreover, Ladbrokes mandates third party audits and monitors customer complaints. The customer focus aims to drive brand loyalty and brand reputation, including trust and integrity (Ladbrokes 2012). The customer perspective is also outlined in relation to the internal business perspective, with the indicator of secure processes for transaction, which increase the trust of customers, and with responsible gambling (Ladbrokes 2012; Interview 8). Both of these indicators arguably point to the social issue participation dimension (Ladbrokes 2012). In the interviews it was outlined that such activities are mainly carried out to enhance customer trust and feeling of security, and to increase sales and to distinguish the organisations from illegal operators present in the market (Interview 10). Hence, this focus on responsible gambling appears linked to the stakeholder management dimension, as it will increase future profits. This is confirmed through the CSR report, as concerns the customers (Ladbrokes PLC 2012a, 2012c). Indicators include the requirement to understand the customers' needs, to provide clear customer information, to protect customers' interests and to satisfy the customers more generally. These are all indicators that are linked more to the customer perspective and less to the stakeholder management or the social issue participation dimensions.

The *learning and growth perspective* is also important for the operational dimension. Very important indicators in this regard are innovations in technology and products (Ladbrokes 2012) as well as the investments done in R&D. The developing and delivering of best-in-class products in all sectors and distribution channels is a main focus of the responsible business unit in the organisation and the organisation highlights that the technology is the basis of all betting and gaming products (Ladbrokes 2012). Innovations in technology and the development of new or the adaptation of old products are crucial in order to remain attractive to customers and to keep up with the competitors (Ladbrokes 2012; Interview 8; 10).

Innovation is not limited to products and technologies but also to advertisement strategies and player advantages (e.g. free bets) (Interview 8). Another important indicator is the entering of new markets (e.g. Asia or USA) and the desire to grow in size (Interview 8; 10). In regard to the *internal business process perspective* few quotations were discovered in the data set. The quotations discovered refer mainly to restructuring of the organisation in order to move away from a product or distribution channel focus and towards a customer and service orientation (Ladbrokes 2012). Other indicators are quality and productivity of operations in order to increase outputs. Especially in the interviews the internal business process perspective lacked mention (Interview 8; Interview 10). Another noteworthy aspect is the importance of succession planning and that of having right competences in place, and this also for the future (Interview 10),

In summary, the organisational dimension is a very important dimension for the Belgian performance definition and it is evaluated to drive financial performance (Interview 8, 10; Ladbrokes PLC 2012). For example, the learning and growth perspective is clearly linked to the financial dimension as its successful accomplishments results in a higher number of sales. One interviewee argued that the operational dimension is the most important performance dimension as without operations, no product could be offered and there would be no business that would result in shareholder value (Interview 8).

III. The stakeholder management dimension

The stakeholder management dimension is quantitatively more important in the reports (27 references) than in the interviews (16 references). Overall, the few numbers of quotations in the reports is surprising compared to the number of pages analysed. Nonetheless, the qualitative evaluation reveals that it is of a high importance in the reports and of a low importance in the interviews.

The stakeholder management dimension focuses mainly on regulators, employees, environment and business partnerships and performances in these areas are evaluated with KPIs against fixed targets (Ladbrokes 2012).

The existence of a specific CSR report may indicate that the stakeholder management dimension is a core objective. And indeed, interestingly, the Board of Directors does the overall governance of CR and is considering CR and governance issues when defining group strategy. Hence, it seems to be part of the strategy (something that attributes a higher position to CSR than when it is part of communication). But it can also be argued that as it is only *considered* when *defining* the strategy, it is not a strategic objective in itself and not object of performance measurement for the overall organisational performance. Hence, it is not actually a core dimension of the organisational performance. This impression is reinforced by the interview results, which indicate that the stakeholder management dimension is linked to the reputation of the organisations and that it is in this regard very important. But it is evaluated by its contribution to future commercial performance (Interview 8, 10). Hence, CSR—as defined by Ladbrokes—concedes perfectly with the stakeholder management dimension that comprises elements contributing to future financial performance.

In summary, the stakeholder management dimension, despite a large discussion of CSR in the reports, is of moderate importance to the performance definition and is conceptualised as a driver for future financial performance.

IV. The legal requirement dimension

The legal requirement dimension is quantitatively of little importance to the performance definition of Ladbrokes (25 quotations in the interviews and 16 in the reports). Also the qualitative evaluation results in a similar picture with a slightly higher evaluation of the quotations of the interviews.

The impression is that the compliance with legal requirements is important but not part of the performance definition. The compliance with regulatory requirements is an important aspect for the operators and something that is frequently mentioned in the data set (Ladbrokes PLC 2012a; Interview 8, 10; 2012c). Moreover, in the CSR concept of the organisation, the compliance with regulation is listed. The organisation has created special units to comply with the different regulations (e.g. anti-money laundering, health and safety in betting shop etc.) (Ladbrokes PLC 2012). It was also outlined in the interviews that a successful sport betting operator takes the objectives of the country it engages in into account.

Responsible gambling is an indicator of the legal requirement dimension, as it is outlined that the obligations are met in all countries where the organisation is licensed (Ladbrokes 2012). In the CSR report, responsible gambling is listed under compliance and regulator (Ladbrokes PLC 2012a). In the interviews the impression was reinforced that the measures for responsible gambling are mainly taken to comply with the legal requirements and hence point to the legal requirement dimension (Interview 8, 10).

Nonetheless, one interview participant also stated that it responsible gambling is inherent in the logic of the business, and that they are not to blame for only engaging in mandatory measures (Interview 8). However, another interview participant added that at the moment the responsible gambling aspects are vague, as the law, which is imposing a number of conditions, is not yet implemented and the decrees not yet published (Interview 10). This is not the GC's fault though, as it has not received the political support necessary to actually put everything in place at the right time with the right number of people (Interview 10).

Another aspect appearing in the context of the regulation is that especially internet gambling is characterised by intense and substantial competition and by relatively low barriers for the entry of new participants (Interview 10). In addition, Ladbrokes faces competition from market participants who benefit from greater liquidity as a result of accepting bets and wagers from jurisdictions in which Ladbrokes chooses not to operate (for legal reasons or otherwise) (Ladbrokes 2012). Another indicator mentioned by Ladbrokes for the legal requirement dimension is the gambling taxes paid and outlined to contribute positively to society (Ladbrokes 2012; Interview 10).

In summary, the legal requirement dimension seems to be a prerequisite dimension but not actually part of the performance definition of Ladbrokes, even though compliance with regulation is very important for the organisation (Interview 8; 10).

V. The social issue participation dimension

The social issue participation dimension is quantitatively (19 quotations in the interviews and 18 in the reports) and qualitatively of low importance for the performance definition of Ladbrokes. Indeed, only few references were made in this regard.

Most codes found for the social issue participation dimension concern gambling problems or match fixing, and the impression gained was that such activities are more a result of business related reflections than of social value creation motives. For this reason it appears that the activities are more likely to be linked to customer relationships and could consequently be integrated in the stakeholder management dimension. The organisation does take voluntary measures in that regard, such as the graining of employees or the contribution in international associations in defining industry-wide standards and promoting responsible behaviour (Ladbrokes 2012; Interview 10). One interview participant mentioned that the organisations do not have an interest to have vulnerable players as they risk not being able to pay for the financial losses (Interview 8). Besides, throughout the data set, it was indicated that the majority of actions are taken for reasons of compliance (e.g. legal requirement dimension) (Ladbrokes 2012; Interview 8, 10).

The second indicator for the social issue participation dimension is the voluntary measures taken to fight corruption and match fixing. In the CSR concept of the organisation, security is listed and the objective is to keep crime out of gambling and tackling bribery and fraud (Ladbrokes PLC 2012a, 2012c). It could be argued that this is a regulatory objective and hence part of the legal requirement dimension, but in one interview it was stated that Ladbrokes actually measures the performance of these activities because they are sometimes the first victims of match fixing and have therefore an interest to tackle the problem (Interview 8). Another interview participant mitigated the subject by pointing out that it is not a new phenomenon but an accelerated one that has been made more public because of new technologies. Moreover, in the retail market the problem is only marginal but governments impose on all operators to be involved even though it does not apply to all of them, and especially not to retail operators (Interview 10).

The third indicator is the voluntary redistribution of profits to local communities in the form of investments for example for health, education, charities etc. Indicators in this regard could be found especially in the reports. The voluntary redistribution seems to be limited to the UK and Ireland as the examples in the report only refer to these regions (Ladbrokes 2012). For Belgium the voluntary redistribution seems to be absent. Moreover, in the interviews the voluntary redistribution is completely missing (Interview 8, 10). Despite the indicators detected in the data set, the social issue participation dimension constitutes an add-on and less an outcome orientation of the performance definition. Several of the identified elements could also be attributed to the stakeholder management dimension as for example the concentration on the customers in regard to responsible gambling and the absence of reference to the larger society in that regard. Also the absence of any sponsoring or philanthropic undertakings in Belgium indicates that these undertakings are less directed towards the society and more towards reinforcing the customer base and to acquiring new customers.

In summary, the social issue participation is of little importance to the performance definition of Ladbrokes. A critical evaluation could even argue that it is not an actual performance dimension—with the exception of the responsible gambling activities—but more an add-on or a follower, once financial success allows for engaging in such activities.

VI. The public values dimension

The public values dimension is quantitatively (14 references in the interviews and 6 in the reports) and qualitatively of a very low importance to the performance definition of Ladbrokes. The quotations related to these codes point mostly to the importance of public values such as fairness and integrity to the reputation of the organisation and contribute to the growth of the organisation (Ladbrokes PLC 2012). The link between values and reputation is often revealed in the data set (Ladbrokes PLC 2012; Interview 8, 10). Another value judged to be important to the organisations in the Belgium sport betting sector is transparency, in processes, towards the regulator and towards the customers (Interview 8). Security was also revealed under the public values category and is apparently closely linked to the operational dimension in general and business processes in specific.

In summary, despite the presence of several values the public values dimension is seemingly not part of the performance definition of Ladbrokes. For Ladbrokes public values are important for business processes and the reputation of the organisation, something that is believed to result in growth, but values are not targeted with performance indicators.

VII. Concluding remarks: a bottom-up reflection

In conclusion the performance definition of Ladbrokes is multidimensional but marked by the saliency of two dimensions: the financial and the operational dimensions. Among the other performance dimensions a clear hierarchy is observed.

A bottom-up approach has revealed the following indicators to occur frequently in the data set. Profitability and other key financial indicators, as already outlined in the CEO's statement in the report, point to the financial dimension. Ladbrokes speaks in its report of *five critical success factors* to grow and create value for the shareholders (i.e. financial dimension) (Ladbrokes PLC 2012). These critical success factors point to different dimensions: the 'retail excellence' based on products by optimising the margin and operational efficiency (i.e. operational and financial dimension); the 'digital capability' aims to expand the digital products by acquiring and developing improved technology (i.e. operational dimension); the 'pricing, trading and liability management' aims to optimise margins, broaden the product range and have a best in class product portfolio (i.e. operational and financial dimensions), the 'customer and brand factor' aims to make the Ladbrokes brand more exciting and place the customer at the heart of the business (i.e. operational dimension) and finally 'regulatory leadership' includes compliance (i.e. legal requirement dimension) and revenues generated for the states in form of taxes (Ladbrokes PLC 2012). One remark can be made with regard to the term 'performance'. Ladbrokes mainly associates financial indicators to performance. This does however not indicate that the other dimensions do not occur, but only they are not necessarily referred to through the term 'performance', something which is also illustrated through the key success factors presented above.

5.6 THE AUSTRIAN SPORT BETTING SECTOR

5.6.1 The genesis of gambling in Austria

Gambling and gambling regulation know an ancient history in Austria. The first rules on gambling were adopted in 1696 when Emperor Leopold I decreed rules for criminal prosecution of illegal gambling. Consequently, different games of chance developed and were regulated. The first numbers lotto dates back to 1751 and was privately operated. It was a privilege the operator received from Emperor Maria Theresa under the form of a patent right. This system was valid until 1 November 1787, when Emperor Joseph established the 'k.k. Lottogefällsdirektion' in Vienna and took over the state lottery. Only in 1813, under the rule of Emperor Franz I, was the system changed, as new legislation was introduced to regulate the state lottery (Zollinger 1997). This law remained in place until 1986.

New legislation was constantly introduced, enlarging the product palette. In 1948, a new Toto legislation opened the field for sports betting and on 23 October 1949 the first Toto competition was realised. In 1966 betting on the outcome of European football matches started. During the 1980s a number of new lottery products were developed and offered. Following the adoption of the Gambling Act in 1989, the Austrian Lotto Toto society took over the operation of all games of chance from the Austrian gambling monopoly administration. In 1991 the organisation was renamed in 'Österreichische Lotterien Gesellschaft m.b.H. (short Österreichische Lotterien)'.

In regard to casinos, the first gambling houses opened in 1934 in Baden, Salzburg and Kitzbühel. However, in 1938 all gambling was forbidden in the casinos, with the exception of the one in Baden. Only in June 1950 was another casino opened in Austria. The whole gambling system was revised in June 1962 with the Gambling Act of 1692. On the 1st January 1968, the Österreichische Spielbanken, today known as Casinos Austria, received the only concession to operate casinos and took over all casinos (Zollinger 1997). Casinos Austria is still today the sole concessionaire for the 12 casinos allowed in Austria.

Betting on sport events was first regulated through an imperial ordinance in 1916. This act concerned the obligations on betting and provided for measures to prohibit betting without concession. After the end of the empire, the same rules were taken over by the parliament in 1919. The federated states were responsible for the enforcement of the law, which at that time had no legislative powers of their own (Zollinger 1997). This changed with the Federal Constitution of 1920 which attributed certain legislative functions to the parliaments of the federated states. Since then the Länder in Austria have enacted nine different Laws on Totalisators and Bookmakers (Betting Acts).[90] On the federal level the Austrian Gambling Act (GA) was adopted on 28 November 1989 (Austria 1989) and is the current legal basis for games of chance in Austria.

[90] Burgenland (1919); Kärnten (1996); Niederösterreich (1978); Oberösterreich (2007); Salzburg (1994); Steiermark (2003); Tirol (2002); Vorarlberg (2003); Wien (1919).

5.6.2 The current gambling regulation

Games of chance or gambling are regulated in the GA of 1989, which establishing a state gambling monopoly (Austria 1989: §3). This act applies to all gambling with some exceptions, such as games of chance for non-commercial purposes and for limited amounts (Austria 1989; §4). Unauthorised games of chance are forbidden under provision 168 of the Penal Code (Austria 1974).

General Logic	Establishment of a gambling monopoly based on the Austrian Gambling Act of 1989.[91]				
Sectors	**Lottery**	**Betting**			**Casino**
Sub sectors		Sport betting	Horse race betting	Non-sport events	
Legal basis:					
Retail & Online	Austrian Gambling Act of 1989	Regional laws in each Land	Regional laws in each Land	Austrian Gambling Act of 1989	Austrian Gambling Act of 1989
Operator:					
Retail & Online	Österreichische Lotterien	Numerous operators	Numerous operators	-	Casinos Austria

TABLE 45: THE STRUCTURE OF GAMES OF CHANCE IN AUSTRIA

The GA, the basis of games of chance in Austria, does interestingly enough not include any provision concerning objectives of the act. In its first paragraph it outlines the range of application and provides the *delimitation of games of chance*. A game is a game of chance if the outcome depends exclusively or predominately on chance (Austria 1989: §1). Hence, when the outcome depends also on knowledge it is not considered to be a game of chance. This raises the question of whether betting would fall under the definition of games of chance in Austria. To answer this, consideration has to be given to the Austria Civil Code (ABGB)[92] of 1811, as last modified in 2013 (Austria 1811). In its section 1267 it elaborates 'contracts of luck'[93] as contracts promising the hope of acquiring a yet uncertain advantage (Austria 1811). Section 1269 of the ABGB labels a bet as a 'contract of luck'. Implicitly, all 'contracts of luck' depend on an element of chance but the AGBG does not specify the extent of that element of chance in order to characterise each type of 'contract of luck' 'contract of luck' (Österreichischer Buchmacherverband 2011). A bet is defined in section 1270 of the ABGB as a treaty in which two parties fix a prize for the one whose affirmation over the outcome of an uncertain event will hold. The important element is that both parties do not know the outcome of the event in advance. As the random character of the bet is not sufficient to categorise it as a game of chance, the bet is not seen as gambling (Österreichischer Buchmacherverband 2011). Following this line of argument, the Ministry of Finance has also argued that hazard is the separating element between gambling and sport betting, by virtue of section 1 of the GA (Nikodem 2010). In this logic, sport betting is not a

[91] Author's translation of: Bundesgesetz vom 28. November 1989 zur Regelung des Glücksspielwesens (Glücksspielgesetz GSpG).
[92] Author's translation of: Allgemeines bürgerliches Gesetzbuch für die gesammten deutschen Erbländer der Österreichischen Monarchie (allgemeines bürgerliches Gesetzbuch ABGB).
[93] Author's translation of: Glücksvertrag.

game of chance because it does not depend exclusively or predominantly on chance. The outcome of a bet is dependent on the skill of the player. In the case of sport betting, the putter knows the game, the team and the athlete and it as a result of this knowledge that the bet is placed.

Another element to consider is whether betting on non-sport events is a game of skill or a game of chance. Sport betting is regulated on the level of the federated states. These laws are based on a former Law of 28 July 1919 concerning the Fees of Totalisators and Bookmakers and Other Measures[94] (Austria 1919). It is not clear whether betting on non-sport events is regulated under the Austrian Gambling Act or whether it lays outside this jurisdiction and is a matter for the federated state level. The Ministry of Finance finds that they are indeed part of the GA (Nikodem 2010). However, the betting laws of the states of Styria and Vorarlberg do not limit the operations of bookmakers and totalisators to sport betting, but also include betting on non-sport events ('Gesellschaftswetten'), allowing it when an authorisation has been delivered by the government of the state in question (Nikodem 2010). This stands in sharp contrast to the other federated state laws and to the Act concerning the Fees of Totalisators and Bookmakers and Other Measures (Austria 1919) as betting on non-sport events are part of the gambling monopoly. Avoiding entering this legal debate, the discussion here will simply consider sport betting as laying outside the gambling monopoly, though it will be kept in mind that it is an issue of ongoing discussion. Another important element is that bets on virtual sport events generated through computers fall under the gambling monopoly and not in the category of the traditional sport betting games (Austria 1989: § 52°1).

So in summary, the gambling regulation, based essentially on the 1989 GA, comprises casino gambling, lotteries and games of chance on the internet and games of chance operated through video lottery terminals (Austria 1989: §2°a). The Casinos Austria holds the 12 concessions for the casinos and operates all of them. Similarly, the concession for the lottery is held by 'Österreichische Lotterien'. Due to pressure from the EU, an international tender was organised in 2012 and the 'Österreichische Lotterien' received the new concession for the next 12 years. Also as a result of pressure from the EU, similar tenders have needed to be held in the casino sector as well. The Casinos Austria thus received the concession for the first six casinos. The second tender started in early 2013 for the other six casinos. In regard to online games of chance, Casinos Austria and 'Österreichische Lotterien' operate the website win2day together. The gambling regulation is strict in nature, establishing several requirements for the operators, taking measures in gambling addiction prevention and being monitored by the Ministry of Finance. The gambling authority is responsible for implementing the Gambling Act, taking due consideration of public order objectives. The Ministry of Finance issues the concessions for the casino, lottery and toto games as well as for other number lotteries (Austria 1989: § 6 - §12°b and § 32).

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[94] Author's translation of: Gesetz vom 28. Juli 1919 betreffend die Gebühren von Totalisateur- und Buchmacherwetten sowie Maßnahmen zur Unterdrückung des Winkelwettwesens.

Next to these games of chance, the 'kleines Glücksspiel' also exists. This game is rooted in the machines called one-armed bandit and used to be strictly limited in terms of the allowed wagers. This kind of game is also regulated on the level of the individual federated states. But, due to technological progress having increased the redistribution rate, there is at the moment a large discussion in Austria as to whether this game should be forbidden outside the gambling monopoly, because it is no longer really a 'kleines Glücksspiel'. Already today it is only legal in four out of the nine federated states, though it is practised in all of Austria. Moreover, the tax department levies taxes in all of the nine states, including in those where it is normally forbidden, something that bolsters the grey market. On the contrary, sport betting, except for when it relates to more than ten sportive events on a fixed quota basis, (e.g. toto games) is regulated by virtue of article 15.1 of the Federal Constitution[95] (Austria 1920: §15°1) by nine regional sport betting laws. It is this type of sport betting games which are in the focus of the next section.

The *territorial reach* of the gambling regulation is unified and contrasts sharply with the *territorial reach* of the sport betting regulation, which is fragmented in nine territories. It would go beyond the scope of this study to discuss each of the laws in detail, and this is also not necessary for the objective of the thesis, so therefore, some main points will rather be highlighted, with references to some laws as examples.

I. The regulatory scope of the sport betting regulation

The *market structure* is in all of the nine federated states based on a concession system. In case an operator wants to offer nation-wide sport betting games, concessions from all nine individual states are required.

The nine Betting Acts regulate most of the concession procedure. In some situations and in some states a concession is not needed if the betting is offered only for two weeks or three sportive events per year, at a specific event and/or series of events at a particular place or by a totalisator or bookmaker holding comparable concession in another Member State of the EU (Section 1 Carinthia and Salzburg Betting Act; Section 5 Tyrol Betting Act). The concessions are issued either by the government of the federated state[96] or by the district authority acting on behalf of the government of the federated state (Section 13 Upper Austria and Vorarlberg Betting Act; Section 1 Burgenland, Vienna, Salzburg, Carinthia and Lower Austria Betting Acts, Section 12 Tyrol Betting Act and Section 15 Styria Betting Act). After the application is made, the authority may make further investigations as for example with regard to the distance between the betting office and schools. The authority can also hear the applicant in person (Section 3(4) Vorarlberg Betting Act, Section 5(6) Tyrol Betting Act; Section 3(5) Salzburg Betting Act; Section 7(1) Upper Austria Betting Act) or take measures to ensure that the activity of totalisator or bookmaker is properly pursued (Section 3(5) Vorarlberg Betting Act; Section 7(6) Upper Austria Betting Act; Section 4(1) Salzburg Betting Act).

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[95] Author's translation of: Bundes-Verfassungsgesetz (B-VG).
[96] Author's translation of: Landesregierung.

The *regulatory reach* of the federated states' law is narrow and conditions to acquire the licences are outlined only after the license has been issued. To receive the concession the applicants need to prove their financial reliability. Moreover all betting laws require the licence holders to have fixed business premises where they offers bets and/or they may offer bets at particular sport events at a specific place with the consent of the organiser. To offer bets the concession holders have to be over 18, with the exception of in Carinthia where the minimal age limit is 24 (Section 11 Carinthia Betting Act in connection with Section 8(1) of the Austrian Industrial Code 1994). The various Betting Acts pose numerous requirements, especially that of Tyrol (with seven requirements in total). These requirements range from requirements needed already at the time of the application to requirements needed to have been fulfilled by the time the concession is issued. For the first category these requirements are first that the applicants have to prove their creditworthiness (Association of bookmakers 2010). Second, applicants need to prove their reliability (e.g. Section 3(1)(c), Section 5(2) and Section 5(3) Vorarlberg Betting Act). Third, a certificate for qualification is required in Salzburg and Tyrol (Section 3(4) Salzburg Betting Act, Section 5(5) Tyrol Betting Act). Fourth, in some federated states the Austrian or EU citizenship is required (e.g. Section 3(1)(b) Vorarlberg Betting Act or Section 3(1)(1) Salzburg Betting Act). Next the applicant needs to prove the appointment of a person responsible in case the totalisator or bookmaker applies for more than one permanent betting establishment (e.g. Section 3(1)(g) Vorarlberg Betting Act). Finally, at the time of application, a copy of the general terms and conditions for betting has to be provided. All amendments will need to be notified to the authority. These terms and conditions need to be visibly posted in the establishment (e.g. Section 7, 8 and 10 Upper Betting Act).

The numbers of concessions are not limited in any of the nine Federated States. As a result, numerous operators offer sport betting games in Austria. The most important one is Admiral, an organisation that is held by Novomatic AG, an international operating gambling concern, and Österreichische Sportwetten (tipp3) that is part of Casinos Austria and Österreichische Lotterien corporate group. Admiral Sportwetten has around 200 outlets across Austria and it is the market leader. Tipp3 uses the lottery distribution network and therefore sells bets on 3650 points of acceptance. Besides operators operating in all nine of the Länder there are also many other bookmakers who are only locally present. The Austrian bookmaker association for example counts 32 members that all have at least one selling point. The issuing of the concession can be linked to the fulfilment of certain light conditions, such an Austrian residence or citizenship, a declaration of the address of the selling points, an authorisation of all new betting terminals or the establishment of a betting code of conduct.

No *specific public use of money* is outlined and the *type of ownership* is also not imposed. Individuals licensed to offer bets professionally are named either bookmakers or totalisators (Anderson et al. 2012). In the regional Betting Acts these can be individuals, with the exception of Upper Austria. In Upper Austria only companies can act as a totalisator and bookmakers can apply for a concession (Section 2(10) and (11), Section 7(1) and Section 2(9), Upper Austria Betting Act). A totalisator is a concessionaire who conveys bets between individuals. The totalisator manages the paid bets on a commission basis but does not bet on its own account. This is in contrast to the bookmaker who bets on his or her own account against other individuals. He or she thus bears the risk of losing the bet and having to pay out the players, but also of earning the bets made by the putter (Anderson et al. 2012). Bookmakers and totalisators offer betting on the occasion of one or more sport events. It hardly needs to be said that no degree of publicness is present in regard to the totalisator or bookmakers holding a concession.

The regulatory scope of the sport betting sector	
Market structure	Competitive open license system
Regulatory reach	Narrow
Specific public use of money	No
Type of ownership	Not imposed
Publicness	None

TABLE 46: RSC SPORT BETTING SECTOR IN AUSTRIA

II. The regulatory stringency of the sport betting regulation

a. The regulator level

In the nine jurisdictions, no special gambling body is established. The local governments issue the concession and monitor their legal compliance In regard to the competences, concession can be retrieved in case the reliability is not guaranteed any more or other infringements are made.

The regulatory stringency of the sport betting sector: the regulatory level	
Presence of a regulator	No, local governments issue licence
Competences of regulator	No

TABLE 47: RS I SPORT BETTING SECTOR IN AUSTRIA

b. The organisational level

The sport betting wagers are taxed in most federated states. Moreover in some of them the annual profits are also taxed. For example in Burgenland the operator has to pay an annual fee of 20% on the benefits resulting from the bets (Burgenland 1919: §3). In the interviews and reports, the taxation element was often referred to as very heavy and as increasing the regulatory intensity (Casinos Austria 2012a; Novomatic AG 2012a; Interview 4, 5, 6).

The laws do not impose many restrictions for the operation of bets and the ones established are mostly common sense. Bookmakers and totalisator are for example not allowed to offer betting at more than ten sport events because this would be gambling under the GA of 1989 (Austria 1989). The bets may be on any kind of result, including interim results, final results, handicaps or goals. The only restrictions outlined in the laws[97] are that bets are prohibited from (Oberösterreich 2007):

- Aiming at the death of human beings or animals;
- Grossly violating human dignity; or
- Humiliating human beings in regard to their sex, race, colour, nationality, ethical origin, religious believes or disabilities.

[97] Stipulated in Section 10 Upper Austria Betting Act, Section 7 Styria Betting Act.

It is also required that the totalisator or bookmaker has to mark the permanent betting establishment at all times clearly for the public. In case the totalisator or bookmaker owns several establishments they have to be marked in the same way and to the main betting establishment has to be indicated (e.g. Section 9(2) Upper Austria Betting Act). Another requirement is that the totalisator or bookmaker has to keep an electronic betting book that records all bets chronologically. It has to be ready for inspection by the authority any time for at least one year (e.g. Section 9(1) Vorarlberg Betting Act).

Finally, if the bet exceeds a certain amount, for example 50 Euros in Tyrol or 2500 Euros in Styria, the bookmaker or totalisator has to verify and register the identity of the putter, the related data from the identity card and the amount of the bet. If there is suspicion of money laundering, the totalisator or bookmaker has to inform the authorities. In regard to *distribution channels*, some betting laws only allow for retail betting in the permanent betting establishment. Some betting laws do allow betting through the internet (e.g. Section 2(3) Vorarlberg).

The study of the Austrian sport betting regulations does not result in any identification of *advertisement restrictions*. In regard to *obligations to prevent gambling addiction* the federal laws stipulate nothing and no requirements are imposed on the bookmakers or totalisators. In regard to minor gambling, most federated states restrict access to betting games to persons who are 18 or older. For all of these reasons, the regulation of sport betting in Austria is of a very low intensity. In the next section we will analyse the performance orientation of operators in Austria.

The regulatory stringency of the sport betting sector: the organisational level	
Distribution channel restrictions	None to low
Advertisement restrictions	None
Obligations in regard to gambling addiction	None

TABLE 48: RS II SPORT BETTING SECTOR IN AUSTRIA

5.6.3 The performance definition of Austrian sport betting operators

The performance orientation in the Austrian sport betting sector seems to be multidimensional, but concentrates on the economic entrepreneurship, i.e. mainly the financial and operational ones. The table below summarises the results of the qualitative analysis in the different performance dimensions:

Occurrence and evaluation of dimensions	Interviews		Reports of Organisation[98]	
	Quantitative occurrence	Qualitative evaluation	Quantitative occurrence	Qualitative evaluation
Financial dimension	29	++	122	++
Operational dimension	44	++	126	++
Stakeholder management dimension	18	-	34	-
Legal requirement dimension	26	=	33	-
Social issue participation dimension	20	-	49	-
Public values dimension	16	--	7	--
Total	150		360	
Legend: *++ very high importance* *+ high importance* *= neutral importance* *- low importance* *-- very low importance*				

TABLE 49: OCCURRENCE AND EVALUATION OF PERFORMANCE DIMENSIONS OF SPORT BETTING OPERATORS IN AUSTRIA

I. The financial dimension

The financial dimension is quantitatively (122 in the reports and 29 in the interviews) and qualitatively very important to the organisations under scrutiny.

In the different reports the financial dimension is crucial, if not the only dimension of success (Casinos Austria 2012; Novomatic AG 2012). Of course these reports do not only focus on sport betting organisations in Austria, but are corporate group reports. Nonetheless they are relevant for the performance nature of individual organisations of the group.

Another group of information in the reports is dedicated to growth analysis and development of turnover and results (Novomatic AG 2012a; Interview 4). The long-term development is very important for the organisations and this more so than short-term benefits (Novomatic AG 2012a; Casinos Austria 2012a). Another indicator of the financial dimension that is worth mentioning is the need for organisations to have sufficient liquidity to pay-out significant amounts to winners immediately (Interview 4). Of course the benefits are very important (Interview 5), as are market shares (Interview 4, 5). Increasing market shares also indicate acceptance among citizens, and one interviewee even stated that the introduction of the sport betting of tipp3 helped democratising sport betting in Austria and improving the image of sport betting (Interview 5). This is an important element in an integrated company such as Novomatic AG, where sport betting is only one aspect of operations and not necessarily the one where profits are made (Novomatic AG 2012a; Interview 5). Often, sport betting is offered to attract customers that come into the shops and they are then seduced by the gambling machines (Interview 5). Interestingly, the redistribution to players is only an issue in the Casinos Austria reports.

Interestingly, sustainable business is an issue that comes up in the reports (Novomatic AG 2012a; Casinos Austria 2012a). For example, the importance of the company to the Austrian

[98] Double quantity of reports was analysed, as there exist multiple operators.

macro-economy is mentioned at several instances, and the social and sustainable aspect of the organisation in providing employment opportunities and paying taxes is underlined (Novomatic AG 2012a; Casinos Austria 2012a). It is surely valid to link this to sustainability, but it does not point to the social issue participation dimension but to the financial and operational dimensions.

The financial dimension is clearly linked to the operational or the legal requirement dimensions. The regulatory requirements influence the performance in the financial dimension. In the Austrian regulation the only element influencing the organisation is the level of taxation of sport betting. It used to be 7.5% and the reduction to 2% benefited the financial results of the organisations highly (Interview 5). In regard to the operational dimension the positive results were directly linked to the improvements of operations and increased the focus on cost efficiency (Casinos Austria 2012a, Novomatic AG 2012a).

In summary, the financial performance is simply the 'raison d'être' of the organisations; it is just how business works (Interview 3, 4, 5).

II. The operational dimension

The operational dimension is quantitatively (126 references in the reports and 44 in the interviews) and qualitatively evaluated to be very important for the performance definition of the Austrian organisations.

The *customer perspective* is very important for the organisations and is a core aspect of the strategy (Novomatic AG 2012a; Casinos Austria 2012a; Interview 4). Throughout the data set customer satisfaction, customer acquisition and customer profitability are frequently used indicators (Casinos Austria 2012; Novomatic AG 2012; Interview 4, 5, 6). Customer acquisition is linked to the attractiveness of the products offered (Novomatic AG 2012a; Casinos Austria 2012a; Interview 4). Furthermore, some organisations find customer acquisition as less important, since the market is already very saturated (Interview 6).

Another important aspect is customer loyalty and its success is indicated because also during times of economic distress the number of customers was stable or even increased (Interview 4, 5, 6; Novomatic AG 2012a). Customer focus is also closely linked to the brand recognition (Interview 5) and to sponsoring activities, for example in sports, something that anchors the company in the Austrian market (Novomatic AG 2012a; Österreichische Lotterien 2012; Interview 5).

The *learning and growth perspective* is also judged to be very important throughout the data set. Especially innovations in product, distribution channels and new technologies are success factors for the organisations (Novomatic AG 2012a; Interview 4, 5, 6). R&D units take an important role for the future of the organisation (Novomatic 2011; Interview 4; Interview 5; Interview 6). New technologies open new ways to offer products to the customers and to increase market shares and penetrate the markets differently (Casinos Austria 2012a; Interview 5).

Also the *internal business process perspective* occurs frequently in the data set and is important for the operational dimension. Indicators relate to the integrated production of the products in house (Novomatic AG 2012a) and the efficient and large distribution system increasing the success of the organisations (Novomatic AG 2012a; Casinos Austria 2012a). The human capital also contributes to the high quality of the production process (Interview 4; Novomatic AG 2012a). It is also important to constantly train the employees so that they can keep track with new technologies and internal business processes (Interview 4, 5, 6; Novomatic AG 2012a). Teamwork and low fluctuation rates contribute to the well functioning of the internal processes (Interview 5).

Another important aspect of success is the risk management and the monitoring of the sport betting system, and quality controls are regularly undertaken (Interview 5, 6; Novomatic AG 2012a). Moreover, a restructuration of the internal processes has allowed for an increase in efficiency, and contributed to the improvement of the financial results (Casinos Austria 2012a). Another interviewee pointed to the importance of planning and successful realisation of projects for the success of the organisation. The flow of information within the organisation and between its different units should also not be neglected in order to generate solid solutions and to prevent for *ad hoc* measures (Interview 5).

In summary, the operational dimension is very important for the performance definition of organisations in the Austrian sport betting sector and it is evaluated as enhancing future financial performance. It is important to constantly innovate, improve the efficiency of the internal processes and to satisfy the customers, in order to drive the financial performance of the organisations.

III. The stakeholder management dimension

The stakeholder management dimension is quantitatively (18 references in the interviews and 32 in the reports) and qualitatively of little importance to the performance definition.

Some may argue that it is an important performance dimension as the organisations produce sustainability reports, but a closer look at the CSR conceptualisation reveals that many of the aspects are related to the operational and financial dimensions. Nonetheless, some elements of the stakeholder management dimension have been detected. The most important aspects are first the employees and second environmental protection (Novomatic AG 2012a). In regard to employees several targets are outlined and measured (Novomatic AG 2012a; Casinos Austria 2012a). Investments in education and training of the employees are examples of indicators that aim to have a qualified human capital in the future (Interview 4, 5; Novomatic AG 2012a). Employees' satisfaction is another indicator of the stakeholder management dimension (Interview 5). Other aspects in regard to the human capital are equity, diversity, health and work security (Novomatic AG 2012a; Casinos Austria 2012a). In regard to environmental protection, targets are developed and measured through indicators. Examples are the reduction of waste and energy used (Novomatic AG 2012a; Casinos Austria 2012a).

In summary, as in the case of Belgium, the CSR concept does not exclusively relate to social and environmental aspects but also includes indicators for the operational and financial dimension. Overall the stakeholder management dimension is of little importance to Austrian organisations and is mainly seen to drive future economic profits.

IV. The legal requirement dimension

The legal requirement dimension is quantitatively (26 references in the interviews and 33 in the reports) and qualitatively of little importance to the performance definition of the organisations.

The respect of the legal obligations is very important (Novomatic AG 2012a; Interview 4, 5, 6). Nonetheless, compliance with legal requirements is seemingly not part of the performance definitions of the organisations. Overall reference is mainly made to two aspects. First, quotations indicate that in the provided legal framework, organisations develop new business opportunities to operate games of chance, and that they only operate in regulated markets where clear public order and legal frame conditions exist (Novomatic AG 2012a; Casinos Austria 2012a). The exception is tipp3, that engages in measures for the protection of players and prevention of gambling addiction and thus the mandatory obligations taken in regard to responsible gambling (Interview 5). This is argued to be a result of the affiliation of tipp3 to the monopoly holders and the assimilation of the strategies across the sectors (Interview 5).

The second issue frequently referred to in the quotations of the legal requirement dimension is the payment of the betting tax and the general taxes generated for the state budget (Novomatic AG 2012a; Casinos Austria 2012a; Interview 4, 5, 6). The tax burden is also often mentioned as being a competitive disadvantage and one interview participant stated that the respect of the regulation and political conditions cost them a lot and other operators, based in Malta or Gibraltar, do not have that burden and can operate differently (Interview 5).

In summary, the legal requirement dimension is not important to the conceptualisation of organisational performance in Austria. This is on the one hand due to the fact that there is close to no regulation in place resulting in an absence of legal obligations to fulfil (Interview 5) and second, compliance aspects are not seen as part of the performance definition but constitute activities performance is not measured in. This does not indicate that legal requirements are not important or not respected but that it is a prerequisite dimension for conducting the business, but not a proper performance dimension (Interview 4, 5, 6).

V. The social issue participation dimension

The social issue participation dimension is quantitatively (20 quotations in the interviews and 49 in the reports) and qualitatively of low importance to the performance definition of the Austrian operators.

A limited amount of indications for the social issue participation dimension was discovered in the data set, highlighting its low importance for the performance definition. Some voluntary measures in regard to gambling addiction have been taken (Novomatic AG 2012a; Casinos Austria 2012a, Interview 5), for example information material, training of the staff of retailers, self-evaluation of players, the possibility of limitation setting by players etc.

Interestingly, tipp3 is very active in this regard. One interviewee outlined that as the organisation is part of the corporate group holding the monopoly licences for casinos and lotteries in Austria, and since these organisations are very active in this field, tipp3 takes after their example in putting responsible gambling at the centre of attention (Interview 5). This suggests a strong influence of regulation on the performance definition of regulated organisations.

Second, activities have also been undertaken to fight match fixing and to keep crime out of gambling. Such measures have comprised for example information on the subject, working groups with government and interested associations, engagement in international associations etc. (Casinos Austria 2012a; Novomatic AG 2012a; Interview 4, 5).

The third indicator is voluntary redistribution for social and humanitarian causes. It is however rather difficult to separate this activity from sponsoring and the aim of increasing future economic value. However, in order to be coherent with the other cases, some of these sponsoring activities can be taken into the social issue participation dimension as they support cultural and social projects, sport etc. (Casinos Austria 2012a; Interview 4, 6).

In summary, the social issue participation dimension is of low importance to the performance definition of the Austrian organisations. The most important indicator is the voluntary measures in regard to gambling addiction. One remark can be made in regard to the different organisations in the sample. The examination of the data set suggests that larger organisations are more active in the social issue participation dimension than their smaller counter-parts (Interview 4, 5, 6). It could be, and this is only an assumption, that larger organisations have more financial resources to engage in social issues and are more present and are more exposed in society, something that requires them to be more committed to social issues.

VI. The public values dimension

The public values dimension is quantitatively (16 references in the interviews and 7 in the reports) and qualitatively of a very low importance to the performance definition of Austrian sport betting operators.

Nonetheless some public values were found in the data set, such as equity, security, fairness, responsibility and transparency (Casinos Austria 2012a; Novomatic 2012; Interview 4, 5, 6). These values were mostly outlined in regard to the internal processes and are hence linked to the operational dimension or to the reputation of the organisation. Something that is very interesting in the case of Austria, is that when interview participants had to evaluate the performance dimensions' importance to the definition of performance, the public values dimension was left out several times and it was argued that it is not used to define organisational performance. This suggests that public values dimension is not a piece of the performance definition. In addition, at no moment during any of the interviews did any interviewee directly address the issue of public values.

In summary, the public values dimension is suggested as not being part of the performance dimensions, and as only marginally guiding business processes.

VII. Concluding remarks: a bottom-up reflection

In conclusion the performance definitions of the analysed Austrian sport betting organisations are multidimensional but marked by the saliency of two dimensions: the financial- and the operational dimensions. Among the other performance dimensions a clear hierarchy becomes apparent.

The bottom-up approach identified the following indicators as occurring frequently in the data set: profitability, sales and other key financial indicators, i.e. the financial dimension. Others include product developments, innovations, new technologies and attractive game portfolios, which all point to the operational dimension, but also compliance indicators (i.e. the legal requirement dimension), indicators on responsible gambling (i.e. the legal requirement and social issue participation dimensions) and sponsoring (i.e. the stakeholder management and/or social issue participation dimensions). What is interesting in the Austrian case, and also something of a more general comment valid for other organisations in the sample, is that often organisations have a CSR or sustainability report structured based on international standards such as GRI, and which includes environmental indicators (i.e. the stakeholder management dimension), indicators on employees (i.e. the operational and stakeholder management dimensions), and indicators on outcomes of products (i.e. the social issue participation dimension), indicators on compliance (i.e. the legal requirement dimension) and contribution to welfare of local community in terms of economic value (i.e. the financial and legal requirement dimensions). But such aspects are not automatically related to the social issue participation dimensions but include elements which refer to many other performance dimensions, such as the financial, operational and stakeholder management dimensions. Hence, to form a deep understanding of organisational performance one has to look closely at that which is hidden behind popular terms and slogans such as sustainability or corporate responsibility.

5.7 Conclusion of chapter

The aim of this chapter has been to describe the regulation of each of the cases and to present the results of the analyses in regard to the performance definition and its multidimensional nature. Across the sample, several of the theoretically constructed dimensions of performance were identified in practice. Nevertheless, the degree to which the different dimensions are used varies and the question that is raised now is whether in cases belonging to the same group, i.e. group A (high regulatory intensity, public ownership), group B (high regulatory intensity, private ownership) and group C (low regulatory intensity, private ownership), performance is defined in the same way, i.e. using the same dimensions and attributing them the same weight. The line of reasoning explored argues that the level of regulatory intensity actually influences the composition of the performance definition. To explore this question, for each of the groups of cases identified in the research design, the pattern of the different performance dimensions needs to be discussed further. This is what the next chapter attempts to do.

6 COMPARATIVE ANALYSIS AND RESULTS

The previous chapter examined the performance definition for each organisation individually. As well, the performance dimensions that had been theoretically constructed based on the public and private performance literature were identified in the data sets for each case. This chapter explores the multidimensional performance definition in each group of countries further, in order to investigate whether the regulatory environment—as operationalised through the regulatory intensity—actually does influence the performance definition used by regulated organisations. In doing so, the cases belonging to the same groups are first analysed. A first section (6.1.1) starts with the FDJ and Norsk Tipping (group A—high regulatory intensity and public ownership), a second section (6.1.2) turns to De Lotto and Camelot (group B—high regulatory intensity and private ownership) and in a third section (6.1.3) the different organisations active in Belgium and Austria (group C—low regulatory intensity and private ownership) are presented. This exercise will further explore the multidimensional character of organisational performance and prepare the different groups for cross-case analysis.

In a second part (section 6.2), the research question of whether and how the regulatory intensity influences the selection of organisational performance dimensions used by organisations is explored. In order to address this question in a systemic way, the groups A and B (high regulatory intensity) are compared to group C (low regulatory intensity) (section 6.2.1). Second, the codes identified in the data set that relate to the impact of the regulatory environment on the performance definition are explored, in order to further investigate the first results (section 6.2.2). Finally, the influence of the regulatory intensity on each individual dimension is briefly discussed and the quantitative questions of the interviews and surveys are analysed (section 6.2.3). It must be remembered that the latter can only be used to illustrate some of the results; these results are not reliable enough to allow drawing large conclusions.

This step-by-step approach aims to clarify whether and how the regulatory environment influences the definition of performance. In a last section it is explored whether the type of ownership does in fact influence the definition of performance, and which role the type of ownership plays in the link between the regulatory intensity and the definition of performance. For doing so, in section 6.3.1, group B is compared to group A and group C, as it represents the intermediate group (high regulated, private ownership) between the two extremes that are group A (high regulated, public ownership) and group C (low regulated, private ownership). In section 6.3.2, interview questions on the matter are discussed and screened for quotations and the opinions of the participants on the matter.

6.1 THE PERFORMANCE DEFINITIONS OF THE DIFFERENT GROUPS OF CASES

In the next sections, the performance definitions for each group of cases will be constructed and presented in order to then proceed with the examination of the main research question, i.e. that of whether the regulatory environment influences the definition of performance. Different attributes of the performance dimensions will be presented for each group, whereas the discussion will concentrate on the characteristics of and the linkage between performance dimensions, having already discussed the importance of the performance dimensions in chapter five. Nonetheless, first, the importance of individual performance dimensions for the performance definition will be recalled. Before ending with a discussion on the possible linkages between dimensions as well as the (partial) integration between them, some characteristics of each dimension that were detected during the data analysis for the performance definition will be highlighted. Thus, a series of sequential element will be introduced in the performance conceptualisation: *Prerequisite* dimensions intervene before the other dimensions and can be thought of as forming the prerequisite, before any organisational activities can be undertaken. *Guiding processes* dimensions are on-going aspects, which are more subliminal in nature, and which tend to guide organisational activities. Organisations rarely measure performance in such dimensions. *Contributor* and *final* performance dimensions are directly identified as part of the performance concept by the organisations themselves and clearly constitute main performance aspects. Contributor dimensions are dimensions that drive another performance dimension, whereas final performance dimensions are a final aspect of the performance concept.

6.1.1 Group A: high regulatory intensity and public ownership

The comparison of the results of the in-group analysis of the French and Norwegian cases yields the same performance definition for both organisations, as illustrated in the following table:

Group A: France & Norway High regulated, public organisations			
Dimension	**Importance**	**Characteristics**	**Linkage to other dimension**
Financial	Very high	Final	Social issue participation Legal requirement
Operational	High	Contributor	Financial
Stakeholder management	Moderate	Contributor	Customer perspective
Legal requirement	High	Final Prerequisite	Not detected
Social issue participation	Very high	Final	Not detected
Public values	None	Guiding processes	Not detected

TABLE 50: PERFORMANCE DEFINITION OF GROUP A

The financial and the social issue participation dimensions are very important for the performance definition of group A, closely followed by the legal requirement dimension and the operational dimension. The stakeholder management dimension is only of a moderate importance whereas public values are of no importance at all for the performance definition.

A sequential feature is detected in the performance conceptualisation in the sense that some dimensions intervene in advance. As briefly mentioned above, *prerequisite* dimensions intervene before the other dimensions and can be thought of as the base line of the organisational activities. The prerequisite compliance with the licence obligations and the strict adherence to the rules is a prerequisite for the organisations of group A. Throughout the data set, the legal requirement dimension is not directly expressed as a performance dimension but as a condition for the pure existence of the organisations.

Guiding processes dimensions are continuously on-going, more subliminal aspects, which guide organisational activities. Organisations do not directly evaluate these dimensions as performance dimensions and hence their performance is rarely measured. For group A, the public values dimension is such a guiding processes dimension. Evidence from the interviews even seem to suggest that public values such as 'transparency', 'fairness', 'equity' are dissatisfier factors: as long as they are respected an increased focus on these aspects would not result in the higher satisfaction of the clients, regulators and society as a whole. But non-respect and underperformance in these aspects would result in an immediate reaction and would be perceived by the society and regulators as negative (e.g. Interview 1, 2, 3). 'Responsibility' frequently appears in the data set and is suggested to be a guiding process indicator. It is even suggested that it be added as a core value of the organisations, even though it is not *sensu stricto* a public value.

The operational dimension is a *contributor* dimension, contributing to financial performance. The three perspectives are affiliated to the operational dimension and the internal business process and the learning and growth perspective were often identified in the data set as contributing to the customer perspective. An example frequently detected in the data set is the need to innovate in order to have an attractive offer satisfying consumers (e.g. learning and growth contribute to the customer perspective). Consequently, a mutual influence exists between the three perspectives. Taking the example of customer satisfaction and innovations, well-functioning processes are needed in order to develop innovations, something that may lead to an increased customer satisfaction. Another *contributor* dimension—though a less important for the performance definitions of group A—is the stakeholder management dimension. This dimension focuses on the employees (especially for the FDJ), the state and the customers and the performance for employees and customers is evaluated. An overlap with the customer perspective can hence be identified between these two components: customers are at the heart of operations but also form an important stakeholder group for the organisations.

Final dimensions are dimensions which represent the overall achievements of the organisations. For the group A, the final dimensions include the financial, the social issue participation and the legal requirement dimensions. Especially for the legal requirement dimension mention should be made of redistribution to good causes and compliance with legal obligations in regard to gambling problems. As presented above, the other aspects of the legal requirement dimension, for example compliance with licence obligations, are rather preconditions for the activities of the organisations. All three dimensions are very important for the group A.

Interestingly, some performance dimensions are clearly linked to each other: the financial dimension—which is clearly a final dimension—also partly contributes to the social issue participation and legal requirement dimensions, as the performance in the financial dimension contributes positively to the performance in the these other two dimensions. Another linkage between performance attributes can be identified in the operational dimension, as the internal business process and the learning and growth perspectives positively contribute to the customer perspective.

In summary, it can be said that the performance definitions of group A are multidimensional, whereas not all dimensions identified in the literature are actually directly used as performance dimensions, though some of their characteristics are present in the data set. This is mainly the case for the public values dimension and partially also for the legal requirement dimension. One interviewee argued that public values are currently not being measured as they are well respected, but that as soon as there would be doubt in regard to the respect for public values, it would result in an increased focus (Interview 3). Hence, the public values dimension and the value of 'responsibility' generally guide all business operations, but they are more hidden dimensions that are not considered as part of the performance concept by the organisations. This by no means indicates that they are not important aspects but simply that they are not attributes of performance or at least not identified by the organisations as such. Another remark should be made in regard to the legal requirement dimension, which occurs twice: first as a prerequisite and second as a final performance dimension. Compliance with legal aspects is fundamental for the organisations and intervenes in the beginning of any organisational activities. But it is also a final dimension in view of mandatory redistribution and the mandatory measures taken in regard to gambling problems that frequently depend on the financial results achieved.

Having thus presented the performance definition of the first group of cases the following section examines the performance concept of the group B cases. Group B cases share the high regulatory intensity with group A, but differ in regard to ownership as they are privately owned.

6.1.2 Group B: high regulatory intensity and private ownership

The comparison of the results of the in-group analysis of the Dutch and British cases (group B) yields the same performance definition for the two group B countries, which can be seen in the following table:

Group B: Netherlands & United Kingdom High regulated, private organisations			
Dimension	**Importance**	**Characteristics**	**Linkage to other dimension**
Financial	Very high	Final	Legal requirement
Operational	High	Contributor	Financial
Stakeholder management	Moderate	Contributor	Customer perspective
Legal requirement	Very High	Final Prerequisite	Not detected
Social issue participation	High	Final	Not detected
Public values	None	Guiding processes	Not detected

TABLE 51: PERFORMANCE DEFINITION OF GROUP B

The financial and the legal requirement dimensions are very important for the performance definition of group B, closely followed by the social issue participation dimension and the operational dimension. The stakeholder management dimension is only of a moderate importance whereas public values are of no importance at all.

For group B, compliance with the licence obligations and a strict adherence to the rules, i.e. parts of the legal requirement dimension, are *prerequisites* for the organisations. Consequently, for group B, and as was directly expressed in the interviews, the legal requirement dimension is the basis of the business activities, the condition for the existence of the organisations and a very important aspect of the performance concept.

The public values dimension can be qualified as a *guiding processes* dimension as it was very little detected across the data set, and could not be identified as a performance dimension. Public values were not deliberately raised in the interviews, but were only mentioned when the questions referred to them (Interview 1, 9, 11, 14). Nevertheless the data indicates that public values are respected and do accompany the activities of the organisation. Organisations attribute a high importance to values such as 'fairness', 'equity' and 'transparency'. Another guiding processes aspect for group B is 'responsibility' towards players. 'Responsibility' frequently appears in the data set, and seems to guide the processes and activities carried out. It even appears as a core value of the organisations.

The operational dimension is directly identified as an important part of the performance definition and as a contribution to the financial dimension. A mutual influence and linkage between the three perspectives that make up the operational dimension can be observed. The small appearance of the internal business processes perspective could arguably be explained by the fact that it is a dissatisfier factor. As long as it functions well, it is not a main focus, but underperformance would result in an immediate reaction and the performance in regard to the internal business processes would then become the centre of attention. The learning and growth perspective contributes to the customer perspective dimension and is very important for the organisations. In order to keep or enhance the attractiveness of the games for the customer, new products and distribution channels need to be constantly developed (Interview 1, 11, 12). The customer perspective is clearly a core aspect for the performance definition, as revealed by both the reports and the interview data. Another *contributor* dimension is the stakeholder management dimension, which is of moderate importance to the performance definition for the group B cases. Nonetheless, employees and customers are important stakeholder groups. The proximity of the customer perspective and the stakeholder management dimension can be detected as customers form the most important stakeholder group. The social performance of suppliers is rarely mentioned and only little attention is paid to the employees' satisfaction. Some codes were detected in regard to environmental protection and the improvement of the ecological footprint of the company but only for Camelot. Much more important, if not *the* most important aspect in the stakeholder dimension, is the relationship with on the one hand the regulator and the government, and on the other hand the beneficiaries (Interview 1, 11, 12, 14).

Final dimensions are the financial, the social issue participation and the legal requirement dimensions. Especially for the legal requirement dimension it is worth mentioning the redistribution to good causes and the compliance with legal obligations also as concerns gambling problems. This contrasts with some other aspects of the legal requirement dimension, which were—as presented above—prerequisites for the activities of the organisations. The social issue participation dimension is also a final performance dimension, especially in regard to the fight against the negative externalities arising from games of chance. Two dimensions are essentially of crucial importance to the organisations, namely the financial and the legal requirement dimensions. This is very well illustrated through the statement of an interview participant, who explained that overall performance is simply judged based on financial and legal performance. It is these two elements that need to be balanced in the strict regulatory framework the organisation faces (Interview 1).

Interestingly, some performance dimensions are unmistakably linked to each other: the financial dimension—which is clearly a final dimension—is also partially a contributor to the legal requirement dimension. This is linked to the fact that the mandatory redistribution is either based on a tax rate or on the complete use of profits for good causes. For this reason the performance in the financial dimension influences the performance in other dimensions. Another linkage between performance attributes can be identified in the operational dimension, as the internal business process and the learning and growth perspectives positively contribute to the customer perspective.

In summary, it can be said that the performance concepts of the group B cases are multidimensional. But not all dimensions identified in the literature are actually used as performance dimensions, though some of their characteristics are present in the data set. This is mainly the case for the public values dimension. Public values and 'responsibility' guide all business operations but these are more hidden attributes which are considered part of the performance concept by the organisations. The legal requirement dimension intervenes twice: first as a prerequisite for the organisational activities and in that sense as a preparatory indicator and second, in a more subsequent nature as concerns mandatory redistribution and the mandatory measures taken in regard to gambling problems. The legal requirement dimension is directly outlined as a performance dimension by the organisations as it is crucial for a successful organisation to respect the law and to fulfil all obligations (Interview 1, 11, 14).

Having thus explored the definition of performance for group B, the next section examines the question of multidimensionality of the performance concept for group C. Group C shares the characteristic of private ownership with group B, but faces a low regulatory intensity.

6.1.3 Group C: low regulatory intensity and private ownership

The comparison of the results of the in-group analysis of the Belgian and Austrian cases provides a common performance definition for group C cases, which can be seen in the table on the next page.

Group C: Belgium & Austria Low regulated, private organisations			
Dimension	**Importance**	**Characteristics**	**Linkage to other dimension**
Financial	Very High	Final	Social issue participation Legal requirement
Operational	Very High	Contributor	Financial
Stakeholder management	Low	Contributor	Integrates aspects of social issue participation
Legal requirement	Moderate	Final Prerequisite	Not detected
Social issue participation	Low	Guiding processes	Financial
Public values	None	Guiding processes	Not detected

TABLE 52: PERFORMANCE DEFINITION OF GROUP C

The financial and the operational dimensions are by far the most important dimensions for the performance definition of group C. The legal requirement dimension is of moderate importance, followed by the stakeholder management dimension and the social issue participation dimension. Public values are of no importance for the performance definition.

Based on the indicators of compliance with licence obligations and a strict adherence to rules, the legal requirement dimension, is a *prerequisite dimension* for the organisations. This is not a surprise as the regulation in the group C cases is mainly based on market access, in the form of licences or authorisations. Consequently, for group C, and also as directly expressed in the interviews (Interview 3, 4, 5, 10), the legal requirement dimension appears as the fundament of the business activities, but is not considered a performance dimension *per se*.

The public values dimension is not a performance dimension either, and the data set suggests that it is only marginally a *guiding processes* dimension. Transparency in business operations can be found in the data set, and so at least in that aspect the public values dimension appears present, but not as a piece of the performance definition. Moreover, the need for transparency is also closely linked to business operations, as it enhances customer trust.

The operational dimension can be directly identified as a performance dimension and a mutual influence exists among the three components. The internal business process perspective and the learning and growth perspective are both very important and enhance the customer perspective. The customer perspective is very important for the performance definition and throughout the data set it is highlighted that the customers are at the core of the business (Ladbrokes PLC 2012b; Interview 3, 4, 5, 10).

The stakeholder management dimension is of little importance to the performance definition of group C cases. The organisations may disagree with this statement, as on first sight it seems a very present dimension in view of the CSR and sustainability reports. However, a closer look reveals that the CSR conceptualisation integrates many elements from other dimensions, for example the operational and financial ones. Nonetheless, employee satisfaction and environmental protection were more frequently mentioned than other stakeholder management elements. Another aspect that is worth mentioning is the concept of responsible gaming that (even though it in general belongs to the social issue participation dimension) is linked to the stakeholder management dimension for group C. Therefore, the social issue participation dimension is integrated into the stakeholder management dimension. Responsible gaming activities are seeing undertaken essentially in order to take care of the players because an organisation has no interest in having addicted players who cannot afford to play anymore (Interview 10). Another argument proving the integration of the social issue participation into the stakeholder management dimension is that complete inactivity in regard to gambling problems could induce calls from the society for higher regulation, something which would not necessarily be desirable for the organisations (Interview 5, 8).

The financial dimension, and to a smaller degree the legal requirement dimension, are final dimensions in the group C cases. The financial dimension occurred most frequently in the data body and is definitely the most important performance dimension in this group. This does not mean that the other dimensions are absent, but rather that they are directed towards financial performance. One aspect of the social issue participation dimension in particular is integrated into the financial dimension, namely the voluntary redistribution to good causes. Organisations allocate money to good causes on a voluntary basis, but this is mainly done when the financial performance was good and not automatically on a regular annual basis. So the voluntary redistribution is directly associated with the financial dimension and evaluated more as an aspect of sponsorship than on of patronage.

The financial dimension contributes positively to the performance in the legal requirement dimensions, in the form of tax yields to the state budget. The higher the financial performance, the more tax revenue is allocated to the state. Organisations do not miss out on opportunities to state that they make an important contribution to the state budget in this way, and on the contrary, taxation is frequently referred to in the reports and interviews. The data confirms that the tax level is associated with a high regulatory intensity and is the main element of regulation, after market access has been granted and the organisations comply with the licence agreements. Organisations frequently mentioned that the tax burden renders them less competitive, especially in comparison with illegal online operators. It is for this reason that performance is measured and reported in this regard.

Some performance dimensions are clearly linked to each other: the financial dimension for example partially enhances the legal requirement dimension. Another linkage between performance components can be identified in the operational dimension, as the internal business process and the learning and growth perspectives positively contribute to the customer perspective.

In summary, it can be said that the performance concepts of group C are multidimensional but very hierarchical. The financial and operational dimensions are the most important dimensions, with the financial dimension at the top of the pyramid and the operational dimension as a very important contributor for financial performance. The stakeholder management dimension and the legal requirement dimension are present but to a smaller degree. Some aspects of the social issue participation dimension are integrated in other performance dimensions, like the financial or the stakeholder management dimensions. In consequence, the social issue participation and the public values dimensions are close to inexistent and are thus not evaluated as distinct performance dimensions.

6.1.4 Concluding remarks

The examination of the nature of the performance definitions proves the multidimensionality previously identified in literature. In all three groups, the theoretical constructed dimensions are present, though not necessarily directly referred to. Indeed, not all performance dimensions receive the same focus and are of the same importance to the performance definition across the cases. This leads to a differing conceptualisation of performance in the various organisations. The public values dimension in particular does not appear to be a distinct performance dimensions. Public values are present in the data set but are not directly related to the performance concept, but do instead guide the activities of organisations. This is in accordance with the discussion of public values in the literature (Talbot 2010). Having thus presented the performance definition for each group, the next section will look closer at the main research question of this study, i.e. investigate whether the regulatory environment influences the performance definitions of regulated organisations.

6.2 THE INFLUENCE OF THE REGULATORY ENVIRONMENT ON THE PERFORMANCE DEFINITIONS

In order to explore the influence of the regulatory intensity on the performance definitions identified in the previous sections, the performance definitions of groups A and B together will first be compared with the performance definition of group C (section 6.2.1). In a second section (6.2.2), the interview responses relevant for this context will be explored in order to find indications as to whether the regulatory intensity influences the performance definitions in the cases analysed. In a third section (6.2.3), the hypothetical questions[99] as well as some qualitative findings are considered for each individual dimension, in order to gauge the participants' opinions on the influence of regulatory intensity on the composition of the performance definitions. The quantitative data is only considered as an illustration and no conclusions are drawn from it, as the number of cases is far too small, but they are reported for the sake of completeness and because they complement the qualitative analysis well.

6.2.1 Cross-group comparison

All three groups have in common that the legal requirement dimension appears to be a prerequisite dimension. This is of course not very surprising, as the conditions to acquire a licence need to be fulfilled before any operations can begin. Hence, the legal requirement dimension is the basis of the performance conceptualisation, and a precondition to other dimensions. It could even be argued that at this stage for all three groups, the legal performance is actually not yet integrated in the organisational performance definition.

For all three groups the public values dimension guides the activities of the organisations, but it does so to varying degrees. Groups A and B are very similar in this regard, with a good representation of the public values, in particular 'responsibility'. For group C, the

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[99] See Annex III.

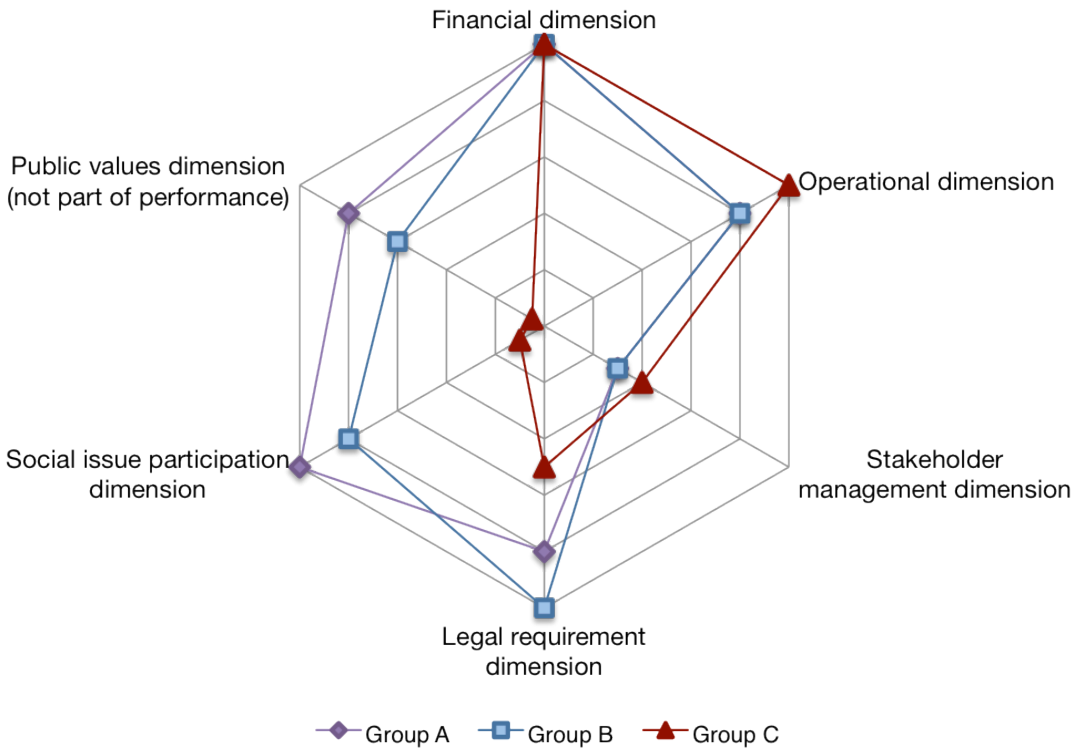
public values are not integrated in the performance concept even though some aspects such as ‘transparency’ or ‘fairness’ can be identified. This is because these values are in any case important for the sport betting and lottery operations in general and therefore they need to be respected. In this sense, public values are more part of the operational dimension than of the public values dimension. A sharp contrast can be observed between A/B and C in regard to ‘responsibility’. In groups A/B it can be considered a value that accompanies business activities and which can even be associated to the public values dimension, though it is not really ‘public’ in nature. In group C however, the responsibility element does not seem to intervene in the guiding processes dimensions but more as a part of the stakeholder management dimension. Overall, the public values dimension does not appear as a distinct part of the performance definition, but rather guides processes for groups A and B, relates to the operational dimension for group C.

Turning to the performance dimensions directly identified as such, the operational dimension is evaluated across all three groups as being important for the performance definition. Hence, close to no difference can be identified in regard to the operational dimension and it seems to be a very valid component for the performance concept. All organisations underline the importance of the customers and position them at the core of all business activities. Because the internal business process and the learning and growth perspectives seem to positively influence the customer perspective, a linkage can be identified between these components of the operational dimension. Overall the operational dimension is an important dimension and good performance in the operational dimension will contribute to future financial performance.

The stakeholder management dimension can be identified in all three groups, though a difference seems to apply in regard to what is counted into the stakeholder management dimension between groups A/B on the one hand and group Con the other. For group C, the responsible gaming element of the social issue participation dimension is integrated into the stakeholder management dimension. Indicators here are that the organisations focus on the security of their players and responsible gambling (or more often responsible ‘gaming’), and they are frequently referred to in the interviews and the data set. However, the aspects associated with responsible gambling deal mostly with youth protection measures and player protection from fraud, underline the security of transactions and processes and establish self-tests for players to evaluate the individual gambling behaviour. This stands in contrast to the topics related to responsible gambling for groups A and B (i.e. the highly regulated countries) as they go much further in regard to responsible gambling by including research, funding of treatment centres, training of staff or risk-evaluation of new products, etc. For group C, responsible gaming is centred on the players and does not go further in regard to societal responsibilities and it does therefore not appear as if it should be interpreted in a philanthropic light.

Finally, in regard to final performance dimensions groups A/B differ to group C to a rather large extent. Across all three groups the financial dimension is not only identified as a final dimension, but also as being of a very high importance to the organisational performance definition. This is certainly not surprising, as the organisations’ aim of efficiency and profitability is (part) of their ‘raison d’être’. However, for group C the financial dimension is the main result dimension whereas in the groups A/B the social issue participation dimension and the legal requirement dimension are also final dimensions. Another main difference can be observed in regard to the voluntary redistribution of profits, which is integrated as a component of the financial dimension for group C, whereas it is either part of the legal requirement dimensions—when mandatory—or the social issue participation dimension—when voluntary—for groups A and B. For groups A/B performance in the social issue participation and legal requirement dimensions is a direct consequence of the financial dimension, because more profits result in more money for redistribution and this both on a mandatory and a voluntary basis. For group C, the legal requirement dimension is also linked to the financial dimension because the organisations have to contribute more in the form of taxes when the results (i.e. the financial dimension) improve. Throughout the data set, the group C cases underline financial success—both for the organisations and for society—and the positive contribution gambling activities make to the national economy by generating jobs and contributing to the overall GDP. In the cases of group A and B, these aspects are close to never mentioned in the data set. Groups A and B concentrate on charitable redistribution, but without mentioning the mandatory nature of this distribution, but instead emphasising the voluntary nature when they contribute to good causes in the absence of any legal obligation.

Overall, the graphical representation of these findings result in the following figure, which illustrates the much closer positioning of group A and B, as compared to group C:



Legend: The further from the centre, the higher the importance of the dimension for the definition of performance. The closer to the centre, the lower the importance of the dimension for the definition of performance.

Figure 11: The dimensions of performance compared across groups

Group A and B thus have very similar performance definitions, though they are not identical. The performance definition of group B differs more strongly from the performance conceptualisation of group C than from the performance definition of group A.

This first comparison confirms that the regulatory environment actually does influences the definition of performance, as indeed, a huge difference can be observed between the organisations that face a high regulatory intensity (group A and group B) and the organisations that face a low regulatory intensity (group C). In order to examine this statement further, the next section explores the interview responses which point to the link between the regulatory intensity and the performance definition.

6.2.2 Exploring the interview responses

In the first question of the interview, the interviewees[100] were asked to define the success of their organisation and this without any indications as to the different dimensions that are at the basis of the performance definition. These qualitative answers were summarised and the table below illustrates the performance dimensions that were referred to:

Dimension	Financial	Operational	Stakeholder management	Legal requirement	Social issue participation	Public values
Interview 1	√	√	-	√	√	-
Interview 2	√	√	-	√	√	√
Interview 3	√	√	-	√	√	-
Interview 7	√	-	-	√	-	-
Interview 9	√	√	-	√	-	-
Interview 11	√	-	-	√	√	-
Interview 12	√	-	-	√	-	-
Interview 13	√	-	√	√	-	-
Interview 14	√	√	-	√	√	√
Interview 4	√	√	-	√	-	-
Interview 5	√	√	√	-	-	-
Interview 6	√	√	√	-	-	-
Interview 8	√	√	-	-	-	-
Interview 10	√	√	-	-	-	-
Average score in % (n=14)	100%	57%	21%	71%	36%	14%
Legend:	√ dimension is identified			- dimension is not identified		

TABLE 53: PRESENCE OF DIMENSIONS IN OPEN INTERVIEW QUESTION

This summary of the content of the interview responses not only indicates that the organisational performance concept is multidimensional, but the clear difference between the answers from low regulated cases (in green) as compared to the high regulated cases (in red) also further points to a likely influence of regulation in regard to the definition of performance. It also indicates the predominance of the financial dimension followed by the legal requirement dimension and the virtual absence of the public values dimension.

Several quotations in the data set indicate an influence of regulation on the performance definition. One interview participant explained that an increase of regulation would be an

[100] General comment for the following sections and tables: in green are interviews of low regulatory intensity cases and in red are the interviews of high regulatory intensity cases.

enormous setback. He argued that the organisations in Austria were lucky that sport betting was so little regulated; even used the expression 'no regulation', though there is a licence requirement for retail (but not for online) operators. The interviewee believed that the absence of online regulation was the reason for the success of Bwin and consortium, an argument which could be backed up by the success of the British operators, which also face a low regulatory intensity. Austria is a small country and without a lack of regulation these success stories would arguably not have been possible (Interview 5).

Considering a hypothetic decrease in state regulation, some interviewees highlighted that this would mean a decrease in the level of taxation, as this is the only element that differentiates the sport betting sector from a free market and hence it would strongly influence the position of the financial dimension in the performance definition (Interview 4, 5). In strongly regulated environments, an organisation has to balance financial performance with values (Interview 2). One interview participant stated that there are three possible strategies: values without business, business without values or business and values together. This interviewee concluded that FDJ follows the latter strategy (Interview 2), which is the most complicated one, but it is arguably this complexity that indicates the need for a monopoly in France. Another interview participant added that the fascination of the gambling business is that it negotiates the narrow line between responsibility and customer attraction. An organisation cannot be so responsible that it gets boring for the customers, but it can also not to be so attractive that it triggers gambling addiction (Interview 3).

Another interviewee (Interview 14) explained that such a balancing is inherent to gambling activities (and to lotteries in particular), as they are not a 'normal' economic activity. Indeed, operators in a highly regulatory environment are not driven to make profits, as they would be the case of a normal economic activity, but their aim is to operate games of chance and making profits in a certain way. Organisations facing a high regulatory intensity do not offer games of chance in an aggressive manner, and do not go to the edge of what is possible, but they want to offer games which are less addictive and risky than other games. The financial dimension is of course important but there is more to the sector. The lottery sector is arguably marked by the four principles of solidarity, integrity, precaution and subsidiarity (Interview 14).

Subsidiarity refers to the idea that regulation should take place on the level where organisations are embedded, meaning in their own social and cultural environment. Solidarity refers to the redistribution of at least some of the profits to society. The solidarity principle further implies the need for an organisation to account not only to stakeholders but also to society, and hence to adopt a broad conceptualisation of social responsibility. Integrity refers to how an organisation structures its operations, and refers to negative externalities, such as match fixing, but also responsible marketing, respect of rules and protection of consumers. The interviewee in question argued that lotteries have to provide good examples for society, and be some sort of role models. And finally, precaution refers to the idea of not doing anything without knowing its consequences. This is in line with the social issue participation, such as research in gambling addiction or treatment of gambling problems. The interviewee outlined that it is along these four principles organisations should measure their success and define performance targets and indicators (Interview 14). The four principles very much mirror the different performance dimensions developed in this study and make the case for a balanced performance definition.

Another example of the influence of regulation on the performance definition is provided by the case of tipp3. Of all the organisations studied for group C, it is the only one that actually has voluntary measures in place with regard to gambling problems (i.e. the social issue participation dimension), in addition to measures that are legally required. One interview participant explained that this clearly done in order to comply with the monopoly licenses the firm holds for the lottery- and casino sectors. Austria Casino and Austrian Lotteries are the owners of tipp3 and under the monopoly licence they have a clear mission of engaging in prevention and treatment of gambling problems (Austrian Casino, 2012; Interview 5). Another interviewee argued that organisations could focus on social aspects because they benefit from a monopoly situation, which places the emphasis on other dimensions that would be neglected in a competitive environment (Interview 2). It is possible that protected organisations have a more sustainable, social view of the business than organisations facing competition, because if organisations facing a high regulatory intensity were inactive in regard to the social components of performance by for example not measuring or integrating them in their performance definition, it would be very hypocritical (Interview 2, 7).

These responses provide additional indications as to the existence of an influence of regulation on the performance definitions used by the interrogated organisations. These impressions are further consolidated when looking at each dimension individually and the various responses given to the hypothetical likert scale questions on how a change in the regulatory intensity would affect the definition of success.

6.2.3 The evaluation of the influence of the regulatory intensity in regard to each dimension

The participants were questioned on the influence of a hypothetical change in the regulatory intensity and the consequences on the definition of success in the organisation. Unanimously, the interview participants attested that the regulation influences the definition of the organisational performance and the position of the performance dimensions (interviews 1-14). Further, several interviewees emphasised that it is very important to balance the different dimensions well, and especially to find a good balance between regulatory compliance and the satisfaction of shareholders, and that this balance is affected by changes in the regulatory intensity (Interview 1, 2, 3). In the following sections the responses to the questions on the hypothetical situations as well as the statements made during the interviews in regard to this issue are presented for each individual dimension. By doing so, further indications on the influence of regulation on the performance definition can be found for the cases of the study. The quantitative data is not intended to prove the qualitative results true or false, but to illustrate some patterns that were suggested in the data set. The number of cases is far too small to make any general conclusions, but serves to illustrate the qualitative findings. In the hypothetical questions, the respondents were first asked to evaluate the importance (from 1=most important to 6=least important) of each performance dimension under the present regulatory intensity (Question 9), under a lower regulatory intensity (Question 13) and in the case of a higher regulatory intensity (Question 15). The respondents were also asked to evaluate whether the importance of each dimension changes (from 1=changes extremely to 5=changes not at all) if the regulatory intensity changes, both towards a lower regulatory intensity (Question 12) and towards a higher regulatory intensity (Question 14).

I. The financial dimension

The financial performance dimension is undoubtedly, and as also found both through the interviews and the documents, very important. The regulatory intensity influences the weight of the financial dimension for the performance definition, but the extent to which the financial dimension changes is generally not very high and remains stable, by being little affected by changes in the regulatory intensity. It is rather question of balancing different performance dimensions in the case of a higher regulatory intensity (Interview 7, 5, 7, 8, 10, 11, 12, 14). In lower regulatory environments, the focus of organisations would be more on financial and customer-oriented goals, and less on other dimensions (Interview 1, 2, 5, 10). In regard to the hypothetical questions, for the financial dimension, 23 valid responses were evaluated and summarised in the table[101] below.

Financial dimension[102]	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview					
Ø LRI n=5	1.60	2.00	1.00	1.20	1.20
Ø HRI n=6	2.13	2.75	1.50	3.50	3.50
Survey					
Ø LRI n=5	1.88	2.00	2.00	1.60	1.60
Ø HRI n=5	2.08	2.62	1.69	3.38	3.38
N° n/a	1 HRI	-	-	-	-
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available					

TABLE 54: THE FINANCIAL DIMENSION

The financial dimension is evaluated for all cases to be very important.[103] The qualitative analysis further highlights that a stronger regulation does not necessarily reduce the focus on the financial dimension but renders the performance orientation broader, also including regulatory aspects such as responsible gambling. But a very restrictive regulation may result in a very unbalanced performance orientation, as organisations feel obliged to neglect financial aspects because they may be limited in their commercial activities (Interview 1, 7, 8, 13).

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[101] A general comment for all dimensions, the complete tables with the individual interview responses can be found in appendix I.

[102] Only one interviewee did not respond to the question and in one survey, one 'n/a' was given. This is 'n/a' is a bit inconsistent, as the financial dimension should be evaluated under the current regulatory regime as the respondent evaluated the financial dimension in the rest of the questions. It could be that the survey respondent did forget to evaluate the dimension or had technical difficulties.

[103] As there are two survey responses that evaluated the financial dimension as less important in an even lower regulation (survey 9 and survey 10), and this seems to be inconsistent, the average for the interview responses were introduced as they are in any case more illustrative than the individual survey answers.

II. The operational dimension

The operational dimension is clearly affected by the regulatory intensity. At several occasions in the interviews it was mentioned that in a low regulatory environment in which organisations face a lot of competition, the operational dimension is crucial, since without it the business could not exist and no money could be made (Interview 7). This does not imply that the operational dimension is not important in a high regulatory intensity, but as the competition is in this case absent or very low, the operational aspects are under less pressure (Interview 1, 7, 13). In regard to the hypothetical questions, 23 valid responses were given for the operational dimension.

Operational dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Ø LRI n=10	2.40	2.45	2.10	1.70	2.60
Ø HRI n=13	2.92	3.00	2.69	3.15	3.08
N° n/a	1 HRI				
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available					

TABLE 55: THE OPERATIONAL DIMENSION

The operational dimension is important for all organisations studied. Indeed, all respondents confirm that a change in regulation would result in a change in the importance of the operational dimension. A decrease in the regulatory intensity is argued to change the importance of the operational dimension by increasing the position of this dimension for the definition of success (Interview 1, 7). It is generally argued that in cases where no more profits can be realised, due to a restrictive regulation or too high a competition, the operational dimension gains in strength because an organisation needs to be cost-efficient to further increase or achieve the same results (Interview 1, 5, 10).

III. The stakeholder management dimension

The stakeholder management dimension is not highly affected by a change in the level of the regulatory intensity. The evaluation of the document and interviews indicated that in the case of higher regulatory environments the stakeholder groups are broadened to include society at large, whereas in lower regulated organisations the focus is narrower, concentrating on more direct stakeholders, such as customers, shareholders and suppliers.

Stakeholder management dimension[104]	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Ø LRI n=10	2.67	3.10	3.10	2.20	2.70
Ø HRI n=13	2.64	2.31	3.77	3.08	2.77
N° n/a	1 LRI // 2 HRI				
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available					

TABLE 56: THE STAKEHOLDER MANAGEMENT DIMENSION

[104] In three cases (Interview 9, 11; Survey 9) there was no response to the question of the current evaluation. The reasons behind can only be speculative such as that the participants might not know or are not willing to respond.

In regard to the hypothetical questions, for illustration, 23 valid responses were given. All respondents confirmed the influence of regulation on the evaluation of the stakeholder management dimension, but no clear pattern can be identified or even used in the cases as regards the direction of this influence. One idea is that it is less a question of the importance attributed to the dimension but to the type of indicators developed. This is closely linked to what has mentioned above in regard to which target groups the organisation focuses on. In general it seems that customers are the main target group of a lower regulated organisation, resulting in the adoption of indicators measuring performance in this regard (Interview 5, 8, 10). On the other hand, highly regulated organisations seem to concentrate more on the players, the regulator and society as such, something that results in a broader definition of the stakeholder groups (e.g. Camelot 2012c; Française des Jeux 2012b; Norsk Tipping 2012).

IV. The legal requirement dimension

The qualitative data analysis clearly illustrates that the regulatory intensity influences the legal requirement dimension, and that the latter would be affected in the case of a change in the regulatory framework (Interviews 1-14). The high regulatory intensity cases have a strong compliance focus per definition, and they associate performance with the respect of obligations (Française des Jeux 2012b; Norsk Tipping 2012; Interview 1, 2, 7, 14). As an illustration, it can be noted that in regard to the hypothetical questions, 23 valid responses were provided in the interviews and the survey for the legal requirement dimension.

Legal requirement dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Ø LRI n=10	2.11	2.00	3.10	1.90	2.44
Ø HRI n=13	2.67	2.23	3.42	2.38	1.93
N° n/a	1 LRI // 1 HRI		1 HRI		1 LRI
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available					

TABLE 57: THE LEGAL REQUIREMENT DIMENSION

The small sample does not allow for any deduction of findings but in overall the responses tend to illustrate the results of the qualitative analysis, i.e. that the higher the regulation, the higher the importance of the legal requirement dimension. Indeed, this result is not very surprising in the sense that if this were not the case, the effectiveness of the regulation would need to be questioned.

V. The social issue participation dimension

Interview participants generally agreed that in a higher regulatory intensity the social issue participation dimension would be more important, because the organisations would want to show to the public that they are socially active and working in accordance with the regulatory objectives (Interview 10). Further, it was argued that in lower regulatory intensities, commercial issues are more important and hence the social issue participation dimension is much less in focus (Interview 10, 13). This difference is not so much a question of not wanting to engage socially, and more a question of focusing on the drive for future financial benefits. In this regard, the interviewees also emphasised that it was not be up to the organisations to engage in such social activities (Interview 8, 13). This reveals the idea of who is accountable for the negative effects of games of chance, a question which is clearly a political choice. In Belgium for example, the regulation makes the regulator accountable for responsible gambling (Interview 8). As an illustration, 23 valid responses for the social issue participation dimension were provided in the interviews and the survey in regard to the hypothetical questions.

Social issue participation dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Ø LRI n=10	4.00	3.30	3.60	2.60	3.90
Ø HRI n=13	3.82	3.23	4.00	3.15	3.25
N° n/a	2 LRI/3 HRI		1 LRI/1 HRI		1 HRI
N° out	2 LRI				
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available out=not part of performance definition					

TABLE 58: THE SOCIAL ISSUE PARTICIPATION DIMENSION

Under the current regulation the social issue participation dimension scores 4.00 for LRI— and 3.82 for HRI cases. This does not really correspond to the findings of the qualitative analysis, and indicates the weakness of the quantitative data. The idea is that for respondents it is difficult to evaluate this dimension because it is difficult to understand. Hence this is the strong case in favour of the qualitative research, which has allowed for proper explanations of the concepts behind the study. In the interviews and the documents the social issue participation dimension is clearly an important performance dimension for highly regulated organisations. This is especially true for cases where the organisations have a certain autonomy in using a share of the profits for voluntary measures aimed for example at gambling problems, funding of research or engagement in the local community (Française des Jeux 2012; Camelot 2012). It was further mentioned in the interviews that this is a result of the regulation, i.e. the idea of protecting organisations from competition also allows them to contribute socially (Interview 2, 7, 14). Further it was mentioned at several occasions that the organisations even perceived it as their duty to engage in social activities on a voluntary basis (interview 2, 14). It seems that low regulated organisations are less active in this regard and that they concentrate more fully on the business and the customers. It was further argued that this is a result of competition, which pushes the organisations to focus on the business side of their activities (Interview 8), but also a result of pressure from private shareholders, who are less concerned with redistribution and solidarity (Interview 4, 5, 13, 14). Whatever the reasons and motivations behind these differences, the qualitative analysis finds that the inclusion of the social issue participation dimension in the performance definition can be linked to the regulatory environment.

VI. The public values dimension

The public values dimension does not appear to be highly influenced by a change in the regulatory intensity. In the interviews it was outlined that the level of empathy would be the same regardless of the degree of regulatory intensity (Interview 13). Further, the hypothetical questions reveal, for illustration, that the dimension is not easily evaluated, as eight 'outs' were recorded in the survey responses. Though no final conclusion can be drawn based on this, it nonetheless indicates public values do not constitute a performance dimension on their own, something that was also found in the qualitative analysis.

Public values dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Ø LRI n=10	4.33	3.67	4.00	2.44	3.90
Ø HRI n=13	3.00	3.67	4.08	3.25	3.25
N° n/a	2 LRI/1 HRI	1 LRI/1HRI	1 HRI	1 LRI/1HRI	1 HRI
N° Out	2 LRI				
Legend: RI=Regulatory intensity LRI=Low regulatory intensity HRI=High regulatory intensity n/a=no answer available out=not part of performance definition					

TABLE 59: THE PUBLIC VALUES DIMENSION

Furthermore, though vague, these results also implicitly confirm the earlier conclusion that the public values dimension is more a processes guiding dimension than a performance dimension. Public values were detected in the coding of the text material but their evaluation indicates that they constitute values that are important for the organisation but which are not included in any performance statements (e.g. Française des Jeux 2012; Camelot 2012; Ladbrokes 2012, Interview 1, 2, 3).

6.2.4 Concluding remarks

The exploration of the data set composed of reports, interview transcripts and survey responses allow for a positive answer to the general research question of whether the regulatory environment influences the definition of performance in regulated organisations. The cross case comparison of the qualitative questions of the interviews and codes identified in the data set yield a different performance conceptualisation for groups A and B, as compared to group C. Across all three groups, the financial dimension is present and very important for the performance definitions. The operational dimension is also highly present, and it appears that it is in a similar focus in the groups of high regulated cases, and varies slightly in regard to the group of low regulated cases. This is also true for the stakeholder management dimension, which is present to the same degree in the performance definition of groups A and B, whereas it is slightly more present in group C. The legal requirement dimension differs in its importance for the performance definitions across all groups. The importance of the social issue participation dimension for the performance definition also differs across all three groups, but with a similar position in groups A and B. In regard to the public values dimension, the groups differ in regard to the importance they give for the performance definition, but with a smaller difference between group A and B as compared to group C.

As concerns the way the regulatory environment influences the definition of performance, several observations can be made. Among the performance dimensions applied, a different relationship is identified between organisations facing a low regulatory intensity and those facing a high regulatory intensity. Organisations facing a low regulatory intensity have a hierarchically ordered performance definition, in which the financial dimension is put at the top. Hence a clear vertical order applies and the dimensions are not all given the same weight. Organisations facing a high regulatory intensity also apply a multidimensional performance definition, but in a horizontal fashion, as they emphasise several performance dimensions in equal measure, the financial dimension not being the only final dimension.

Having thus examined the relationship between the dependent variable—the definition of performance—and the independent variable—the regulatory intensity—the remaining question is that of which position the type of ownership has in this dynamic. The next section will therefore explore whether the type of ownership, as a control variable, can be qualified as a moderator or a mediator in the relationship between the regulatory intensity and the definition of performance.

6.3 CONTROL VARIABLE: THE TYPE OF OWNERSHIP—A MODERATOR OR A MEDIATOR?

In order to examine the question of whether public or private ownership influences the definition of performance in the cases under study, a cross-group comparison will first be conducted (section 6.3.1). In doing so, the performance definitions of group B—the private organisations facing a high regulatory intensity—are compared to those of group C—the private operators facing a low regulatory intensity and of group A—the public organisations facing a high regulatory intensity. This analysis will provide indications with regard to the interplay between regulation and ownership as concerns the shape of the performance definition of the various organisations. In a second step (section 6.3.2), the quotations found in the interviews and documents analysed in regard to the type of ownership and its influence on the performance definition will be discussed.

Chapter two illustrated the fact that different performance conceptualisations seem to apply in private and public organisations. One aspect which has been lacking in research until now, is whether this situation also applies to organisations, public and private, facing regulation. The contention formulated in this study is that the regulatory intensity is assumed to outweigh the type of ownership in defining the performance definition of organisations. If this proposition holds, less divergence between the cases of high regulatory intensity, but of different types of ownership should be observed, than between the cases of same type of ownership but of different regulatory intensity.

6.3.1 Cross-group comparison: convergence or divergence in performance dimensions?

The starting point of the comparison is group B, which represents the intermediate case (highly regulated but privately owned). Group B is compared to group A (highly regulated, publicly owned) and group C (low regulated, privately owned) to address the question of the role of the type of ownership in the relationship between the regulatory environment and the definition of performance.

First in regard to the legal requirement dimension, a convergence across the groups A, B and C can be observed as in all three groups the legal requirement dimension is suggested to be a prerequisite dimension and in all of the groups it is identified as an aspect underlying any organisational activity. Especially, the interview participants belonging to group B and group C directly pointed it out as the basis upon which any business activity needs to be undertaken (e.g. Interview 1, 9, 14 etc.). However, for group C, the statements focussed on the access to the market and the acquisition of licences whereas, in group B the content of the comments went further, by including also the respect of the licence agreements and the constant control of compliance with the laws and licence conditions, as for example in regard to products allowed or responsible gambling (e.g. Interview 1, 9, 11). In group A, even though the legal requirement was an important prerequisite dimension, it was less directly highlighted across the data set. This seems to be linked mainly to the type of ownership, as a public organisation first of all has to follow the laws and rules that apply. This is hence understood as a 'fait accompli' that does not need to be expressed as a performance dimension (Interview 2, 7).

In regard to the public values dimension, a divergence between groups A, B and C can be observed, even though none of the cases include in their performance definition. Again, there is some commonality between the groups A and B as opposed to group C. The public values dimension is categorised as a guiding processes dimension. For group A, public values are a core for the organisations, which accompanies all activities and reflections (Interview 2, 7). Group B also focuses on public values, and they are underlined as being very important but do also seem to not be a distinct performance dimension. Disrespect would enhance the focus on these values but as long as they are respected no special attention is paid (Interview 3). Public values in group C do not appear to have a special position and do not accompany the business activities to the same degree as in the other groups. Some public values, such as transparency, are important for these private organisations but it has to be remembered that in the understanding of group C, public values are more part of the operational dimension, related to security aspects in transactions or transparency in regard to the processes of the game (Interview 4, 5, 6, 10).

A very similar conclusion can be drawn in regard to responsibility. Responsibility, not necessarily a public value, was frequently outlined in the HRI cases (groups A and B). It is even suggested to merge responsibility with the public values dimension. But responsibility is not present at the stage of a guiding processes dimension in the low regulatory intensity cases (group C). This does not suggest that responsibility is absent but that it intervenes in relation to the operational and the stakeholder management dimensions.

Multiple dimensions were identified as being actual performance dimensions. Nevertheless, their use in constructing the performance definition varies between the different groups. Convergence occurs among the three groups in regard to the operational dimension and the data analysis supports the idea that the operational dimension has a similar position for the performance definition in all three groups, in spite of the different types of ownership or levels of regulation.

In contrast, the position of the stakeholder management dimension for the performance definition differs among the groups. A convergence is observed between groups A and B. The conceptualisation of group C on the other hand diverges from groups A and B in regard to the stakeholder management dimension. Indeed, group C puts more emphasis on the stakeholder management dimension as it incorporates the aspect of voluntary measures taken in regard to gambling problems, which is elsewhere part of the social issue participation dimension. Hence, the stakeholder management dimension differs more between groups C and B, than the use of the stakeholder management dimension does for groups A and B.

Multiple dimensions can be identified in the analysis as being of the nature of final performance dimensions. There is a large convergence between groups A, B and C in regard to the financial dimension, as it is of a very high importance for the performance definition in all groups. The financial results are in a very strong focus and this both in the private and in the public organisations, regardless of the regulatory intensity. The legal requirement dimension is present in all three groups as a final dimension but divergence occurs between the different cases, the differences between groups A and B being smaller than those between groups B and C. This has mainly to do with two elements: the mandatory redistribution and the mandatory obligations for gambling problems. In regard to the mandatory obligations for gambling problems, they are present in all of the three groups but are argued to have a much stronger presence for group B and group A, as an effect of the regulatory intensity. Group C has little obligations in that regard and hence the legal requirement dimension is less important. The other element explaining the importance of the legal requirement dimension is unquestionably the mandatory redistribution. This aspect applies to all three of the groups but with a sharp difference between groups A/B as compared to group C. Also in group C, taxes are collected by the state but this element is much less in focus in the performance definition. On the other hand, groups A and B frequently reference mandatory redistribution, even when they do not discuss the mandatory element. Despite the similarities between group A and B, the legal requirement dimension is seemingly slightly more in focus in group B than in group A. The cases of group B often refer to the compliance with laws and regulations in the data set (Interview 1, 9, 12, 14). It appears that the public organisations (group A), as they are public, do not underline this dimension strongly, something that does not imply that it is not part of the performance definition, but that it is a prerequisite, i.e. a ‘fait accompli’ that they comply.

In regard to the social issue participation dimension divergence can be observed between groups A, B and C, with common points between groups A and B. It is even suggested that in regard to group C it is part of two other dimensions. First, as concerns sponsoring or partnerships it is part of the financial dimension. Voluntary redistribution is not very present in the data set and it is suggested to be completely dependent on the financial performance of each year. Second, in regard to the voluntary measures against gambling problems, they is suggested to be part of the stakeholder management dimension, as these measures are addressed exclusively to their players and not to society at large. Groups A and B are very similar in regard to the social issue participation dimension and it is for both an important aspect of the performance definition. Nonetheless, the public organisations (group A) seem to attest a slightly larger presence to this dimension than the private organisations (group B and C) and hence a different conceptualisation can also be observed between groups A and B, but the difference is smaller in degree than that found between groups B and C.

In summary, the first comparison of the results from the data analysis indicates that the type of ownership has a moderate but not a large impact on the definition of performance for regulated organisations. In cases of divergence in the use of the different performance dimensions the gaps between group C and B are much larger than the gaps between groups A and B. However, before drawing any conclusions on the interplay between the type of ownership and the regulatory intensity with regard to the performance definition, the quotations found in the data analysis of the reports of the organisations and the interviews conducted will be considered.

6.3.2 Exploring the interview and survey responses

In the interviews and surveys, two questions on elements that influence the definition of success were asked. The first question asked the interviewees to evaluate the importance of the different external spheres on the definition of performance (question 5). The table below summarises the answers for each group individually (1=very much important to 5=not at all important):

Influence of sphere	Group A	Group B	Group C	Ø per sphere
Social-cultural sphere	1.71	2.67	2.10	**2.04**
Political and legal sphere	1.29	1.57	1.40	**1.42**
Technological sphere	2.29	2.43	1.50	**2.00**
Economic sphere	3.14	2.29	1.90	**2.38**
Ø all spheres	**2.11**	**2.24**	**1.73**	**-**
Number of responses (n)	n=6	n=8	n=10	n=24

TABLE 60: ENVIRONMENTAL SPHERES AND THEIR INFLUENCE ON THE DEFINITION OF PERFORMANCE

In the opinion of the respondents, all four spheres are judged to influence the definition of success of the organisations. This is not surprising in so far as it supports the organisational theories arguing that organisations are open systems interacting with the external environment (Hatch 2006; Lawrence & Lorsch 1967, 1972; Levinthal 1991; Rosenzweig & Singh 1991). Some interview participants also mentioned the importance of all spheres on the definition of success. One interviewee summarised that the organisations cannot escape the political and legal spheres, as the regulation obliges them to act in certain ways. He further argued that the gambling activity is not an ordinary economic activity and that the operators have to consider various aspects, such as ensuring a balanced development of the sector, preventing fraud and criminality, being transparent, not destabilising the branch and protecting vulnerable persons. Hence these aspects concern several spheres and the organisations are highly impacted by the regulation lying out these obligations (Interview 7).

In regard to the social-cultural sphere all groups attested an influence on the performance definition, and especially in the highly regulated cases it was argued that the regulation itself imposes reflections in regard to social values, and the organisations have to consider these influences and need to respond to these needs (e.g. Interview 7). For lower regulated cases this is important insofar as that it can influence the image of the brand (e.g. Interview 4, 5, 6, 7). A disregard for social values could result in higher regulation, something that the organisations would not necessarily find desirable. One interview participant added that the social-cultural sphere is important, as the organisation could act in a more aggressive and profit-oriented manner, but if this goes against the culture of both the organisation and society it is not desirable that it does so. As the organisations are embedded in a wider socio-cultural environment, they are affected by that which is happening in society (Interview 14). Furthermore, it was several times mentioned in the interviews that low regulated organisations have more leeway in regard to whether or not to consider the social-cultural components of the society they are operating in (e.g. Interview 1, 5, 10, 14). Interviewees agreed that organisations need to consider the social values as this impacts on their public image (Interview 1, 3, 7, 13, 14). For instance, in the case of Camelot it was mentioned that the organisation markets itself as socially responsible, showing consumers that they could be more aggressive, but that they do not want to because it would be badly perceived (Interview 13). For illustration, the quantitative evaluation backs the qualitative results, yielding an average score for all groups of 2.04, as illustrated by the table above.

Across the three groups, the political and legal sphere is evaluated to matter a lot for the definition of success in the organisations. It is also in this dimension the regulation for the sport betting and lottery sectors is included. The political and legal aspects are seen as legitimating the activities of the organisations (Interview 4, 7, 5, 14). One interviewee mentioned that in his view the political and legal sphere is the most important sphere because the organisation is owned by the state and the mission is to do business in a social way. In the interviewee’s opinion the government must see an advantage in owning their own company and keeping the monopoly, otherwise they would go to a licence based system and allow competition (Interview 3). One interviewee outlined that an important aspect in regard to the legal and political sphere is the question on how the organisations can influence the debate and that the organisations define their success in regard to how well they are able to influence future regulation (Interview 9). Another interview participant added that when the political and regulator level do not understand the system it can go very wrong, something which would very much influence the definition of success in the organisations (Interview 3, 14). Good communication is required in order to inform policy makers (Interview 14). The legal and political aspects risk being a obstacles for organisations trying to do a good job (Interview 3). Another argument is that the political and legal sphere is very important for the definition of success but one has to make a distinction between the legislation and regulations that control the organisations and the ones that have negative impacts, as for example heavy taxation systems which decrease the competitiveness of legal organisations facing illegal competitors. Regulation, in the view of this interviewee, can be helpful but it can also be very detrimental (Interview 4, 5, 10). Further it was outlined at several occasions in the interviews that the legal and political sphere limits the autonomy of the organisations, restricting their scope of action, and for example which games they can offer (Interview 7, 14). For illustration, the quantitative evaluation backs the qualitative results, as illustrated in the table above, yielding an average score for all groups of 1.42.

The technological sphere is also an important aspect of success for the organisations and organisations have to be technologically advanced (Interview 1, 4, 5, 14). The technological sphere is important, and this for all cases, because it is directly linked to the operation of games of chance, especially for online gambling (Interview 1, 3, 4, 5, 9, 10). With increased competition, legal or illegal, organisations have to be particularly innovative to satisfy customers and attract new ones (Interview 1, 2, 3, 13). A successful organisation is one that anticipates which technologies will be developed in the future and what kind of games customers will demand. One example mentioned at several occasions by different interviewees is Veikkaus. In the beginning, when Veikkaus started with the internet business they developed the whole technology by themselves, as it did not exist at that time. Hence they were at the forefront in regard to the technological developments and were very successful in acquiring customers online (Interview 2, 13, 14). For illustration, the quantitative evaluation back the qualitative results as illustrated in the table above with an average score of 2 across the groups.

Further it is argued that organisations are obliged to take into consideration the economic sphere because as games of chance are an economic activity the offer needs to be adapted to the demand and this implies for example adapting the quotes or developing a planning systems for pay-out rates (Interview 1, 2, 7). The importance of the economic sphere is clearly attested and several interviewees argued for example that the lottery games are anti-cyclic, i.e. people tend to play more in times of economic crisis because they hope to gain money (Interview 2, 13, 14) whereas sport betting games are more cyclic (Interview 5, 10). This moderate importance of the economic spheres is further illustrated with the quantitative evaluation, yielding a 2.38 average score for all groups.

Organisations evaluate that all spheres have to be considered when operating games of chance but especially the legal and political aspects are primordial because an organisation needs to comply with them (Interview 1, 2, 5, 7, 13). This is in line with the discussion above on the influence of regulation on the definition of performance in the organisations.

The second question in the interview on the interplay between the type of ownership or the regulatory framework on the definition of the performance, the respondents were asked to evaluate the importance of different elements on the definition of success used in the organisations.

	Group A	**Group B**	**Group C**	**Ø**
Regulation in place	1.8	1.85	1.3	1.61
Type of ownership	1.8	2.5	1.8	2.04
Public mission of the organisation	1.6	1.5	2.1	1.78
Number of responses (n)	n=6	n=8	n=10	n=24

TABLE 61: FACTORS AFFECTING THE DEFINITION OF PERFORMANCE

All the interview participants evaluated the importance of regulation on the definition of success as being high. The quantitative evaluation (1.61 in average for all groups) is a nice illustration for the results presented. One interviewee argued that De Lotto evaluates itself successfully when it complies with all the laws and regulations (Interview 9). This is also often stated by the organisation as being an important ingredient of the performance definition (Interview 9). Moreover, one interviewee added that as there is at the moment a very low regulation in place, its effects are less important, but that when there would be more regulation it would become very important for the shape of the performance definition (Interview 5). Similarly, another interviewee emphasised the importance of the regulatory framework but added that it can have negative or positive effects (Interview 14). It can be positive if it enhances the potential of the organisations to execute their task and to effectively implement their goals. In the view of several interview participants, Veikkaus is an example of such a positive effect of regulation on organisations. A negative attitude of the regulation is one that thinks gambling in general is too dangerous and restricts the gambling activities very much without successfully combating illegal gambling activities. The negative example mentioned at several occasions in the interviews is Germany, that has a very restrictive gambling regulation but also a growing community of online gamblers playing on illegal gambling websites. One interviewee explained that Germany is a disaster in that regard because the government did not understand the sector, something that resulted in the loss of market shares in sport betting to illegal operators. The prohibition of advertisement is an example of what went terribly wrong in Germany (Interview 14). This indicates that not only the regulatory intensity but also the quality of the regulation in place is important for the definition of performance in the organisations.

Across the sample, most interviewees evaluated the type of ownership as being an important element with regard to the definition of success, but that it has to be put in context. One interviewee from group B argued that as De Lotto is a non-profit organisation, it differs from one that is profit oriented, as they want to generate money for their owners and hence less would go to good causes (interview 9). This would points in the direction that there is a distinction to be made between different types of private organisations. The influence of the type of ownership, even though argued to be very important, seems to be abated by the regulatory environment however. One interviewee stated that: *"In my view the type of ownership is very important, but not in all circumstances. There are companies like Camelot, because of the regulatory environment, are safeguarded against the negative attitude of private organisations. But you can see other private organisations facing a less restrictive regulatory environment, where the values are probably not preserved in the same manner (...)*" (Interview 14). This opinion underlines the importance of the regulatory framework on the definition of success and that it seems to be more influential than the type of ownership. This is an argument that is shared in the interviews, especially with the belief that with the right regulation a private organisation can also function in the way the public organisations do. One interviewee outlined that a private organisation with private shareholders, which has obligations of the same kind as the public organisations in its licence agreement, or private organisations that are held by the state can result in the same outcomes despite the different structure (Interview 7).

The views expressed in the interviews support the argument that the regulation in place affects the definition of performance more than the type of ownership. One interviewee for example mentioned that in a public organisation the state is the regulator but also the owner and the goal of the organisation is not to make profits but to offer secure gambling services for the public (Interview 2). The interviewee outlined that if tomorrow you would put private investors next to the other shareholders a conflict of interest would occur, because private shareholders seek to maximise the profits in accordance with the legal framework outlined by the state. In a private organisation you do everything that is not forbidden whereas in a public organisation like the FDJ you do only what is authorised (Interview 2). The aspect of shared values across the shareholders is also an element detected in the annual report of Camelot with the change in ownership to the Ontario Teachers' Pension Fund (Teachers') (Camelot, 2012). Another interviewee argued that the type of ownership is crucial but that it could be possible to operate a private organisation in the same way as a public organisation if the regulation is strict (Interview 3). Yet another interviewee added that public organisations have it easier because when you are a flexible, dynamic organisation benefiting from a monopoly, you have an advantage in operating games of chance because you have a large market share (Interview 10). This opens the discussion of the public versus private organisation.

One interviewee raised the question of whether the FDJ is really a public organisation. In his view it is not the case because it is founded as a stock corporation. Hence it is *de facto* not a public organisation, with the exception that the state is the main shareholder. Hence the FDJ incorporates a high degree of publicness as along with exclusive rights to operate games of chance, obligations of public order or public interest are imposed on the organisation rendering it more public (Interview 7). In the opinion of the interviewee, it is not a public organisation in the sense that the FDJ is not an administration nor is the organisation subject of public law (Interview 7). Hence, attention has to be paid to the nuances between public and private organisations (Interview 7). In other jurisdiction a games of chance operator may clearly be a pure public entity as it is integrated in the administration but in France the FDJ is a commercial organisation subordinated to private law but with the state as major shareholder. The state governs the organisation in the Board of Directors but it is not subject to public law (Interview 7). Contrary to that line of argument, another interviewee mentioned that the FDJ is a mixed organisation, but that it is *de facto* a completely public organisation because the minority shareholders are strategically aligned with the state, holding the majority of the shares. Hence, all shareholders share the same vision (Interview 2). These two contradictory opinions illustrate quite nicely that it is not really a question of a public-private dichotomy, but one of the regulatory intensity, enhancing the level of publicness, that influences the shape of the performance definition of the organisations. Another example for this reflection is the case of Camelot. It was argued in the interviews that Camelot, a private organisation, has a lot of traits of a public organisation, especially in regard to the redistribution of revenues to social causes and the activities in regard to responsible gambling (Interview 13, 14).

One element that occurred at several occasions in relation to the question of type of ownership was the public mission of the organisation. The public mission of the organisation is an element making up the regulatory intensity and influencing the definition of success (Interview 14). Several other respondents share this opinion (Interview 2, 7, 8). The influences, of state or private nature, on the organisations seem to be more decisive than the type of ownership (Interview 5).

Another interviewee outlined that due to regulation Camelot is not purely private because it carries a lot of the traits of a public organisation. Hence, they have a certain degree of publicness (Interview 13). Hence it seems that it is less the type of ownership that matters, and more the regulation, and particularly one attribute of the regulation, namely the public mission imposed on the organisation and the degree of publicness. Camelot for example is a private organisation with a public use of profits and the level of profits Camelot can keep is actually very limited. This is for example not the case with the Austrian Lotteries or Lottomatica, two organisations that pay a high amount of taxes, but their objective is still to make money for the shareholders (Interview 14). So the public mission is also important for the definition of performance in organisations and points again to the regulation in place as being decisive for the definition of performance in regulated organisations.

6.3.3 Concluding remarks

To sum up, the type of ownership has a moderate but not a large impact on the definition of performance for regulated organisations and is arguably, for the cases studied, not an alternative explanation for a different definition of performance. The highly regulated organisations, despite a different type of ownership, share a very similar performance definition, using multiple result dimensions. In the case of divergence in the use of the different performance dimensions the gap between group C and B is much larger than the gap between groups A and B. The regulatory environment decides not only the type of ownerships but also other elements, such as the public mission of the organisations or the degree of competition, and it is hence much more influential on the definition of success.

6.4 CONCLUSION OF CHAPTER

What are the conclusions that can be drawn from the various elements presented in this chapter? Some concluding remarks have been provided already at the end of each section, but coming to an end of the qualitative analysis, it is useful to synthesise the elements that allow for an answer to the central research question.

This study has successfully highlighted that the definitions of performance in all cases analysed are indeed multidimensional, as outlined in chapter two. While not surprising, the identification of this multidimensionality in the units of analysis was nonetheless an important first step that prepared the cases for the examination of the research question. The cases were divided into three groups (namely group A of high regulated and public owned organisations, group B of high regulated and private owned organisations and group C of low regulated and private owned organisations), and for each of these groups a performance definition was constructed based on the interviews and the documents analysis. The FDJ and Norsk Tipping, belonging to group A, have a multidimensional performance definition with a strong focus on the financial, the social issue participation and the legal requirement dimensions, whereas the other dimensions, with the exception of the public values dimension, are also part of the definition of performance. It should be noted that the legal requirement dimension is mostly indirectly detected in the data set. For this group of organisations, the social value and the economic value creation are crucial and equally important in doing business. Indirectly, the legal objectives outlined in the regulation are certainly addressed, though they are not presented in this manner in the discourse of the organisations, something that seems to be closely linked to the public character of the organisations. This could be indicative of the fact that because of the public character of the organisations, the respect of legal obligations and the fulfilment of regulatory objectives is their ‘raison d’être’, and this respect therefore does not need further specification.

De Lotto and Camelot, belonging to group B of high regulated and privately owned organisations, also have a multidimensional performance definition with a strong focus on the financial and the legal requirement dimensions, closely followed by the social issue participation and the operational dimensions and with a moderate importance of the stakeholder management dimension. Interestingly, the legal requirement dimension was in this group of cases directly identified as an important part of the performance definition. Organisations weigh the financial and the legal/regulatory objectives equally, while not neglecting social responsibility.

Belgium Ladbrokes and the Austrian sport betting organisations face a low regulatory intensity and are privately owned (group C), and they apply multidimensional performance definitions with a clear hierarchy between the dimensions with the financial performance at the top, underlining the economic value creation of the organisations for their shareholders. Certainly, other dimensions, such as the operational dimension or the stakeholder management dimension are also very important as they contribute to future financial performance. This does not imply that the legal requirement dimension is absent. Certainly, regulation is important and compliance aspects are frequently mentioned in the data set. The contribution of the organisations in form of taxation to the state budget is frequently detected in the analysis. Finally, the social issue participation dimension does not occur frequently in the data set and is evaluated to be of low importance to the performance definition.

All three groups share the idea that public values dimension is not a performance dimension by itself. This does however not imply that public values are absent in the data set. On the contrary, organisations in all three groups highly evaluate values such as fairness, equity or transparency. This could be indicative of the fact that public values form part of organisational values but are not included at the heart of performance management and are hence not core aspects of the strategy. This makes the case for not linking every organisational activity with the buzzword of performance. It is arguably more adequate to clearly outline what is considered when measuring performance and which aspects are excluded from the performance definition, but are still important for the organisation. Hence the concept of performance could be streamlined by being constructed based on fewer but maybe stronger legs.

Indeed, legal, social and environmental aspects appear to be included in definitions of performance of organisations in sport betting and lottery sectors. It could be argued that organisations do not exclusively focus on economic value creation but also consider social and legal entrepreneurship to be important aspects of business making, something that is underlined by the integration of these elements in the performance management. The regulatory environment surrounding and influencing organisations clearly influences the integration of the various aspects in the performance management.

The research question of whether this influence exists can therefore be positively answered (section 6.2). Indeed it is safe to say that the regulatory environment, as argued in literature, changes the behaviours of organisations, and though the definition of organisational performance is not necessarily directly targeted, it is affected. Across the sample, explicitly expressed in the interviews, and implicitly detected through the comparison of data across the groups, the regulatory intensity is seen to influence the definition of performance. In regard to how this is done, several observations can be made.

Organisations facing a low regulatory intensity apply a hierarchical performance definition, in which the financial dimension is at the top. Hence a clear vertical order applies and the dimensions are not all given equal weight. Generally speaking, low regulated organisations adopt a more economic entrepreneurial performance strategy, multidimensional but hierarchically ordered with the financial dimension on the top.

Organisations facing a high regulatory intensity also apply a multidimensional performance definition and this in a horizontal order, with an equal emphasis put on several performance dimensions. Hence, highly regulated organisations adopt a more diverse performance strategy, which is also multidimensional, but which is horizontally ordered, and does not exclusively concentrate on economic entrepreneurship but also on legal and social entrepreneurship dimensions.

This is interesting insofar that highly regulated organisations—as highlighted by Mahon and Murray Jr. (1981) in a study on the influence of the level of regulation on strategy—adopt a political/social performance strategy, whereas low regulated organisations follow an economic/political performance strategy and this in public as well as private organisations. These different performance strategies of the organisations are a result of the influence of regulation on organisations. This postulate not only acknowledges that regulation does indeed alter organisations' behaviours, but it also indicates that it affects a core concept of management, namely performance. This could be indicative of the fact that it is not only the economic value that is in focus of organisation but that it is an alignment of economic and non-economic organisational goals. Arguably, organisations facing a low regulatory intensity evaluate the economic goals as being final goals whereas the non-economic aspects are mostly considered when believed that they could further increase the economic value creation of the organisation. Further, the results may indicate that highly regulated organisations balance the economic and non-economic aspects, reflecting the social aspects in the performance definition.

This further implies that, in contrast to the conceptualisation in public performance literature, the type of ownership is less important in defining performance than the regulatory intensity (section 6.3). In this study, the type of ownership matters but it can be judged to be a moderator in the relationship of the regulatory intensity and the performance definition. The influence on the performance orientation of organisations seems to be less a question of public versus private organisations and more a question of low and high regulatory intensity. The performance definitions in the three groups are different and can be linked to the different level of regulatory intensities organisations face. Group A and B share a similar definition of performance, equally weighing several dimensions, whereas group C adopts a very hierarchical performance definition with the focus of the financial performance.

Arguably, the regulatory environment is hence a certain protection for organisations, something that allows for a deployment of resources, which would otherwise be used for the core business activities, for more social and environmental concerns. In competitive situations, organisations concentrate on the core aspects of business, resulting in a concentration on the financial dimension as the sole final performance dimension. In monopolistic situations, organisations diversify business activities, something that results in a wider focus mirrored in a performance definition that includes social outcomes. This is indicative of the fact that regulation leads organisations to balance different performance dimensions goals equally. Arguably, regulation can affect organisations to include a non-financial outcome focused performance definition, internalising regulatory objectives in the performance management and measurement process. But does that mean that regulatory intensity could be increased, thereby turning organisations into entities focusing more on social than financial aspects? With regulation, organisations are accountable for what they are doing and hence adjust the organisational goals against the regulatory goals. Nonetheless, organisations in the studied sectors are economic entities and exist to perform well financially as well. The idea is not to necessarily unbalance the performance dimensions towards more legal, social and environmental performances at the expense of financial performance, but to balance the different performance dimensions.

Overall the analysis and exploration of the data suggests that the regulatory intensity plays a crucial role for the definition of performance in organisations and this to a far higher degree than the type of ownership. What this means for this research, theory and practice will be discussed in the next chapter.

7 DISCUSSION

This study has looked at the questions of whether and how the regulatory environment influences the definition of performance in organisations. This research focus flowed from the observation that despite an abundant literature on public performance, the regulatory environment is rarely analysed in terms of its influence on the definition of performance. The empirical case studies undertaken here have shown that the regulatory environment does indeed influence the definition of performance.

The previous chapters have constructed tools to analyse the definition of performance on the one hand (chapter 2) and the regulatory intensity on the other hand (chapter 3). The relationship between the two elements has then been empirically analysed through a model applied to the definition of performance in the sport betting and lottery sectors and this in six different countries (chapters 4 to 6). This study has challenged the conventional view of organisational performance as simply being defined differently in public and private sectors, and has instead illustrated the impact of the regulatory environment organisations face, be they public or private. The research methodology used in this study was chosen following a detailed analysis of the two different elements, namely the definition of performance and the regulatory environment, their underpinning logics, and the various ways in which they could be explored. The conceptual model, constructed from an extensive literature review, was consequently empirically examined through semi-structured interviews with experts in the field, as well as through an extensive content analysis of relevant documents and the interview transcripts. The cases serving as examples to examine the model were discussed and the results were presented first on a case-per-case basis, and then through a cross-case analysis. Having now come full circle, this chapter will reposition the research in its wider context and underline the various stakes involved (section 7.1). It will then link the results back to the research model and the practical aspects of the research (section 7.2). Third, the performance, regulation and gambling debates will be discussed in light of the results, and more particularly in terms of the contribution of this study to these fields (section 7.3).

7.1 WHAT IS AT STAKE

Before discussing the conclusions of this research further, it is necessary to place them in their proper context, repositioning the main stakes of this debate. The wider objective of the research has been to better understand and clarify the substance of performance in regulated environments, and this for both public and private organisations. Under the regulatory state, the implementation of public policies is increasingly trusted to organisations outside the central administrative structure, including to private entities. Nonetheless, the language on performance is still marked by the public-private opposition, disregarding all other contexts, including the regulatory environments. Hence, the results of this study provide interesting insights for the performance management of organisations facing regulation, because—as illustrated in chapter two—performance is at the heart of any organisation, be it private or public.

The results of the study clearly confirm the multidimensionality of performance. The analyses were based on a tool constructed for an in-depth examination of the performance definition used by organisations. The multidimensionality of performance was expected, and is thus certainly not to be considered a novel conclusion, but through the research, this characteristic of performance has been given a sector specific analysis. Furthermore, this analysis has been given added-value through the tool constructed to examine performance. The integration of six performance dimensions in a tool which was then empirically tested not only allowed for an identification of the substance of performance, but it also gave further insights with regard to the nature and importance of these dimensions for the performance definition. This has underlined the changing shape of the performance definition in connexion to the specific situations of organisations. For instance, the financial and the operational dimensions have been identified as being very stable in their positions with regard to the definition of performance, operational performance being positively linked to financial performance. Though the financial dimension is a final performance dimension in all groups, the position of other performance dimensions is far more variable, influenced as it is by the level of regulatory intensity. This differing nature of performance dimensions could be indicative of the fact that, as outlined in previous research and theory, no standardisation of performance measurement is possible. That which is considered when evaluating the success of performance is largely dependent on the regulatory intensity the organisation faces. Moreover, the stable position of the financial and operational dimensions could be indicative of the fact that organisations are first and foremost economic entities, which need to be profitable and to create economic value, at least for their shareholders. While this is certainly the case, a solely economic entrepreneurship is not sufficient in a more regulated environment, as illustrated by the results of this study. As presented in chapter two, social and environmental aspects are indeed integrated in the performance definitions of both private and public organisations.

In the cases of low regulatory intensity, social and environmental activities are undertaken and measured when they are believed to contribute to financial performance. In cases of high regulatory intensity however, such aspects are also seen as final performance dimensions that are as important as financial performance. Their position for the overall performance conceptualisation therefore varies depending on the degree of regulatory intensity. Hence, the complexity of defining performance is linked to the balance of different performance dimensions, something that for some organisations results in a very hierarchical performance construction, whereas for others it is rather flat. This could be indicative of the fact that even though CSR is an important concept for organisations, and many organisations have implemented CSR guidelines in their activities, they do not seem to be an integral, final part of the performance definition. This unless the regulatory environment pushes organisations to also adopt legal entrepreneurship, and/or protects them so that they can adopt social entrepreneurship. If this is done, the result is that several dimensions become equally important when it comes to evaluating performance.

This raises important questions for the state monitoring organisations and the management of the organisations facing regulation. For the former, the effects of regulation can be observed through the performance orientation selected by organisations. It raises the questions of the state's desire of further altering the organisation's behaviour, and thus their performance orientation. For the latter, the economic and regulatory objectives have to be balanced under regulation. Organisations in regulated environments—be they public or private—are accountable to the government for their activities, something which arguably indicates more complex performance management requirements. How to successfully integrate the different interests of regulators, society and shareholders?

The results further indicate that it is less question of the type of ownership, as has often been claimed in the literature, but more one of regulation, which blurs or abates the effect of the type of ownership in regulated environments. Also private organisations have to include regulatory objectives and to respond to a larger set of interest, something that is mirrored in performance definitions which balance several dimensions. Though it has not been possible to confirm here, this arguably implies that in an environment of low regulated intensity, a public organisations would focus more on the financial dimension, and adopt a performance definition similar the one identified in this study for low regulated private organisations.

Further, the results of this study raise the question of the effect of the democratic governance mode of management, i.e. management based on accountability, transparency and openness. The absence of the public values dimension in the performance definitions across all cases—be they public or private—raises the question of how far democratic governance has really entered the management processes of the organisations. If democratic governance is a current mode of management, should not organisations mirror this fact by including transparency, equity or accountability aspects in their performance management? The results of the study are indicative of the fact that the notions of democratic governance are transversal additions to the management of performance, but they seem not to be integrated in the definition of performance. Of course, this is only a reflection based on the results of this study, which has focused on providing a tool to investigate the substance of performance, and not on the mode of public management organisations are following. Nonetheless, the findings indicate that such values are not yet part of the performance definition of any organisation, public or private, highly or lowly regulated.

Having thus positioned the results of the study, the following section will discusses them more particularly with regard to the model of the research.

7.2 DISCUSSING THE MODEL IN LIGHT OF THE RESULTS

The empirical examination (chapters five and six) proved, for the cases in question, the veracity of the propositions formulated in the model, i.e. the existence of an influence of the regulatory environment on the definition of performance. In spite of the overall validity of the conceptual model and the positive response to the research question, some adjustments to the model could be made. Any theoretical model is per definition a simplified picture of reality, and this was something that the empirical part of the research illustrated well. This section will highlight some implications of the results with regard to the research model, first considering the dependent variable (section 7.2.1), second, the independent variable (section 7.2.2), third, the overall research methodology (section 7.2.3) and fourth, the research model (section 7.2.4).

7.2.1 The construction of the performance definition in light of the results

From the literature review six different performance dimensions have been constructed in a tool, covering the whole range of possible performance types: a financial dimension referring to economic value creation, an operational dimension concentrating on processes, innovation and customers, a stakeholder management dimension highlighting the undertakings for stakeholders crucial for future economic value, a legal requirement dimension referring to regulatory compliance, a social issue participation dimension referring to the social value creation, and a public values dimension referring to the creation of values important for the society and the organisation. Theoretically categorised in economic (the first three dimensions), legal (the fourth dimension) and social entrepreneurship (the last two dimensions), the empirical research attests their validity, but two alterations to the model could be undertaken to further research.

First, in regard to the differentiation between the stakeholder management and the social issue participation dimensions, the empirical examination has shown that separating the two is very difficult in practice. Theoretically, the differentiation is clear, and it depends essentially on intent. Thus, the stakeholder management dimension refers to the level of achievements in social, environmental and other issues believed to result in an increased shareholder value. The social issue participation dimension for its part refers to similar outcomes, with the difference that their achievements result in a decrease of future economic value or are based on the use of resources normally used elsewhere. These activities are believed to make a societal contribution in some way or another. Not only is this differentiation difficult to prove in practice, but as the motivation behind the action is not here under study, it might have revealed redundant to uphold two separate performance dimensions. For all of these reasons, for any further examination of the model, it would be more appropriate to merge these two, which then could be called the societal dimension. If the motivation behind the performance in such a dimension is under scrutiny, organisations it could be directly queried as to why these actions are undertaken. Consequently the differentiation could be made in the interpretation of the results, but in terms of two different performance dimensions.

Second, the empirical examination of the research question has highlighted that the public values dimension is not actually a performance dimension. The public values, detected across the integral data set, have rather tended to accompany and guide the business activities of the organisations, and this especially in the case of public organisations. The model constructed from the literature went a step further in arguing that the public values themselves constitute an aspect of performance, and that the level of achievements in the creation and respect of public values could be part of the performance definition. The empirical study proved otherwise however, and the findings indicate that public values are not a measured performance dimension in themselves, though they accompanying the assessment of performance in an organisation and organisational activities.

Consequently, the model developed for this study could be altered to define performance as a construct based on four different dimensions, namely a financial, an operational, a societal (merging social issue participation and stakeholder management dimensions), and a legal requirement dimension. Importantly however, these suggested alterations do not put the overall validity of this research into question.

7.2.2 The construction of the regulatory intensity in light of the results

In order to operationalise the regulatory environment, this study used the latent variable of the regulatory intensity. The analytical tool developed to evaluate the regulatory intensity based on ten different factors has proved appropriate. Indeed, the construction of the regulatory intensity has appeared robust, and to have held up to the empirical examination. It has allowed for capturing more facets of a regulatory system than simply the degree of competition, and it has successfully illustrated the various degrees of the regulatory systems organisations are faced with. No modifications to the regulatory intensity variable have therefore revealed themselves. What it has revealed is the necessity of being cautious in the use and conservative as to the conclusion deriving from it.

7.2.3 The research methodology in light of the results

The respect of different quality standards is crucial to guarantee credible empirical research (Creswell 2009; Lamnek 2005; Rubin 2011). A consideration will therefore first be made of the main quality standards—namely validity, reliability and generalisability—before the discussion will turn to triangulation.

Validity refers to the relationship between conclusions and reality, and it has to be assessed in connection with the purpose and circumstances of the research. Indeed, validity threats are neutralised through evidence, rather than through methods (Creswell 2009; Lamnek 2005; Rubin 2011). Maxwell (2005) has argued that validity is a goal rather than a product and by validity he has referred to the correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account. Rich data, meaning data that provide a complete representation of a situation, can reduce validity threats. Additionally, a researcher should look for discrepant evidence, i.e. negative cases, and evaluate them as well. In order to guarantee the validity of this study, different sources of data have been integrated and each step of the data collection, data analysis and data interpretation stage has been reported. Further, the research has been tested through a control variable, i.e. the question of whether it is in fact the type of ownership that is decisive for the definition of performance was raised, thus exploring an alternative explanation that is frequently found in literature. The author has also presented the research at several international conferences[105] in order to confront it to the international academic community and to gain new insights. Moreover, the interview questions and the content of the research have been intensively discussed with different executives and regulators.

In regard to generalisability, this research does not claim external generalisability, as this would call for further examination of the model in many regulated sectors, and in a higher

[105] Such as at the conference on Socio-legal Perspectives on the 'Glocalised' Gambling Industry, 30 June to 1 July 2011, Onati or the conference of the International Research Society for Public Management, IRSPM, 11 to 13 April 2011, Dublin.

number of countries.[106] Instead, this study has sought and reached internal generalisability, as it has aimed to analyse whether, in a particular setting, the regulatory intensity can be associated with the concept of organisational performance dimensions.

It is a challenge to reach reliability in qualitative research, and scholars generally agree that such research therefore needs to be inter subjectively replicable (Maxwell 2005; Yin 2009). If this is not the case, an evaluation by third parties would be impossible (Yin 2009). To test its reliability, a number of assessment criteria identified in literature have been followed in this research (Maxwell 2005; Rubin 2011; Yin 2009). First, qualitative research arguably needs to be documented in a holistic form and explained throughout the process (Creswell 2009; Rubin 2011). With the explanation of the theoretical conceptual knowledge, the description of the research approach and the detailed description of the integral research process, this quality criterion has been addressed in this study. Second, the interpretation of data material should not be arbitrary but needs to be empirically based (Rubin 2011). The researcher has the duty to look for contrary explanations in order to prevent false conclusions (Creswell 2009). In this study, the empirical part of the research has been guided by the construction of a tool to examine the performance concept. Further citations of statements have completed the analytical results found by the researcher, by way of proving the results and preventing arbitrary interpretation. Third, even though adaptations and modifications in the research process are allowed in qualitative research, the overall approach should be systemic and coherent (Rubin 2011; Yin 2009). This criterion has been met through the research design and the step-by-step documentation of the content analysis. Fourth, the researcher has to have a certain distance to the research object (Lamnek 2005; Maxwell 2005; Rubin 2011; Yin 2009). The interview participants were in this case interviewed in their usual environment and the researcher acted as an objective observer on the scene, keeping her distance to the research object.

[106] Internal generalisability seeks to generalise a conclusion within the setting or group studied, while external generalisability seeks to generalise beyond that setting or group. Internal generalisability is clearly a key issue for qualitative case studies, in contrast to external generalisability. This does not mean that qualitative studies are never generalisable beyond the setting or informants studied (Maxwell 2005).

The study was exploratory, in the sense that it did not aim to examine a previously existing model. Therefore, based on a comparative document and interview approach, evidence through which the model could be explored and the research question answered was collected. To ensure the validity of the data, the study was triangulated, i.e. different approaches were combined for a specific research interest, by including different data sources in the research process. Thus, three sources were used for document analysis, including documents from the organisations in question (e.g. annual reports and interviews and survey data), the regulator (e.g. legal sources and regulatory reports if available and pertinent) and society at large (e.g. newspapers about the performance concept, where available). This triangulation of data was done to make the analysis more robust. Furthermore, the selection of cases was based on a personal evaluation, in parallel with an expert panel evaluation. The case selection also focused on the type of ownership (e.g. private and public organisations), the geographic location (i.e. only European countries) as well as the longevity of the organisations (i.e. over ten years).

Although the study mainly makes use of qualitative research methods it does not exclude the integration of quantitative or a mix of qualitative and quantitative methods to generate data (Yin 2009). Instead, the research has integrated quantitative data in the qualitative research design. An exclusively quantitative approach was judged too restrictive in this case, and pragmatic concerns rendered a large-scale survey difficult. The lack of feasibility of a large-scale quantitative survey was due to the particularities of the unit of analysis. The sport betting and lottery sectors do not have a large number of cases in different regulatory intensities. The risk was therefore high that too little data would be gathered in order to measure the model, something that would have rendered an exclusive quantitative methodology more difficult and also less appropriate.

Consequently, the research problem called for an altered methodology, which focuses particularly on correctly understanding the situation and gathering valid information. The research design of this study was therefore more qualitative, though it still included some quantitative data. Through selected interviews in a small number of countries, more specific information has been gathered, something that has helped answering the research question and to strengthen the developed model. The interview-based approach has included a quantitative aspect and this for two reasons. First, as it was deemed difficult to ensure ‘true’ responses in the interviews, as they would be likely to have a bias towards political correctness, some quantitative questions were asked during the interviews in order to validate some of the qualitative data. Second, through the use of a small survey, an attempt was made at gathering more answers, which would also have provided additional opinions on the matter. Both approaches looked at the same issue but from different perspectives. The aim was to then compare the responses in order to see whether the direction of the qualitative and quantitative data was the same, thus allowing for a validation of the data and the analysis. Nonetheless, it was judged in the end that the qualitative avenue would consolidate the model and allow for deeper insights than would have been the case with a quantitative online survey.

The results presented in chapter six raise an important question in regard to the quantitative data generated in this study. As mentioned above, quantitative questions were developed in order to complete the interviews and evaluate the presence and importance of each performance dimension for the definition of performance. Two major implications can be deduced. First, as discussed in the analysis, a few contradictions in the responses between the quantitative questions could be detected. This can be indicative of the fact that looking at performance as constructed based on six dimensions is a very abstract and theoretical exercise, which challenges participants to answer with regard to hypothetical situations. It has to be noted that the inconsistencies found did not pertain to the level of the influence of regulation on the dimensions, but on the attributed importance for individual dimensions in different settings. A solution for another examination based on the same kind of questions would be to remind the participants of the score attributed in the previous question. This would reduce the level of abstraction and reassure participants. During the interviews, when assistance was provided in responding to the questions, the issue of what was answered in the previous question was often raised, indicating that the questions were arguably too abstract for the respondents.

The second implication drawn from the quantitative part of the empiric study is the low level of respondents in the survey. Interview participants of sport betting and lottery organisations were asked to diffuse the survey among their employees. Unfortunately only few additional surveys were collected. This low response rate could be linked to the first implication and it would thus underline the complexity of the object of analysis. Another possible explanation—and this is the author's own interpretation—could be found in the fact that the interviewees' were the top-level respondents of each organisation, and as they have the role of focusing on the strategic nature of the subject, they were possibly the only people able to respond to the questions. Further it could be argued that to define the success of organisations is such a delicate a topic that some people did not want to respond to the questions, although it was clearly stated that they did not target the *level* of performance but rather its *orientation*.

Despite these two drawbacks, the quantitative questions were nonetheless very useful for the interviews. In view of the length of the interviews—an hour on average—the quantitative questions (and especially the ones which were designed as a card game) added a playful component to the otherwise technical interviews, and provided a very pleasant ambiance, something which was generally highlighted by the respondents. For a future examination of the model, it should be noted that the quantitative questions certainly have their validity, but in the case where no assistance is provided in answering them, some modifications in regard to the explanations would have to be made.

7.2.4 The significance of the results for the overall validity of the research model

Having discussed the results in relation to the different components of the research model and methodology, this section discusses the use of the developed model, as adapted following on the above discussions. The results of the study validate the research model and a replication of it can be strongly recommended for the same or other regulated sectors. Indeed, the analytical model developed in this study can be used as a tool to examine other regulatory contexts than the sport betting and lottery sectors. As discussed in chapter three, regulation is an important instrument of governments for achieving and implementing public policies. Being related to economic, social, health or other issues, regulation is often used by governments to reach a desired outcome. The model outlines how a regulatory environment can be analysed based on clear indicators capturing the integral regulatory spectrum that may exist. The model was explicitly developed in order to be adaptable to other regulated sectors. As concerns the independent variable, most of the criteria have been generally formulated. Only the last section has been oriented towards addressing negative externalities. Of course these elements would vary from one sector to another. In regard to the dependent variable—and bearing in mind the above mentioned proposal to reduce the number of dimensions—they can be used, as they are, in a further investigation of the research model in another context. In order to use the bottom-up approach identifying indicators pointing to the different dimensions, these indicators can be based on the list identified in this study but can also be further enlarged based on the specific research context. One possible idea for future consideration, among others, could be hospital regulation. Hospitals are increasingly faced with non-medical regulations or health service regulations in order to ensure that standards of care are met. Calls for more transparency and cost reduction in hospitals go hand in hand with the need to guarantee quality in treatment. Hence, hospitals have to balance different objectives due to regulation, and it would be interesting to investigate whether this influences their definitions of performance.

Having thus linked the results of the study to the theoretically constructed model and illustrated some alterations that could be undertaken in regard to the model and the research methodology, and how it can provide a fruitful analytical research model for other contexts, the following section will discuss the results in light first of the performance debate (section 7.3.1), second of the regulation debate (section 7.3.2) and third of the gambling debate (section 7.3.3).

7.3 WHAT OF THE PERFORMANCE, REGULATION AND GAMBLING DEBATES IN LIGHT OF THE RESULTS?

The results provided in chapter six contribute to different theoretical and practical streams, as will be presented in the following sections.

7.3.1 The performance debate in light of the results

In line with the performance literature dealing with the multidimensional character of performance, the accounts presented in this study have generally confirmed the existence of non-financial dimensions of performance. This has been seen not only from a purely public stance, but it has also been showed that private organisations under regulation make use of similar multidimensional performance definitions. The results of the study thereby clearly provide an example of sector specific research attesting the multidimensionality of the performance definitions. The results suggest that the tool constructed to include different performance dimensions can be successfully used to analyse the substance of performance. Further the study provides an in-depth demonstration of how to better seize the concept and nature of performance and thereby more adequately target it in the management effort. Finally, this study has bridged public and private performance literature in order to highlight a performance definition that is not simply ownership dependent. In literature, the public-private differences prevail, and though these differences certainly have validity in the context of these studies, this is not so clearly the case in a specific context such as regulation. Here the public-private dichotomy becomes blurred as the performance definition is constructed around the regulatory intensity.

This goes hand in hand with the discussion on ‘publicness’, which argues that all organisations are ‘public’ to a certain degree. As successfully illustrated in this study, this suggests that as private organisations face a high regulatory intensity, they also apply a multidimensional performance definition, similar to that of public organisations. Of course, the public-private dichotomy is not completely abandoned, since the management of private and public organisations differs, but it is argued that among the cases studied, the regulatory intensity has a stronger influence on the performance definition than the type of ownership. Another implication could be outlined in regard to the evolution of the concept of performance. Especially with consideration of the dimensions referring to public values, the performance concept has arguably changed since the beginning of the NPM movement. Thus, it could be argued that a fourth wave of performance movements, influenced by democratic governance and networks (see section 2.2.1), can be identified in the public sector. This has the implication of public administrative practices moving away from a hierarchical structure, and towards a more horizontal dispersion, including non-state actors in the delivery of public services. Consequently, the results of this study clearly enrich the performance theory and empirical performance research based on its holistic approach, and its move away from the public-private dichotomy. It moves towards a perspective that focuses more particularly on the organisation as such, and analyses its particular relationship with its regulatory environment.

7.3.2 The regulation debate in light of the results

Previous research has limited the understanding of regulatory intensity to only a handful of factors. This study has developed a multifactor model composed of ten criteria, which capture the regulatory intensity of a regulated sector. It is believed that with this approach the complexity of regulation can be embraced in its full form. The empirical part of the study confirmed this construction of regulatory intensity, at least within the range of the selected cases. The multifactor model therefore appears as a promising tool to evaluate the regulatory intensity. It opens up the academic debate, which has so far remained constrained to comparing simple market access barriers and monopolies with situations of competitive markets. With the enlargement of the regulatory stringency on the organisational level, a novel approach has been developed, which allows for the inclusion of the regulated entities and the obligations imposed upon them.

The results further open up the discussion, allowing for a reflection with regard to the prevailing dogma in the literature that regulation decreases the financial performance of organisations and that deregulation would hence be financially beneficial (Nicoletti & Pryor 2006; OECD 1993b, 1994, 1997b). This is not contested here, but with regard to the how the regulatory intensity influences the performance definition, this study suggests that regulation may increase the focus on other aspects of performance, such as social performance or legal performance. This may not be all that disadvantageous for the economy and for the society. Is it not the aim of governmental regulation to turn the focus of organisations on more societal issues, rather than simply on financial aspects? This is not to suggest that regulators should unbalance or otherwise modify the performance orientations. Furthermore, this study also suggests that regulation introduces the dynamic of goal ambiguity that has already been observed in regard to the public sector, to be also applicable to the private sector. Indeed, with regulation, private organisations are also confronted with balancing potentially conflicting goals and developing a strategy that suits all stake and shareholders.

Frequently, organisations benefiting from regulation are confronted with calls for deregulation from organisations desiring to operate in the sector or have to defend their special status. Consequently the organisational legitimacy is an important postulate for regulated organisations.[107] All organisations require some level of legitimacy but the pressure for legitimacy is accentuated for organisations facing sector-specific regulation because these organisations are under increased scrutiny (Ruef & Scott 1998). Generally speaking, organisational legitimacy results from the congruence between the social values associated with or implied by organisations' activities, and the norms of acceptable behaviour in the larger social system in which they are embedded (Dowling & Pfeffer 1975). In other words, it is the perception that an organisation's actions are desirable and aligned with a socially constructed system of norms and values that gives them legitimacy (Suchman 1995).

Various observers have assessed organisational legitimacy and stakeholders to represent different internal and external constituencies (Ruef & Scott 1998). For regulated organisations, this implies that legitimacy has to be provided from regulators and society at large in order to justify the protection granted. In that sense, for public and private organisations, a multidimensional performance definition relying on financial and non-financial aspects of performance and in equal parts can further enhance the legitimacy of this organisation, and be used to defend the regulation in place against pressures for liberalisation or more generally for any change in the regulation's framework. This study consequently provides a contribution for regulation theory, acknowledging that the financial performance is not the ultimate outcome but that regulation broadens the notion of performance towards more socially desirable outcomes, something that is certainly important for organisations operating games of chance as illustrated in the following section.

7.3.3 The gambling debate in light of the results

Global gambling revenue is constantly increasing and the European Commission estimates the annual revenues of the overall EU gambling market at 84.9 billion Euros in 2011 with an annual growth rate of around 3% (European Commission 2013). One of the most rapid

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[107] See Suchman (1995) or Ruef (1998) for an overview of organisational legitimacy.

growing sectors in this regard is online gambling. In consequence, gambling generates important incomes in the interest of all implicated parties: the public authorities, private and public operators, tourist regions, beneficiaries etc.

Governments have an interest in receiving at least a share of the revenues created out of games of chance, not least in view of the necessity to fight gambling related problems. Indeed, states are faced with the ever-lasting paradox of regulating games of chance and benefiting in terms of revenues, but at the same time creating deviances, such as gambling problems or fraud, which need to be tackled. It is also worth highlighting that social and political circumstances and technological advances continuously alter the landscape of games of chance. The following sections present how the findings of this study can enlighten the reflections on the issue of games of chance in addressing four different types of challenges, namely gambling problems, cross-border gaming, criminality, and the challenges of emerging transnational, European regulation.

First, gambling problems are one of the main reasons behind the establishment of a regulatory environment. Regulation has to address the challenge of how to find the equilibrium between an appropriate offer of games of chance and the socially negative consequences that result from this activity. Problem gambling is increasingly seen as a central issue for games of chance and their regulation, and thus at the heart of the gaming debate.

As illustrated in chapter five, several regulations of the sport betting and lottery sectors impose obligations on operators in regard to gambling problems. Generally speaking, measures can intervene before the players play games of chance, during the period of play and/or after the game has been played. What strategies are taken is up to the regulatory system in place. Technological advances challenge prevention and treatment of gambling problems by rendering the games of chance faster, more accessible and less controllable. Moreover, especially the internet and the consequent presence of an illegal gaming offer on the internet further accentuate the risk of gambling addiction. Online gambling on non-authorised sites is out of the control of public authorities and the measures to internalise and prevent gambling problems such as limits of wagers or restriction of opening hours are difficult to enforce. Moreover, the revenues of illegal operators are not taxed and no money is raised to prevent and treat gambling addiction. Therefore, the negative consequences resulting out of games of chance are left to the country of residence of the player.

The results of this study illustrate that organisations are indeed active in regard to responding to these negative externalities of games of chance, and that social aspects are at the heart of gaming operations. It has been shown in this study that organisations adopt performance strategies balancing financial and social dimensions. This can be an indication of the fact that they are not necessarily making a choice between financial and non-financial performance, but that they in fact balance different performance dimensions and this in response to regulation. It can be said that it is not the question of an opposition of financial and social aspects but a weighing of the position of social aspects, depending upon the regulation in place, in the overall performance definition of organisations. This is interesting insofar as the debate has so far tended to be marked by a public versus private focus, and the argument that public organisations are more socially active (and some would even say responsible). Arguably, this study provides insight to this debate, highlighting that it is more the intensity of regulation and not the type of ownership that plays a role in this regard. The role of the state then becomes that much more crucial.

Second, advances in information technology have profoundly altered the functioning of gambling, not only by accentuating the problem of gambling addiction but also by contributing to a globalisation of games of chance. The legal and illegal offer has increased, and the internet in particular has contributed to the development of an unauthorised cross-border market (European Commission 2011). Gamblers can play online on websites from operators based all over the world, making state borders almost obsolete. Given the current regulatory regimes, internet-based offers can be classified in three different categories. First, fully authorised organisations that provide the games of a country, something that can be found in most countries as traditional retail operators are given the option of offering their games on the internet (e.g. Norsk Tipping, Camelot) or of establishing a regulation for online gambling (e.g. France). Second, organisations licensed in a specific country also offer their games of chance in third countries, a category that is often labelled as a 'grey market' in the EU (European Commission 2011). The third category refers to unauthorised operators offering games of chance internationally.

The last two categories represent complex challenges for national regulators and operators because such operators have no national legal standing in countries where they are not licensed, something that affects the national gambling sectors. The legal organisations are faced with an increased competition, one that is often more profitable for both organisers and players as they do not comply with regulatory rules and taxation (Anderson et al. 2012). In some countries, measures are taken that either ban or limit the possibilities of gambling on the internet sites of unauthorised operators. For example, ISP blocking (e.g. Germany, Sweden), which entails blocking access to gambling web sites, or the blocking of financial transaction (e.g. USA), which forbids financial operators from advancing bets and eventual winnings. Similarly, as seen in chapter five, there can also be advertising restrictions (e.g. most EU countries), which reduce the visibility of gambling operators, or fines (e.g. the Netherlands). An important question is how national regulations can face the emerging transnational tensions arising from globalised gambling sectors. New technologies require changed and/or new laws and hence an adaption of the regulatory regimes.

Arguably, in defining solutions, it is important not to neglect the wide range of parameters a regulation can be built upon. The results of this study are an indication of the complex nature of the regulations of games of chance in Europe, and the degree to which they differ among countries. The national approaches in the sport betting and lottery regulations are very different in their intensities, something that raises the question of whether an international solution, such as increased collaboration in regard to cross-border gambling, could even be possible. Indeed, raising the debate on regulation to the international level arguably accentuates the complexity of an already complex issue. Seeing as these various challenges are to a large extent cross-national in their nature, they would arguably be most adequately addressed through an international collaboration. Nonetheless, in view of the numerous parameters that would have to be taken into account, many of which are closely connected to national logics, the setting up of such an international solution would undoubtedly be exceedingly complex. Whatever the solution that will be devised, building or adapting a regulatory framework needs to reflect on the parameters founding a regulatory system. Any regulatory framework should be flexible enough to face not only current but also new developments.

Third, it is not only the cross-border aspect that creates tension with regard to gambling regulation, but such tension is also triggered by illegal gambling and other crimes more generally. Even though these problems are not new, they are accentuated with the advances in technologies, as they facilitate illegal activities and render the enforcement of regulation difficult. The issue of money laundering is a reason for gambling regulation in close to all jurisdictions. Especially with the development of the internet, the problem has taken a new form. Another important topic is match fixing, an old issue that is becoming increasingly international and frequent. The huge benefits that can be generated by sport betting are a motivation for some to manipulate sport events in order to win a bet. Match fixing is not a new phenomenon and scandals of manipulation of sport competitions reach far back. The manipulation of a competition or an event endangers the integrity of sport and of sport betting, as both activities need to have a reliable reputation in order to be attractive for customers. Sport betting is an economy of trust and match fixing clearly threatens this economic sector.

All of these challenges point to one fundamental question, namely of how nationally developed regulations can be altered or adapted in order to counteract international deviances? How can widely diverging national regulatory regimes face such threats? Further how can an organisation provide an attractive offer of games of chance to players, in order to prevent that they turn to illegal offers? First, the existence of an illegal offer next to the authorised operators implicates a loss in terms of revenues for the state and the society, as illegal operators are not taxed, nor are profits collected and redistributed. Furthermore, it is very difficult for the authorised operators to compete with these illegal operators, because by not complying with regulation they have a competitive advantage in exploiting the market, for example in regard to more attractive pay-out rates to players.

The results of this study indicate the fact that organisations have incentives on the business level to develop strategies to cope with these deviances. The presence of performance dimensions such as the stakeholder management or the social issue participation dimensions indicate the importance of the reputation, image and the brand to organisations. The interests of different stakeholders need to be addressed and the study highlights the importance of consumers, regulators and the society to the organisations studied. Further games of chance are based on trust, and being involved or not active in regard to fraudulent activities can highly damage an organisations reputation and have severe consequences in regard to its financial performance, and even its long-term survival. One approach observed in the gambling sectors is the standardisation processes in order to protect the quality and integrity of the gambling business. Examples are the certification of organisations by the world lottery association (WLA). This implies that organisations are aware of the negative consequences games of chance may have and result in a balancing of financial and non-financial performance dimensions in order to measure the success of the organisations.

Finally, another contribution of the results of this study can be identified in regard to the discussion on the European level about the diversity of national gambling regulations and the common market approach. In the EU, in the absence of a common regulation of games of chance, national states have individually adopted their regulations. As seen in the analysis, several monopolies exist in the EU. Arguments have been made to limit these monopolies or even abandon them, in favour of a liberalised and hence competitive system. Several judgments of European Court of Justice (ECJ) have underlined this opposition of views on existing monopolies in the gambling sectors (Villeneuve & Diaconu 2011).[108] The disputes are based on article 49—freedom of establishment—and article 56—freedom to provide cross border services—of the Treaty on the Functioning of the EU. The case law[109] on the matter has established certain conditions[110] under which nation states are allowed to attribute an exclusive right to a specific body to operate games of chance. In doing so the ECJ has attested the legality of monopolies in the gambling sectors at the European level. The main argument allowing for executive licences is social protection, and an emphasis on notions such as public order, consumer protection and social order, rather than on financial revenues generated for the public. It is insufficient to claim that operators are following such protective objectives, but they need to be proven (European Court of Justice 2009).

This study has demonstrated the diversity of the models in Europe to regulate games of chance and has thus provided a useful tool to analyse such regulation. By integrating other vectors, it has been proven possible to move away from the public monopoly versus private competitive system opposition, which takes up much space in the debate in regard to games of chance. The study contributes with a multifactor construction of the regulatory intensity highlighting the need to focus also on other aspects of regulation that are important and that might nourish and substantiate the debate on gambling regulation.

To sum up, in rethinking the regulatory regimes, it is important to address the above outlined challenges. In spite of the fact that governments often establish regulatory frameworks for games of chance for the same reasons, the regulatory environments in different regions or countries can take very different forms and are of different regulatory intensities, as this study illustrates. The identification of clear criteria can assist in this process as it allows for the evaluation of the regulatory intensity. This research provides a new approach to describing the regulatory systems of games of chance, something that facilitates the task of analysing, discussing and comparing regulation across sectors, regions and countries.

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[108] For an overview of this case law see e.g. (Littler 2011b; Littler et al. 2011).

[109] See Schindler (1994), Läära (1999), Zenbatti (1999), Anomar (2003), Gambelli (2003), Lindeman (2003), Placanica (2007), Santa Casa (2009), Engelman (2010) or Zeturf (2011) http://ec.europa.eu/internal_market/gambling/infringements/index_en.htm.

[110] European Court of Justice. (2009). Liga Portuguesa de Futebol Profissional (CA/LPFP) and Bwin International Limited v Departamento de Jogos da Santa Casa da Misericórdia de Lisboa. *Judgment of the Court of Justice in Case C-42/07*.

Furthermore, this study has illustrated that organisations that have to be more and more accountable may focus increasingly on social dimensions of performance. Nonetheless, too strong a focus on social aspects may be perceived as an indication of an overwhelming presence of the negative aspects of games of chance. This could lead to an even stronger regulation, and thereby be counter-productive, as it would take the focus away from the economic aspects of the activity. Under high regulation it is important, as was highlighted in the interviews, to clearly balance the regulatory and the economic interests. This is not a call for stronger regulation, because a very high regulatory intensity results in an unbalanced performance definition leaving no room for the financial dimension, rendering the activity of games of chance—which is an economic activity of redistribution and entertainment—unprofitable and resulting in the eventual non-survival of such organisations. Organisations of games of chance have to be profitable in order to ensure an attractive offer. Some people argue that a prohibition of games of chance results in an increase of clandestine activities (Folker 2011). Another question to be raised is the question of to which point it is for the organisations operating games of chance to engage in the reduction of the social problems. Similarly, should it be up both operators and the public to fight against such negative effects, or is it at the political level that such tasks should be tackled? Obviously there is not one solution to these questions but different models exist, all having their inconveniences and advantages.

For instance, deciding that it is only up to the public hand to take care of negative externalities, and hence allowing for a very lowly regulated competitive system, would induce a very hierarchical performance definition of operators concentrating on financial performance, not only because they do not want to engage in social activities but also because they need all their resources to compete in the market. On the other hand, to impose full accountability on the organisation for all their negative externalities could result in them being unprofitable. This may induce a very unbalanced performance strategy that may endanger its very survival. It seems that there is a need to balance different performance concepts, including both financial and non-financial aspects, something the regulatory environment can influence. Whatever solution is adopted in a sector, it has to be clearly reflected on, and this study helps to identify not only the different components of the regulatory environment but also the influences of regulation on organisations in the way they are defining their performances.

Having thus contextualised the results of the research, the next chapter will conclude this dissertation with some reflections on the challenges and limitations faced by the thesis project, and also some recommendations and directions for future research.

8 CONCLUSION

This study has successfully examined the influence of the regulatory environment on the definition of performance by using specifically constructed tools to make a sector specific analysis of the definitions of performance and regulatory intensity respectively. Instead of following the classical public versus private performance conceptualisation, it has taken a holistic perspective, looking both at private and public organisations in order to examine whether the impact of the regulatory environment outweighs that of the type of ownership. Indeed, it has been proven that for the cases under study, though the effect of the type of ownership is not completely absent, it is clearly abated by the regulatory setting. This chapter will first present the challenges and limitations that the thesis project has been confronted with (section 8.1). In a second section, some theoretical and practical recommendations will be made, both for the organisations facing a regulatory environment and for regulators and lawmakers who establish and implement specific regulations (section 8.2). In a third section, directions for future research will be identified and discussed (section 8.3). The chapter—and the dissertation—closes with some final thoughts about the research project (section 8.4).

8.1 THESIS PROJECT CHALLENGES AND LIMITATIONS

This project has evolved over a period of over four years, from the germ of an idea to a completed thesis. I still have far to go as a scholar but have learned a great deal as I have worked on this project, and this particularly in view of the various challenges that I encountered. These challenges will now be discussed, though not necessarily in order of importance or difficulty.

Small sample size—Given the fact that I only examined six cases, the research does not claim external generalisability. However, the work I carried out, especially the conceptual model created, could serve as a basis for developing a broader survey for a larger number of organisations.

Other factors influencing the performance definition in organisations—Of course the regulatory intensity is not the only variable that may influence the performance definition in organisations. Other factors, such as the type of leadership in the organisation, the personal attributes of the CEO or the cultural tradition of a country, are all susceptible to also have an influence on the same dependent variable. But the boundaries of a research project have to be limited, and the variable of interest for me is the regulatory environment. Regulation has for a long time been used in public management and will continue to be so, as can be seen by recent discussions on banking and financial regulation. Hence it is crucial to know how a regulation influences the performance focus of regulated entities.

Order in which I conducted the research—If I could start this project over again, I would do the background reading on a case, develop the interview questions, conduct the interviews, transcribe and at then lastly code the material (if not write up the case) before moving on to the next case. By carrying out the interviews for all six cases within four months, I rushed the process and I did not leave myself much time for reflection in between the cases. Consequently, I did not draw from ideas and questions from one case to the next, which I think would have helped me zero in on the key issues and obtain richer information from subsequent interviews. On the other hand, this standardised and systemic approach allows to treat all cases with the same distance and prevents privileging one case over another. The rush in regard to the data collection stage was also due to another challenge I faced, which is outlined in the next point.

Discrepancy between research in theory and research in practice—Originally, a larger empirical study was to be conducted in the sport betting sectors of four countries facing high regulatory intensity and four countries facing low regulatory intensity. Despite previous reassurance of participation in the respective organisations, it became clear at the time of the data collection that it would not be possible to gain access to interview partners in the English and Irish sport betting organisations. This was also the case in other jurisdictions; organisations were not willing to participate in the interviews, despite previous agreement. Hence, on short notice, the research methodology had to be adapted to focus on sport betting and lottery sectors in six different cases representing two categories of regulatory intensities. Moreover, the focus was enlarged to include not only experts from within organisations, but also external gambling experts. Even though this adapted research methodology in the end proved valid and appropriate for examining the model and answering the research questions, the necessary change meant that precious time was lost. On the positive side, triangulating the data sources by including the external experts turned out to be very a fruitful exercise which enhanced the robustness of the data and hence of the research.

Small number of survey responses—Another challenge faced during the research was the small response rate in the survey conducted in parallel with the interviews. However, the difficulty in encouraging participation had been foreseen from the beginning. The idea was that after having conducted the interviews in the organisations, the organisations would disseminate the survey among the top-level management. Even though this was done in some cases, others were unwilling to disseminate the survey. The real reason behind this can only be guessed, but organisations arguably want to control that which employees tell the public even if for a PhD thesis. This low response rate is not an impediment to the research in so far as it was anticipated from the beginning. It was therefore intended more as an experiment than as an actual part of the data collection stage. Moreover, the interviews allowed for capturing the opinions of the highest level of management in the organisations, and this is clearly the perspective that counts the most in terms of their strategic orientation.

Perception versus reality—A final remark should be made in regard to the collected primary data. Even tough I speak in the study about the performance definition as applied by the organisations, the sources of the data are made or transmitted by human beings and hence rely on the perception and interpretation of something by someone. Nonetheless, as the interview participants are high executives in the organisations or experts in the field of gambling who know the gambling sector and the organisations from insight out, it can be argued that this is a valid approach through which to get to the core of a research object—or relying metaphorically to the words of Goethe (1808: 13): "*Daß ich erkenne, was die Welt im Innersten zusammenhält*".

8.2 Recommendations

The following elements are recommendations based both on the process and the results of this study. This last section is devoted to insights that may be useful, both in terms of theory and practice.

8.2.1 For theory

I would start by recommending that research and literature on public performance clarify the way in which terminology is used, so that future research could use this terminology coherently. Such a global consensus may seem idealistic and naive and hence I would suggest that at least within one and the same study, terms are used in a coherent manner. The numerous terms such as concepts, dimensions, components, sub-concepts and themes that are used to refer to performance, make any literature review difficult and obliges new researchers to reinvent the wheel over and over again.

Second, even though the public and private performance discourse naturally has its own validity, I would suggest that researchers try to look beyond their own spheres, as there may be interesting concepts to be borrowed and/or combined from other fields. This is what this study has attempted to do by considering the influence of the regulatory context in performance management, in addition to the standard public-private dichotomy.

Finally, I would suggest that the regulation literature in particular broadens its focus on the effects of regulation. Instead of looking only towards the negative influence regulation may have on financial performance, it would be useful to also consider the integration of other performance dimensions, and the positive influence regulation may have. Of course, it is not argued that the negative influence on financial performance is false but it may not be the objective of the regulation to increase financial performance but rather to multiply the performance focus to other non-financial performance dimensions.

8.2.2 For practice

Generally speaking, for organisations facing a sector specific regulatory environment, I would suggest that they underline the regulatory influence on the performance definition more strongly, and to consider their legal performances as actually being a part of organisational performance. This could be beneficial for the legitimacy of the organisation, both with regard to their relationship with the regulator and with regard to society at large. This point illustrates the important influence of political decisions on the strategic management of public and private organisations in general and performance management in particular. A clearer stance of an organisation's engagement to fulfil regulatory objectives is indeed likely to enhance the position of the organisations, strengthening its organisational legitimacy and giving it more weight in its relationship with the regulator and other stakeholders.

For gambling organisations more particularly, I would suggest that they make a clearer division between the mandatory and voluntary activities they undertake. This would give them more credibility and strengthen their position in society. Especially in cases where activities are undertaken in addition to mandatory measures, measuring their success is likely to positively influence the image of the organisation. This is even more the case in a sector such as gambling, which is sometimes still seen in a bad light in view of the deviances it generates. Here it would therefore clearly be beneficial to emphasise any indirect contribution to society, for example redistributions, or contributions to the state budget.

Moreover, as the debate on monopoly-versus-deregulation (but not full liberalisation) is the focus of most of the attention in the gambling sector, it is important to remember that it is too simplistic to put the public organisations in the monopoly camp and the private organisations in the non-monopoly camp. The market structure is only one criterion of many contributing to the regulatory setting. Moreover, with a proper regulatory system in place, private organisations, even when facing competition, can also have a multidimensional performance focus. Indeed, as this study has showed, the influence of the regulatory intensity on the definition of performance outweighs that of the type of ownership. Hence, a move away from the monopoly-competition discussion is suggested, as it is too limited to correspond to reality.

Finally, several of the organisations analysed in this study use international reporting standards such as those of the Global Reporting Initiative. The framework is a very good tool and I do not contest its validity, but in regard to the cases analysed and for organisations facing social regulation some of its categorisation are not relevant (e.g. human rights). In addition, in some cases, operational or stakeholder management dimensions being lumped together and therefore being hidden under the heading of social dimensions. In my view, this reduces the power and validity of such an instrument as it may look as if those organisations are 'covering up' operational aspects in the name of social performance. In my view, as the regulated entities analysed in this study are all facing some level of obligations in social regards, they do not have to do undertake such a 'hide-and-seek' approach.

For regulators and lawmakers I would suggest that they take a closer look at the organisations they regulated, not only when implementing the law but as well when developing the regulation. Regulatory impact assessment is a common tool among governments but this instrument focuses on the effects of regulation on society as a whole and not especially on the management of the organisations. This contribution has therefore wished to focus of the influence of the regulatory intensity on one specific management aspect, namely performance management. Hence, I would suggest that before developing a regulation it would not be harmful to reflect on what kind of organisational shape the government desires to generate through that regulation, and to include a multifactor approach when attesting the level of intensity of a gambling regulation. The private-public ownership question is only one possible way among several to address this issue. As attested in this study, others seem to be equally, if not more, important, for the performance definition (e.g. the public mission imposed on an organisation or the public use of profits).

Lastly, it is important to note one more issue that came up during this research, and which may be useful for upcoming debates on gambling regulation. A licence system where renewal of the licence is done on a regular basis surely has its advantage in controlling the sector, but it was outlined at several occasions in the data set that organisations use a lot of resources in preparing their applications for the licence tender procedure, resources that could be better used elsewhere. Indeed, some interviewees argued that the prospect of needing to apply for a new licence in order to be able to keep the right to operate influences the behaviour of the organisation. Consequently, for a certain period the organisation only concentrates on getting its licence, rather than on compliance or social contributions. I do not suggest a preference for life-long monopolies or very long-term licence agreements, but simply that this point needs to be addressed, as a licence tender is clearly an additional charge for the organisations. There are transaction costs to such a model.

8.3 DIRECTION FOR FUTURE RESEARCH

This thesis leaves much to be explored and strategies for future research can mainly be formulated on two levels. First, in the aim of widening the study, the research model and questions could be analysed in regard to a larger number of organisations, in more countries. Moreover, as I examined only a few organisations operating lottery and/or sport betting games, other gambling sectors could be explored such as casino gambling or internet gambling (and of course other remote gambling). The way the research and research model have been constructed also allows for transposition to other regulatory environments than games of chance. An example of an interesting regulation for consideration would be that of hospitals, which are increasingly confronted with non-medical regulations influencing their management.

Second, with the aim of deepening the research, two strategies could be envisaged. On the one hand different approaches could be identified to observe the results under a different light. For example, a structural equation modelling could be undertaken by not only conducting a large-scale survey research of the dependent variable, but also for the independent variable. This would allow for an examination of the research question through a quantitative approach and for testing whether the qualitatively elaborated results of this study could be verified in a quantitative research. In addition, structural equation modelling would allow for the identification of the factors of regulatory intensity that may have a bigger impact on the dependent variable, and for the examination of whether the factors are correlated or not. As suggested in the qualitative research, the factor of the public use of profits and the public mission of the organisations are at several occasions mentioned to be of crucial importance for the definition of performance. Hence, it would be interesting to test this proposition. A second strategy for deepening the study would be to use the results and move them forward. For example, a next research could focus on the linkages between the different dimensions of the performance definition, or the effect of the degree of 'publicness' on the performance definition could be looked at in isolation. Further research could also concentrate on the public mission imposed by the regulation on the organisations that seem to play a crucial role for the definition of performance.

Another topic, identified in this research and mentioned by several interviewees, is the importance of the quality of the regulation. Regulation can be positive when it enhances the potential of the organisations to execute their task, to effectively implement their goals and to channel the players' gaming behaviour towards authorised games. An example of a successful organisation mentioned independently by a majority of interview participants is Veikkaus, the Finnish sport betting and lottery operator. They have succeeded, after having received the authorisation of the government to operate online, to channel the gambling activities towards the licensed, regulated organisation. Veikkaus would be an interesting case study to analyse the different elements of the regulation and the performance focus of the organisation.

Finally, another topic which could be interesting for future analysis is the alignment of the objectives of the shareholders of the organisation, both with each other and with the regulation in place. This could be looked at in-depth in the cases analysed in order to see whether a difference is observed between the low and high regulatory intensity cases. Leading questions could be the different objectives these actors have, and whether their strategic objectives are aligned or not. It seems to be important for the definition of success of the organisation that the regulator's and the organisation's sides are aligned. Similarly, the issue of regulatory capture can be interesting for future research. For instance, in the case of Camelot, the regulatory reports underline the financial success of the organisations and one interviewee spoke of a 'symbiotic' relationship between the regulator and Camelot, arguing that this was actually what justified the existence of the regulator (Interview 13). Though it could be difficult to obtain reliable data, it would be interesting to attempt an analysis of the alignment of the regulator with the regulatee, and examine whether the regulatee is successful in influencing the former.

8.4 FINAL THOUGHTS

This research was launched due to an identified lack in the performance literature on the nature of performance and the dimensions founding the performance construct. Despite a huge amount of research on performance, I felt unsatisfied with regard to the question of what it is actually composed of. More specifically, the complete lack of studies considering the influence of regulation on the definition of performance had come to my attention. Hence, I wanted to bridge performance and regulation research in order to see not only whether performance dimensions identified in literature would apply in a specific sector, but also whether the performance definition can be associated with the regulatory environment surrounding and influencing organisations. It has since many years been clear in most countries that the government is not the only actor delivering public policies. Rather, public policies are increasingly implemented through, or with the help of, private organisations or public organisations founded in private law. Regulation has become a prominent way of monitoring and controlling the way such private organisations achieve public policy objectives. A such regulation is a mode of governance that promises to stay. Despite this importance, the public performance literature and research has so far not considered the performance of private organisations operating in regulated environments. This is in my view a significant research gap that this contribution helps to address.

Furthermore, in recent years the focuses on the social responsibilities of public and private organisations have come to be increasingly highlighted. The growing body of research on CSR and the implementation of frameworks such as the GRI illustrate this well. However, the crucial question in my view is whether organisations are in fact also measuring their achievements in this regard. To implement such instruments and to define social responsibility objectives in the strategy is one thing, but to actually measure performance in these dimensions is another completely. In my view, only when organisations are actually measuring performance in such aspects, i.e. by including them in the evaluation of their success, can they be considered as truly integrated within the organisational goals.

To focus on organisations in order to raise the question of the definition of performance, and to start from a regulated environment and not from the type of ownership, is in my opinion a promising way to gain new insights on performance management. This especially in view of the significant move away from traditional government structures and towards an involvement of private and public organisations. With this study I have aimed to add some insights on specific sector research—in my case the sport betting and lottery sectors—thereby not only contributing to the performance and regulation debate but also to the field of gambling, an interesting, multi-disciplinary topic with a huge social and economic importance for nation states and civil society.

The results of this study in the European context of sport betting and lottery organisations have attested to the influence of the regulatory environment on the composition of the performance definition. Consequently, and to respond to the central question posed in this work, it is indeed safe to affirm the influence of regulation on the definition of organisational performance, though it is not the only decisive element. Regulators and organisations should think about this relationship when reflecting on the (re-)regulation of the gambling sectors and when managing organisations in regulated environments: the definition of performance should not be gambled upon.

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10 APPENDIX AND ANNEXES

APPENDIX I: PARTICIPANT RESPONSES—LOWER RI—PRESENT RI—HIGHER RI

Financial dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	2	3	1	3	3
Interview 2	n/a	n/a	n/a	n/a	n/a
Interview 3	2	2	2	4	4
Interview 4	1	1	1	1	1
Interview 5	2	1	1	1	1
Interview 6	2	2	1	1	1
Interview 7	4	1	1	5	6
Interview 8	1	1	1	2	2
Interview 9	3	4	3	4	4
Interview 10	2	5	1	1	1
Interview 11	2	5	2	2	2
Interview 12	2	3	1	3	3
Interview 13	1	2	1	2	1
Interview 14	1	2	1	5	5
Ø of valid n low RI	1.60	2.00	1.00	1.20	1.20
Ø of all valid n	1.92	2.46	1.31	2.62	2.62
Ø n of valid n high RI	2.13	2.75	1.50	3.50	3.50
Survey 1	1	2	1	2	1
Survey 2	1	4	1	5	1
Survey 3	1	2	6	3	5
Survey 4	2	3	1	3	5
Survey 5	3	1	1	3	4
Survey 6	3	1	1	2	2
Survey 7	2	3	3	2	2
Survey 8	2	1	1	2	3
Survey 9	n/a	3	5	2	2
Survey 10	2	2	5	2	1
Ø of valid n low RI	1.88	2.00	2.00	1.60	1.60
Ø of all valid n	1.90	2.35	1.83	2.61	2.61
Ø n of valid n high RI	2.08	2.62	1.69	3.38	3.38

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Operational dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	3	3	2	3	1
Interview 2	n/a	n/a	n/a	n/a	n/a
Interview 3	2	3	2	2	3
Interview 4	2	2	2	1	2
Interview 5	2	5	2	1	2
Interview 6	3	3	2	2	2
Interview 7	3	3	2	2	1
Interview 8	1	2	1	1	1
Interview 9	n/a	3	5	4	6
Interview 10	1	1	1	1	1
Interview 11	3	2	1	4	3
Interview 12	3	2	2	3	6
Interview 13	2	2	2	4	5
Interview 14	2	3	2	2	1
Survey 1	3	4	3	2	3
Survey 2	3	4	2	4	2
Survey 3	3	3	4	3	3
Survey 4	4	4	2	5	2
Survey 5	4	3	6	3	4
Survey 6	1	2	2	2	3
Survey 7	4	2	4	2	3
Survey 8	4	2	4	3	4
Survey 9	2	3	2	2	2
Survey 10	4	2	1	2	6
Ø of valid n low RI	2.40	2.45	2.10	1.70	2.60
Ø of all valid n	2.68	2.74	2.43	2.52	2.87
Ø n of valid n high RI	2.92	3.00	2.69	3.15	3.08

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Stakeholder management dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	3	3	4	5	4
Interview 2	n/a	n/a	n/a	n/a	n/a
Interview 3	1	2	4	4	2
Interview 4	2	5	2	3	2
Interview 5	3	5	3	1	2
Interview 6	2	3	3	2	2
Interview 7	2	4	4	2	2
Interview 8	2	2	2	2	2
Interview 9	n/a	3	4	4	5
Interview 10	4	5	4	2	4
Interview 11	n/a	3	3	4	4
Interview 12	2	2	3	1	1
Interview 13	2	2	4	1	1
Interview 14	2	2	3	1	1
Survey 1	2	2	2	2	2
Survey 2	4	2	4	4	3
Survey 3	2	2	5	3	6
Survey 4	3	2	4	5	2
Survey 5	6	1	5	4	3
Survey 6	4	2	3	3	4
Survey 7	3	2	2	2	4
Survey 8	1	1	2	2	2
Survey 9	out	4	4	3	3
Survey 10	3	2	6	2	2
Ø of valid n low RI	2.67	3.10	3.10	2.20	2.70
Ø of all valid n	2.65	2.65	3.48	2.70	2.74
Ø n of valid n high RI	2.64	2.31	3.77	3.08	2.77

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Legal requirement dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	2	1	3	2	2
Interview 2	n/a	n/a	n/a	n/a	2
Interview 3	3	2	1	1	1
Interview 4	1	1	1	3	out
Interview 5	6	5	6	1	4
Interview 6	1	2	2	1	2
Interview 7	1	3	3	3	1
Interview 8	3	2	5	2	2
Interview 9	2	5	2	5	2
Interview 10	1	2	3	1	3
Interview 11	1	4	4	3	2
Interview 12	1	3	4	1	1
Interview 13	4	2	5	1	6
Interview 14	1	1	4	1	2
Survey 1	out	2	Out	2	3
Survey 2	2	2	3	2	1
Survey 3	4	2	3	3	2
Survey 4	6	1	6	5	1
Survey 5	5	1	3	2	1
Survey 6	2	1	5	2	1
Survey 7	1	1	1	1	4
Survey 8	3	2	3	2	4
Survey 9	out	2	1	4	1
Survey 10	1	2	4	2	1
Ø of valid n low RI	2.11	2.00	3.10	1.90	2.44
Ø of all valid n	2.43	2.13	3.27	2.17	2.13
Ø n of valid n high RI	2.67	2.23	3.42	2.38	1.93

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Social issue participation dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	4	3	5	4	4
Interview 2	n/a	n/a	n/a	n/a	n/a
Interview 3	4	4	3	3	4
Interview 4	out	5	3	2	2
Interview 5	1	5	1	1	2
Interview 6	out	3	3	3	3
Interview 7	6	5	5	3	5
Interview 8	4	2	5	2	3
Interview 9	1	5	1	5	1
Interview 10	3	4	4	3	4
Interview 11	n/a	3	6	4	6
Interview 12	3	4	5	2	3
Interview 13	5	3	6	3	3
Interview 14	2	3	3	2	2
Survey 1	out	3	out	2	out
Survey 2	6	2	6	3	5
Survey 3	5	2	1	3	1
Survey 4	5	2	3	5	3
Survey 5	1	3	4	2	2
Survey 6	5	3	4	4	5
Survey 7	5	4	5	3	5
Survey 8	out	3	5	3	5
Survey 9	out	2	4	3	5
Survey 10	6	2	2	2	5
Ø of valid n low RI	4.00	3.30	3.60	2.60	3.90
Ø of all valid n	3.88	3.26	3.82	2.91	3.55
Ø n of valid n high RI	3.82	3.23	4.00	3.15	3.25

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Public values dimension	Present RI Question 9	Change if LRI Question 12	Evaluation LRI Question 13	Change if HRI Question 14	Evaluation HRI Question 15
Interview 1	1	1	5	3	4
Interview 2	n/a	n/a	n/a	n/a	n/a
Interview 3	1	2	5	3	4
Interview 4	out	5	4	2	2
Interview 5	3	5	3	1	2
Interview 6	out	4	2	2	3
Interview 7	5	2	6	5	5
Interview 8	4	2	5	3	3
Interview 9	4	4	3	4	1
Interview 10	2	5	2	1	4
Interview 11	4	3	5	3	6
Interview 12	3	5	5	n/a	3
Interview 13	3	5	4	2	3
Interview 14	1	4	2	5	2
Survey 1	out	3	out	2	out
Survey 2	5	2	5	2	5
Survey 3	6	3	2	3	1
Survey 4	1	2	5	5	3
Survey 5	2	out	2	2	2
Survey 6	6	3	6	4	5
Survey 7	6	4	6	3	5
Survey 8	out	Out	6	out	5
Survey 9	out	3	3	3	5
Survey 10	5	2	3	3	5
Ø of valid n low	4.33	3.67	4.00	2.44	3.90
Ø of all valid n	3.44	3.29	4.05	2.90	3.55
Ø n of valid n high	3.00	3.67	4.08	3.25	3.25

INDICATIONS TABLE
Weight:
1=the most important to 4=the least important
n/a=answer is not available
out=the dimension was indicated to not apply. However in surveys out-answers are counted as n/a because it cannot be evaluated whether it was left out because it does not apply or because no answer was indicated. In interviews, the interviewer did ask the participants about the motivation to not use the dimension.
Responses in green are of LRI cases
Responses in red are of HRI cases

Group A

France

Française des Jeux. (2012). Un modèle de jeu utile à la société - rapport d'activité 2011. Boulogne-Billancourt: Française des Jeux.

Française des Jeux. (2012). FDJ en un Clin d'Oeil - chiffres clés 2011. Boulogne-Billancourt: Française des Jeux.

Norway

Norsk Tipping AS. (2012). Annual Report 2011 - Giving the Dream a Chance Everyday. Hamar: Norsk Tipping AS.

Group B

The Netherlands

De Lotto. (2012). De Lotto jaarverslag 2011 - Elke jubillaris is bijonder. Rijswijk: De Lotto.

United Kingdom

Camelot. (2012). Group and Company financial statements for the year ended 31 March 2012. Watford: Camelot.

Camelot. (2012). Running a world-class lottery - Camelot Stakeholder Report 2010 - 2011. Watford: Camelot.

Group C

Belgium

Ladbrokes PLC. (2012). Game on! Annual Report and Accounts 2011. Harrow London: Ladbrokes PLC.

Ladbrokes PLC. (2012). Fair Play - Corporate responsibility report: Part A -Responsible business principles and policies. Harrow: Ladbrokes PLC.

Austria

Casinos Austria. (2012). Geschäftsbericht 2011. Vienna: Casinos Austria.

Novomatic AG. (2012). Jahresfinanzbericht 2011. Gumpoldskirchen: Novomatic AG.

Österreichische Lotterien. (2012). Geschäftsbericht 2011. Vienna: Österreichische Lotterien.

ANNEX II: List of codes, sub-concepts and guidelines for content analysis

The list of codes is the result of the analysis of several annual reports of sport betting and lottery organisations as well as reports on gambling markets before the analysis. During the analysis the list was extended with indicators and concepts used to identify the different performance dimensions. The table resumes all codes used in the research to identify the dimensions.

Financial dimension: codes	
Additional types of ratio	Benefit
Cost effectiveness	Cost reduction
Costs	Efficiency
Evolution of wagers	Financial results by sectors: betting
Financial results by sectors: lotteries	Financial results by sectors: scratch tickets
Future objective (mid-term): increase of market share	Future objective (short term): keep market shares
GGR development across sectors	GGR of scratch tickets
GGR overall	GGR sport betting
Growth benchmarks: Revenue growth, gross gaming revenue	Indicators distribution channels
Indicators employees	Indicators retailers
Indicators suppliers	Input/output ratio (efficiency)
Key financial results benchmarks: EBITDA (growth analysis), operating profit/EBIT	Market share
Net results	Net results compared to 2010
Net results paid to beneficiaries	Objectives attained (effectiveness)
Operational costs	Operational results
Other financial indicators	Outputs
Part of wagers for public withdrawals	Part of wagers to cover for risks
Part of wagers to distribution network	Part of wagers to operators
Pay-out rate/redistribution to players	Payout of winnings
Production volume, number of products sold (output)	Productivity
Profit to redistribute by sector	Profit to redistribute in total
Progression of business	Provisions paid
Reasonable development	Redistribution to company
Redistribution to distribution network	Redistribution to retailers
Reduce of profits	Repartition of capital to shareholders
Repartition of wagers	Results/profits
Retail network	Return on investment
Return on taxpayer money	Revenue development
Revenue related benchmarks: gross revenue/win margin	Sales
Sales development	Selling points
Unit or per capita cost	Value for money
Volume of wagers	

Operational dimension—customer perspective: codes	
Brand recognition	Cost of advertising;
Customer acquisition	Customer loyalty
Customer orientation	Customer participation
Customer profile	Customer profitability
Customer satisfaction	Customer survey
Image of company	Indicators customers
Number of customers	PR costs, media investment (communication)
Sponsoring	
Operational dimension—learning and growth perspective: codes	
Distribution channel innovation	Entering new market segments
Innovations	Innovative products lead to success
Learning and growth	New distribution channels
New products	New technologies
Product developments	Product innovation
Responsible innovation	
Operational dimension—internal business process perspective: codes	
Distribution system	Formation of retailers for new systems
Internal processes	Labour turnover
Number of employees	Number of employees part time
On-time delivery	Productivity
Quality of services	Reliability
Technical Quality (TQM)	Working capital/sales
Workload indicators; number of applications processed; number of letters delivered; levels of activity, proficiency or operating characteristics (throughput)	

Stakeholder management dimension: codes	
Beneficiaries if they are the owner of the company	Benefits for employees, investment in further education, support of staff (human capital investment)
Consumer and user satisfaction; responsiveness to the needs of stakeholders	Employees' satisfaction
Energy, water used and emissions, reducing manufacturing waste	Environment protection
Employees' motivation	Performance related pay, quantity and quality of work, timelines in completing, knowledge, skills, reliability, responsibility (Individual performance)
Programme to follow winners	Relation to politics, lobby group (political acceptability)
Responsible gaming defined in narrow terms (customer, no minor players, employees)	Satisfaction of retailers
Shareholder focus: defence of sector against foreign investors that would absorb money	Shareholders
Social performance of suppliers	Stakeholder focus
Stakeholders (groups)	

Legal requirement dimension: codes	
Beneficiaries of profits if mandated by regulation	Defence of legal environment
Indicators compliance	Legal developments
Proactive role	Public mission of organisation (mandatory)
Redistribution mandatory	Regulation is a preoccupation of Board of Directors and CEO
Regulatory requirements/obligations; external audit obligation	Reporting compliance with legal obligations
Reporting to regulator	Reserves for regulatory costs
Respect of legal obligations	Respect of rule of law
Responsible gambling mandatory	Social measures mandatory

Social issue participation dimension: codes	
Corporate responsibility if not increasing future benefits (broader sense: society)	Corruption
Doping	Fraud and other criminal behaviours
Gambling addiction: general	Gambling addiction: prevention measures established
Illegal gambling	Indicators responsible gambling
Indicators social issues	Involvement in local community (money given to local community)
Match fixing	Percentage of revenue used for diminishing negative effects; formation expenditures; specific prevention measures (Outcome)
Philanthropic use of profits (voluntary – neither for future financial benefit nor due to regulatory obligation)	Prevention measures voluntary
Proactive actions in social matters	Produced social costs (Outcome)
Redistribution voluntary	Responsible gambling voluntary
Supported projects	Voluntary business standards
Voluntary compensation for negative externalities	

Public values dimension: codes	
Discrimination	Equity
Ethic	Fairness
Good corporate citizen	Honesty
Indicatory public values	Other values the organisation
Security	Transparency
Trust	

Defining success in organisations

Goal of the survey

This doctoral research explores the way in which organisations define success. It is not about the measurement of the level of success of the organisation, but on what an organisation focuses when measuring its success.

Thanking you in advance for your precious collaboration.

Confidentiality

Any publications that result from this project will render the identification of interview and survey participants impossible.

Contact person IDHEAP

For all questions in regard to that survey, please contact:
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Explanation of symbols:

To switch from one question to the other

In some questions, a click on this symbol provides you with some clarifications or explanations

Goes back to the front page

GREG Governance, Regulation and Economics of Gambling
Swiss Graduate School of Public Administration

idheap
Swiss Graduate School of Public Administration
Lausanne, Switzerland

Question 1

What are, for you, the criteria used to describe a successful organisation?

Question 2

In your view, which sport betting operator is the most successful? Please, explain why.

Question 3

On what are you focusing when you are measuring the success of your organisation?

Follow up questions:

3.1 Which activities (any activity your organisation might undertake) of your organisation get measured?

3.2 Which processes get measured?

3.3 Which outputs get measured?

3.4 Which target groups are focused on?

Question 4

Which outcomes do you measure?

Question 4.1

What is your top-priority when measuring these outcomes?

(Please only one answer is possible. In case several apply, select the most important one)

- ○ **Importance for the future financial benefits of the company (bottom-line)**
- ○ **Compliance with regulatory obligations**
- ○ **Contribution to the civil society even though it might decrease current or future profits**

Question 5

Considering the following external environments of your organisation, how important is the influence of each on the definition of success for your organisation?

Please evaluate the following elements on a scale from 1 = very much important over 3 = neutral to 5 = not at all important for your organisation.

	1	2	3	4	5
Socio-cultural sphere (e.g. values of the society, demographic structure)	○	○	○	○	○
Political and legal sphere (e.g. legal and political system)	○	○	○	○	○
Technological sphere (e.g. new information and communication technologies)	○	○	○	○	○
Economic sphere (e.g. conjuncture, labour market)	○	○	○	○	○

Question 6

Can you please state which one is the most important of these spheres and explain why?

Question 7

Several elements can be important for the definition of success in an organisation.

Please evaluate the following elements on a scale from 1 = very much important to 5 = not at all important for your organisation.

	1	2	3	4	5
Type of ownership (state or private)	○	○	○	○	○
Sport betting regulatory regime	○	○	○	○	○
Best in class companies	○	○	○	○	○
Overal public mission of the organisation	○	○	○	○	○
Standards of international associations (WLA/ELA or similar)	○	○	○	○	○
Other, please indicate	○	○	○	○	○

The following questions focus on how you define the success of your organisation.

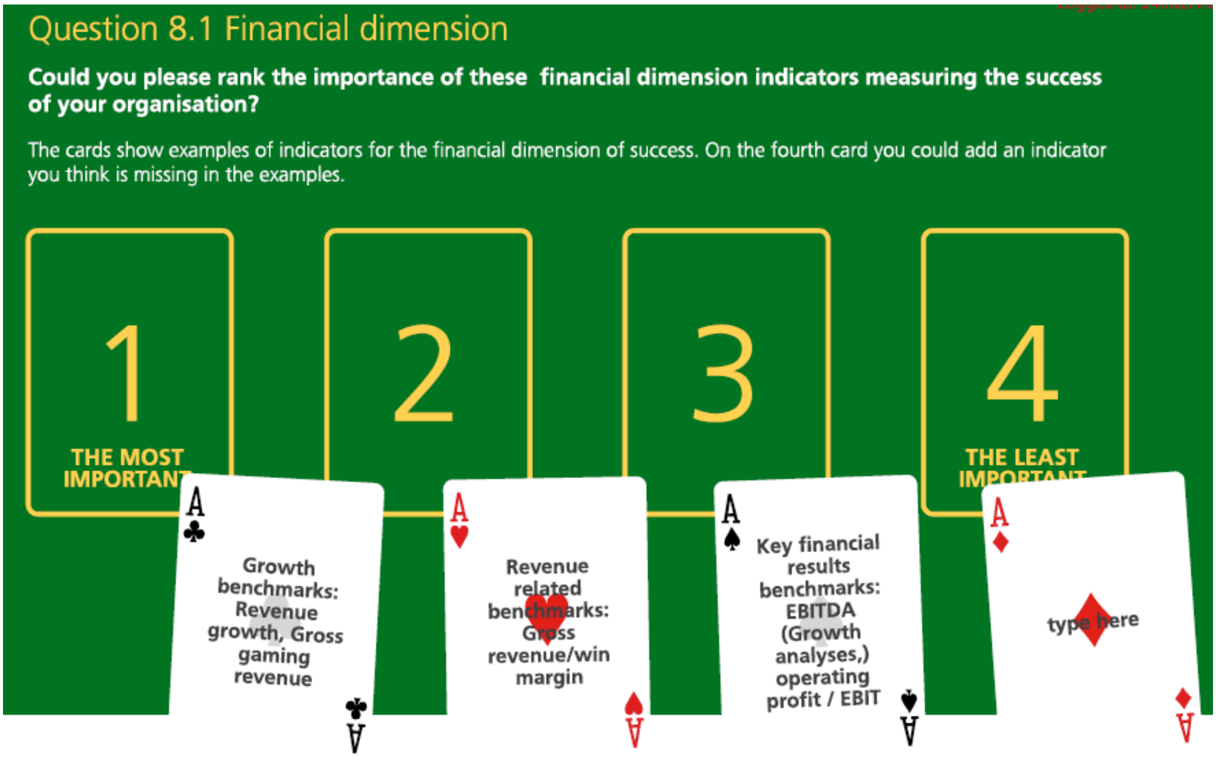
We will consider examples of indicators which can be used to measure the success of your organisation in different dimensions.

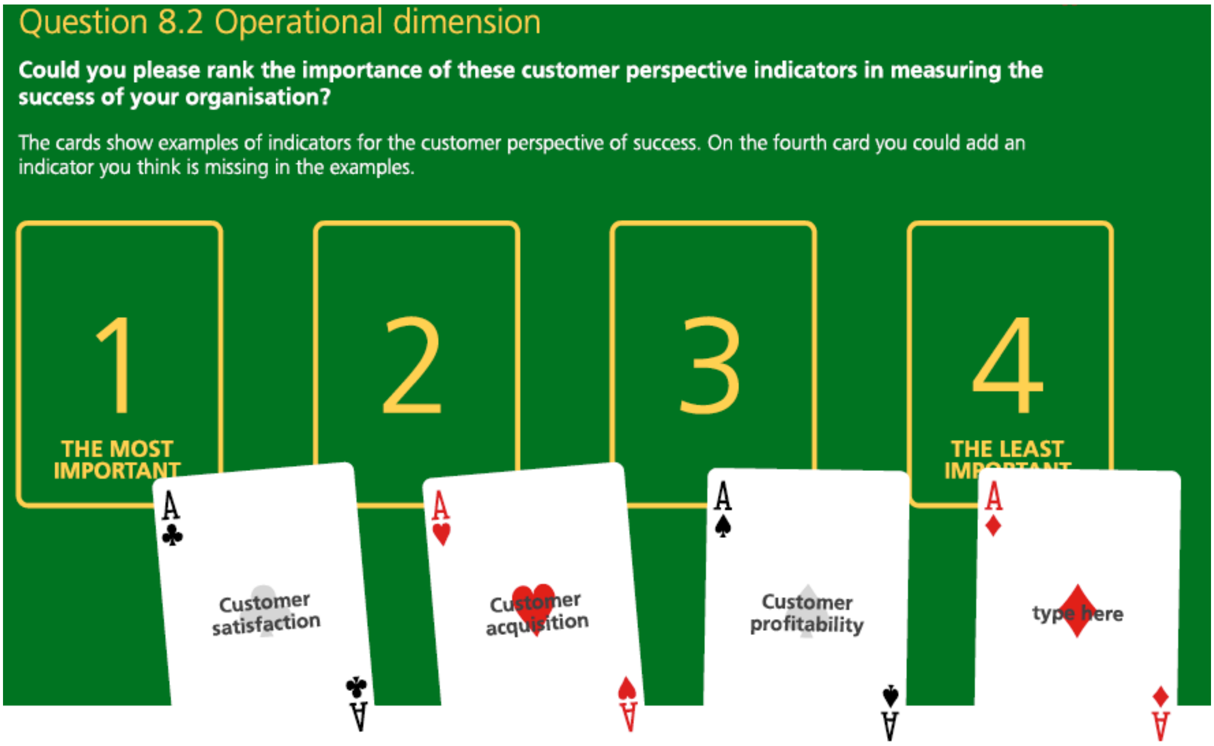
We want to know how you rank them from 1 being the most important to 4 being the least important for measuring the overall success of your organisation.

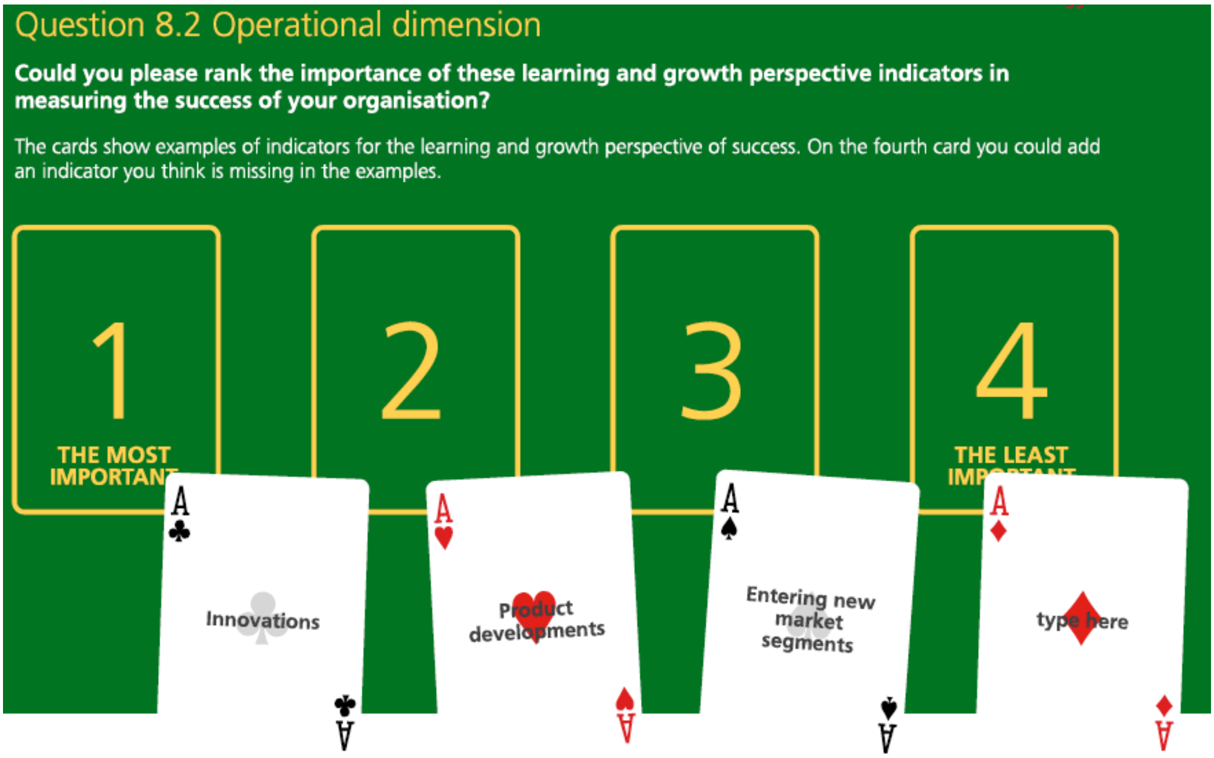
On the blank card you could add an indicator you think is missing in the examples (but you do not have to use it) and rank it as well.

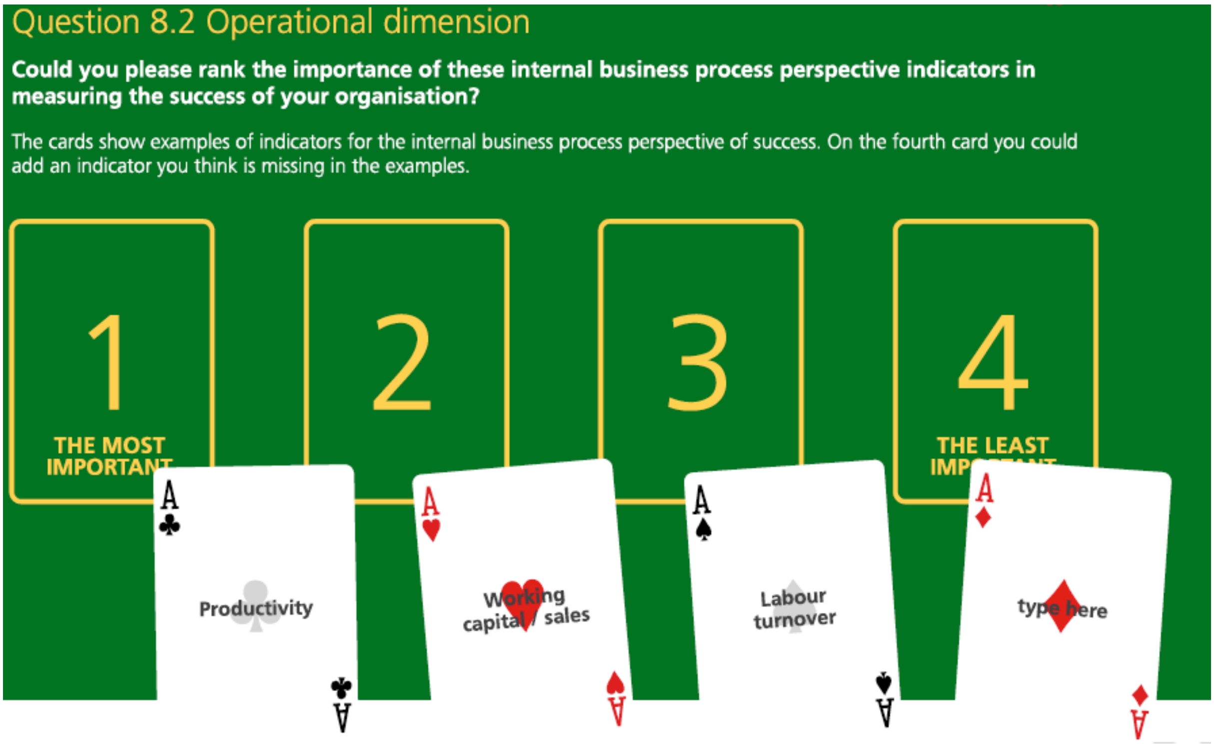
In case you feel some indicators are of the same importance, you can stack them up and put them on any of the slots.

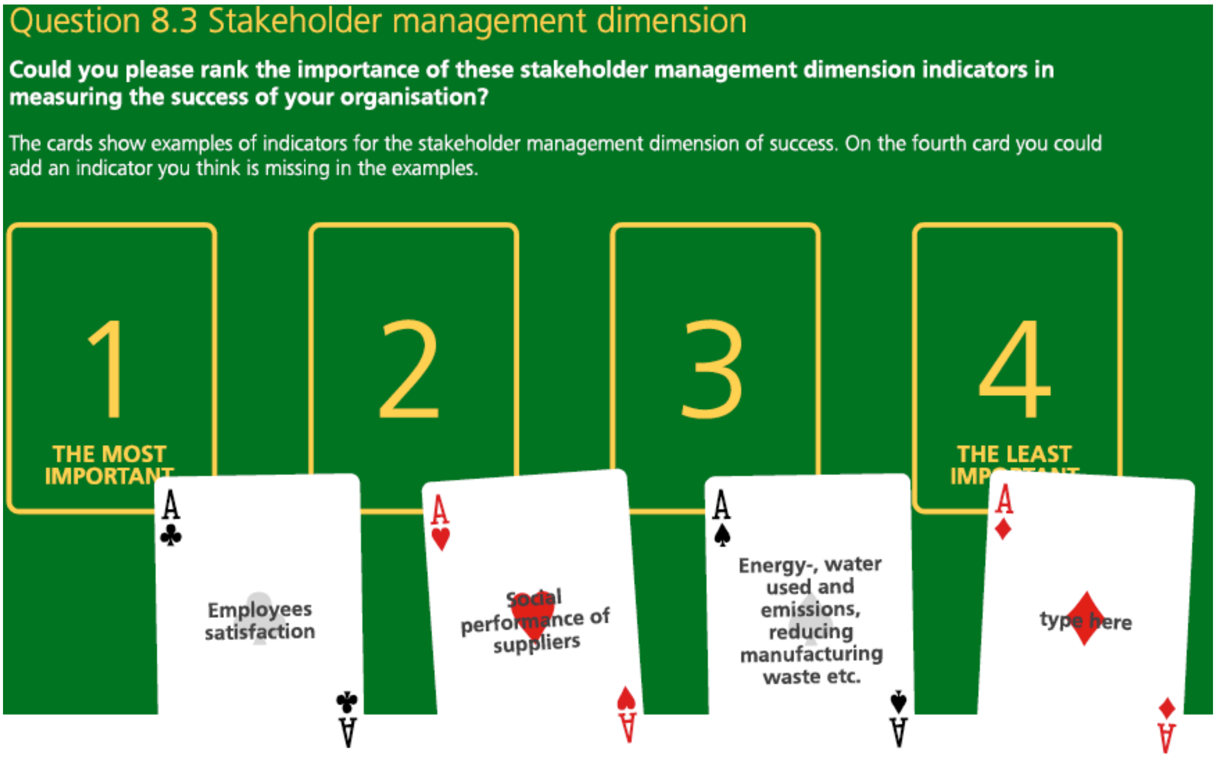
By clicking on this symbol, the rules of the game are repeated and some definitions outlined.

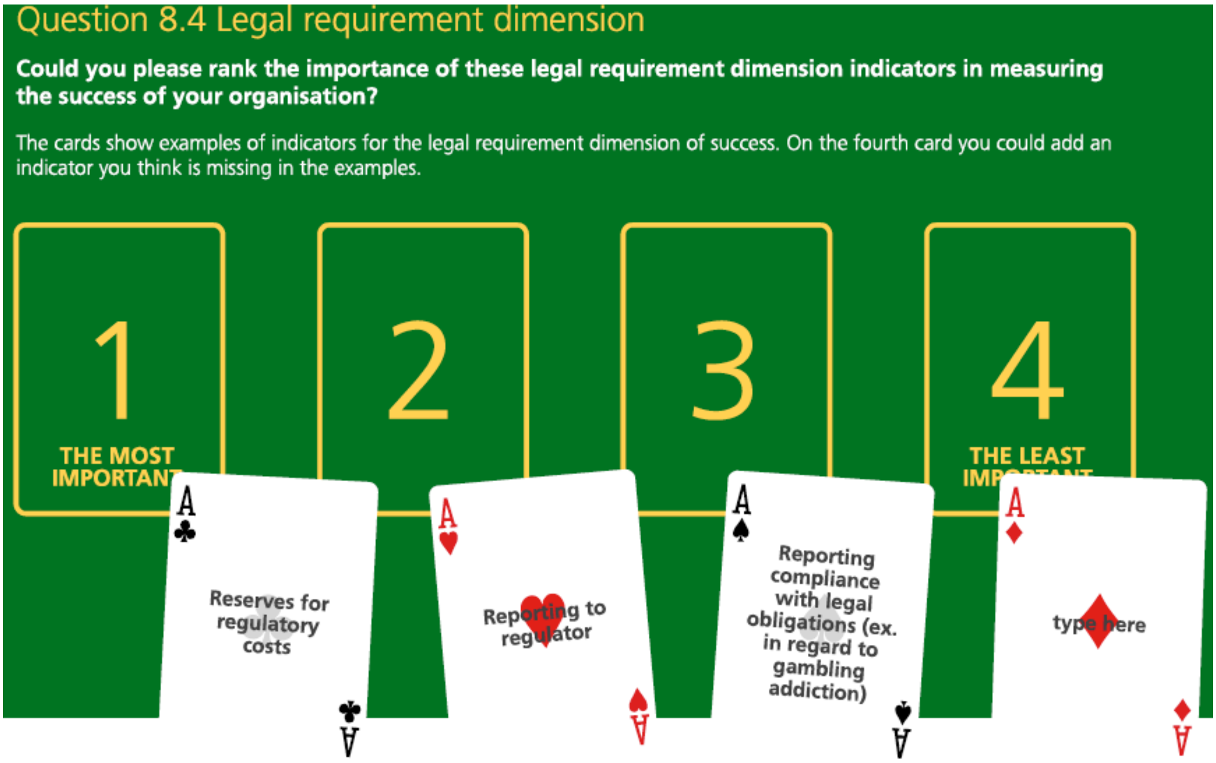


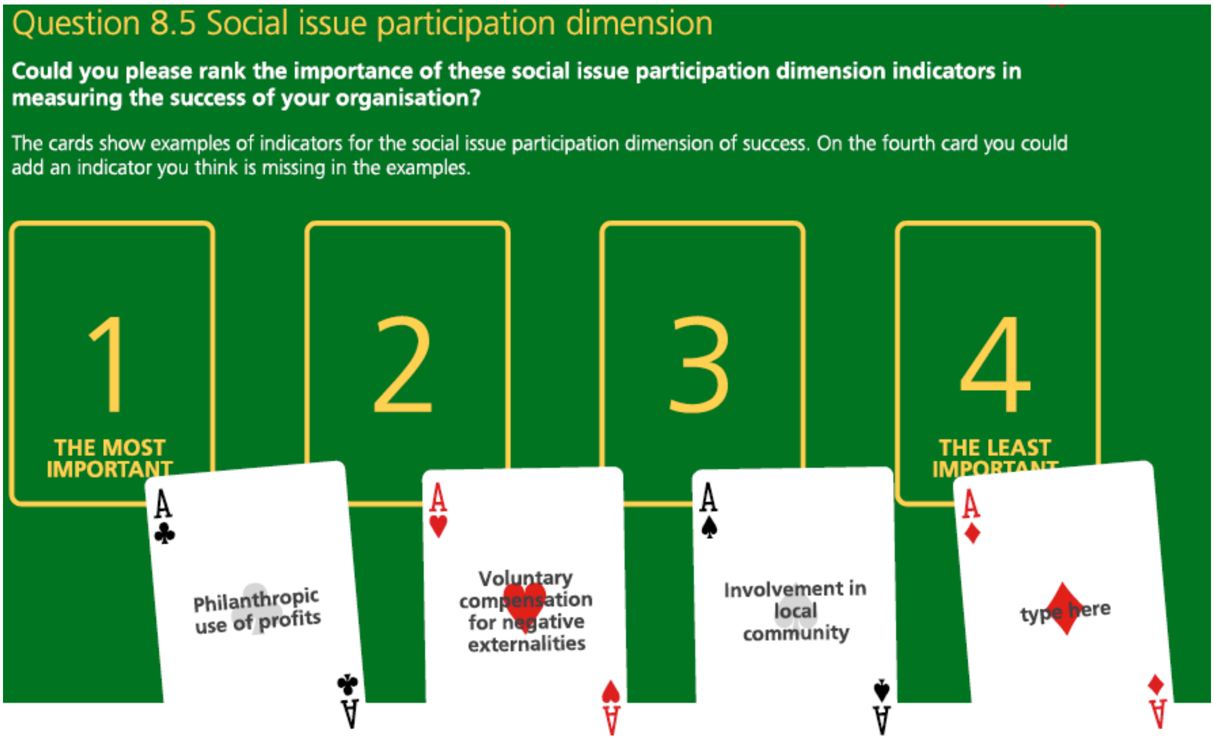

Question 8.2 Operational dimension
Could you please rank the importance of these customer perspective indicators in measuring the success of your organisation?
The cards show examples of indicators for the customer perspective of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST
Customer satisfaction
Customer acquisition
Customer profitability
type here

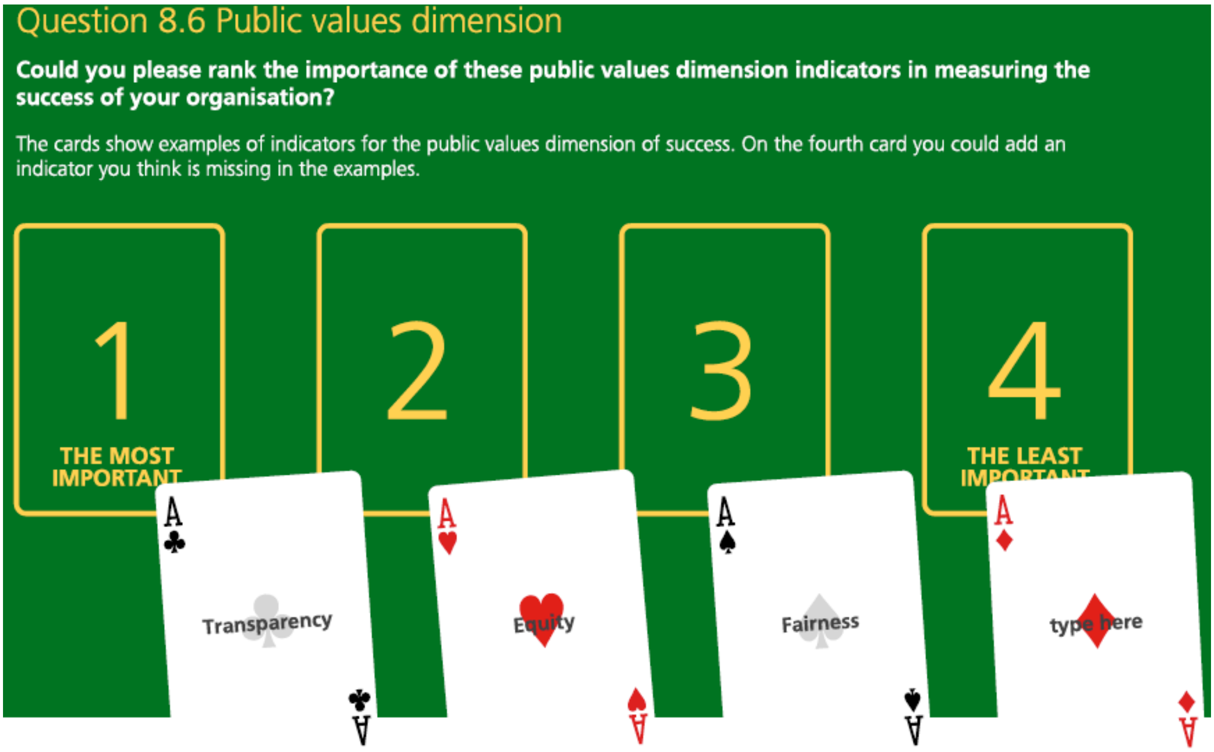

Question 8.2 Operational dimension
Could you please rank the importance of these learning and growth perspective indicators in measuring the success of your organisation?
The cards show examples of indicators for the learning and growth perspective of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST
Innovations
Product developments
Entering new market segments
type here

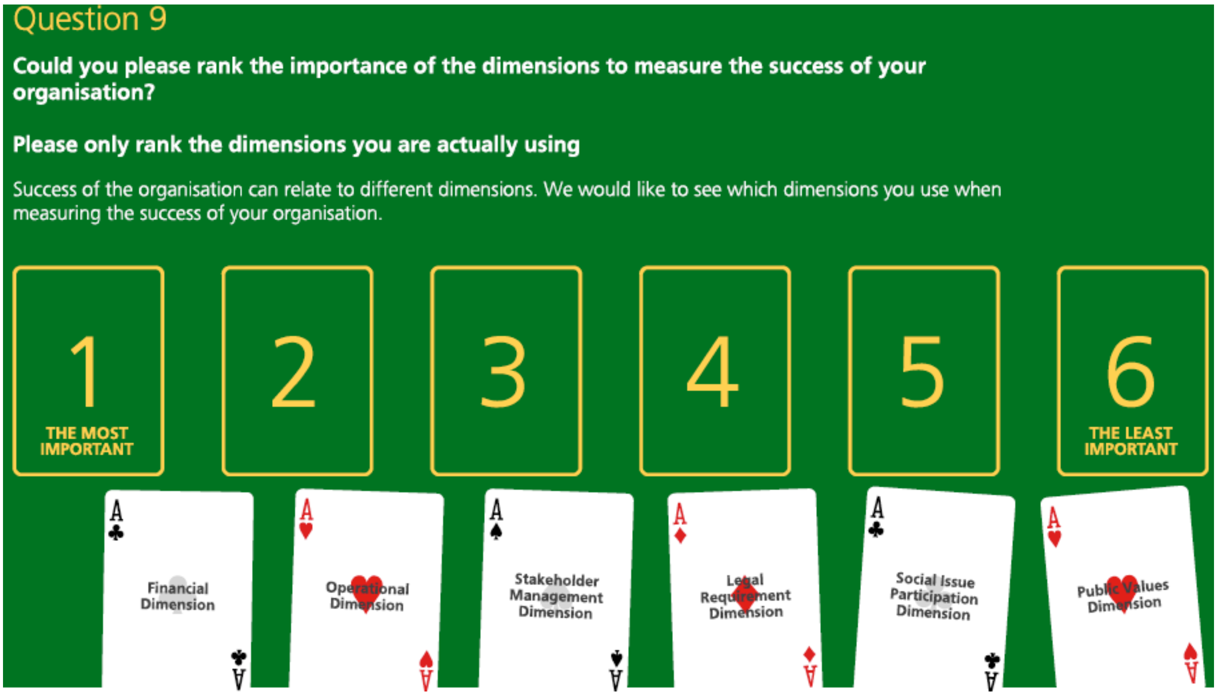

Question 8.2 Operational dimension
Could you please rank the importance of these internal business process perspective indicators in measuring the success of your organisation?
The cards show examples of indicators for the internal business process perspective of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST
Productivity
Working capital / sales
Labour turnover
type here


Question 8.3 Stakeholder management dimension
Could you please rank the importance of these stakeholder management dimension indicators in measuring the success of your organisation?
The cards show examples of indicators for the stakeholder management dimension of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST
Employees satisfaction
Social performance of suppliers
Energy-, water used and emissions, reducing manufacturing waste etc.
type here


Question 8.4 Legal requirement dimension
Could you please rank the importance of these legal requirement dimension indicators in measuring the success of your organisation?
The cards show examples of indicators for the legal requirement dimension of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST IMPORTANT
Reserves for regulatory costs
Reporting to regulator
Reporting compliance with legal obligations (ex. in regard to gambling addiction)
type here


Question 8.5 Social issue participation dimension
Could you please rank the importance of these social issue participation dimension indicators in measuring the success of your organisation?
The cards show examples of indicators for the social issue participation dimension of success. On the fourth card you could add an indicator you think is missing in the examples.
1
THE MOST IMPORTANT
2
3
4
THE LEAST IMPORTANT
Philanthropic use of profits
Voluntary compensation for negative externalities
Involvement in local community
type here





Question 10

Please, can you explain why you ranked the dimensions used to evaluate the success of your organisation as you did?

Question 11

Are there other dimensions you are measuring? If so, please indicate the dimensions you are using.

Question 12

Hypothetically, how would a decrease in the level of state regulation change the importance of the dimensions of organisational success?

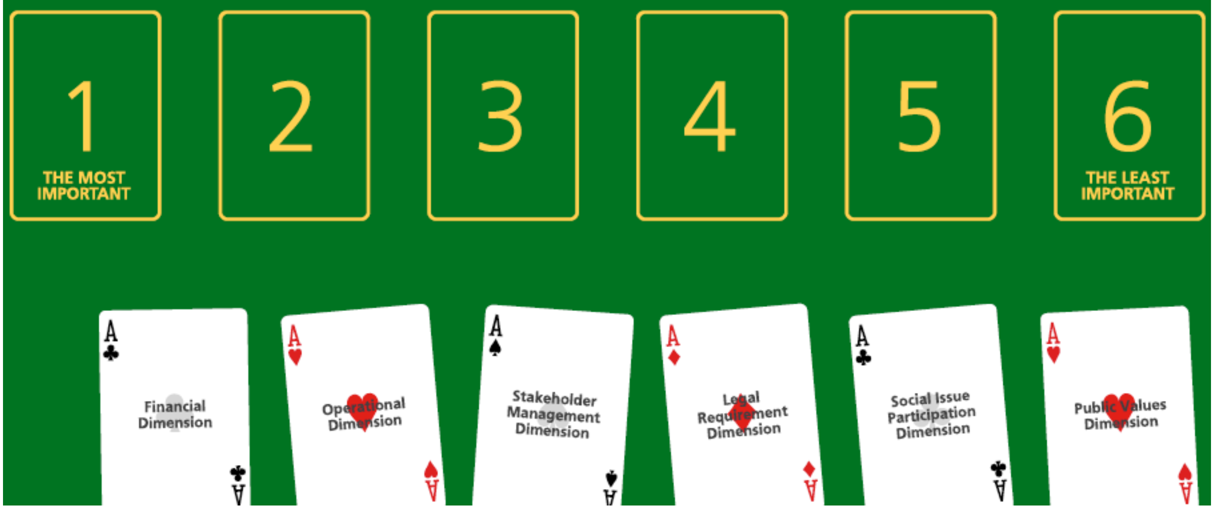
Please evaluate the change of each dimension on a scale from 1 = extremely to 5 = not at all

	1	2	3	4	5
The financial dimension changes					
The operational Dimension changes					
The stakeholder management dimension changes					
The legal requirement dimension changes					
The social issue participation dimension changes					
The public values dimension changes					

Question 13

Hypothetically, under this new regulatory framework (lower level of regulation) how would you rank the importance of the dimensions to define the success of your organisation?

Please rank them from 1=the most important to 6=the least important



Question 14

Hypothetically, how would an increase in the level of state regulation change the importance of the dimensions of organisational success?

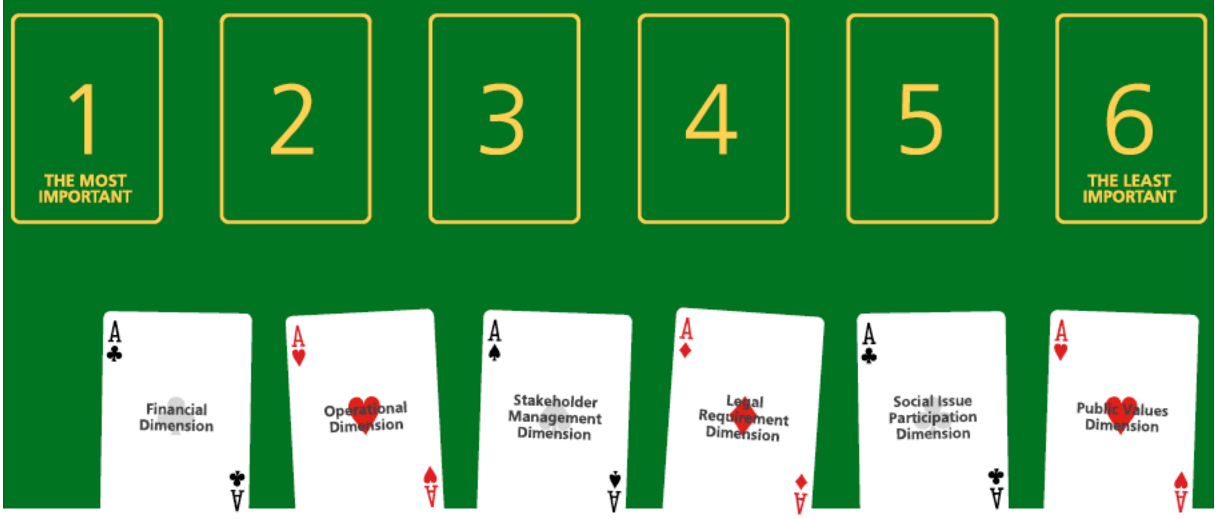
Please evaluate the change of each dimension on a scale from 1 = extremely to 5 = not at all

	1	2	3	4	5
The financial dimension changes	○	○	○	○	○
The operational Dimension changes	○	○	○	○	○
The stakeholder management dimension changes	○	○	○	○	○
The legal requirement dimension changes	○	○	○	○	○
The social issue participation dimension changes	○	○	○	○	○
The public values dimension changes	○	○	○	○	○

Question 15

Hypothetically, under this new regulatory framework (higher level of regulation) how would you rank the importance of the dimensions to define the success of your organisation?

Please rank them from 1=the most important to 6=the least important



Question 16

Can you explain why a change in the level of state regulation affects the definition of success in your organisation?

Question 17

Please indicate your level of agreement with the following statements:

Financial indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Financial indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Operative indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Operative indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Stakeholder management indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Stakeholder management indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Legal compliance indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Legal compliance indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Social issue participation indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Social issue participation indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Public value indicators are the main indicators of organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Public values indicators are the only indicators used to define organisational success

Strongly agree	Somewhat agree	Neither nor	Somewhat disagree	Strongly disagree	Not applicable/ Do not know
○	○	○	○	○	○

Concluding questions

The organisation is:

Please select

What is the name of your organisation?

How many employees does your organisation have?

Please select

Where are your Headquarters located?

What is your current position in the company?

For how long have you held this position?

Please select

For how long have you been working in the company?

Please select

What is your nationality?

What is your year of birth?

Please select

You are:

Please select

Remarks

Do you have any remarks?

Thank you for your precious participation!