



UNITED NATIONS

ECONOMIC  
AND  
SOCIAL COUNCIL



LIMITED

ST/ECLA/Conf.35/L.5  
22 October 1969

ENGLISH  
ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA

MEETING OF EXPERTS ON ADMINISTRATION OF  
PUBLIC ENTERPRISES IN LATIN AMERICA AND  
THE CARIBBEAN

Santiago, Chile, 17 to 22 November 1969

SUMMARY

THE PUBLIC ENTERPRISES AND CRITERIA FOR EVALUATING  
ITS MANAGEMENT

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## SUMMARY

THE PUBLIC ENTERPRISES AND CRITERIA FOR EVALUATING  
ITS MANAGEMENT

The paper begins by discussing the functions of the enterprise and identifies two functions as being essential, irrespective of the type of enterprise or the economic and social system concerned: (1) An economic function: to satisfy the needs of the group of consumers forming its market; and (2) a social function: to provide those working in it with what they need for an acceptable level of living.

It also identifies a third function, which is of special importance in a great many countries, namely, to obtain a profit. This is defined as a net gain in revenue earned over costs, and has a twofold aim: to provide financial resources for the development and expansion of the enterprise and to compensate those supplying capital for the risk they have incurred. It is noted that, while some writers consider that the primary function of the enterprise should be to obtain a profit, others believe that this is not true of public or semi-public enterprises, in which the common good must be the primary concern. There appears to be general agreement, however, on the fact that all enterprises, whether private or public, must be efficiently managed and must endeavour to achieve the maximum economic return.

The paper analyses the following types of public enterprise:

1. Public utilities
2. Transport and telecommunications
3. Banking, credit and insurance
4. Multipurpose development projects
5. Established basic industries
6. New industries or services
7. Cultural activities

On the basis of this list, the paper considers various aspects of the term "public enterprise", and the reasons for the establishment of such enterprises in different countries.

/Eight aspects

Eight aspects are discussed for which it is necessary to establish performance objectives and evaluate the results of management:

1. Market situation
2. Innovation
3. Productivity and value added
4. Physical and financial resources
5. Profit
6. Management performance and development
7. Staff performance and attitude
8. Responsibility to the public

The paper ends with a brief review of the technique known as "management audit" for evaluating management, including an examination of the following points:

1. Economic function
2. Corporate structure
3. Profits
4. Relationship with shareholders or owners
5. Research and development
6. Membership of the Board of Directors
7. Financial policies
8. Productivity
9. Sales strength
10. Executive staff