Louis Meuleman

Public Management and the Metagovernance of Hierarchies, Networks and Markets

The Feasibility of Designing
and Managing Governance Style
Combinations

Public Management and the Metagovernance of Hierarchies, Networks and Markets

Louis Meuleman

Public Management and the Metagovernance of Hierarchies, Networks and Markets

The Feasibility of Designing
and Managing Governance Style Combinations

Physica-Verlag

Louis Meuleman
Emmapark 6
NL-2597ET The Hague
The Netherlands
louismeuleman@publicstrategy.nl

Public Management and the Metagovernance of Hierarchies, Networks and Markets

The feasibility of designing and managing governance style combinations

Publiek Management en de metagovernance van hiërarchieën, netwerken en markten

De mogelijkheid van het ontwerpen en managen van governancestijl-combinaties

Thesis to obtain the degree of Doctor from the Erasmus University Rotterdam

by command of the rector magnificus
Prof.dr. S.W.J. Lamberts
and in accordance with the decision of the Doctorate Board

The public defense shall be held on
Thursday 15 May 2008 at 16.00 hrs

by

Aloysius Alfred Maria Meuleman
born in Bergen op Zoom

ERASMUS UNIVERSITEIT ROTTERDAM

Doctoral Committee

Promotors

   Prof.dr. R.J. in 't Veld
   Prof.dr. W.J.M. Kickert

Other members

   Prof.dr. A. Ringeling
   Prof.dr. A.J.M. Roobeek
   Prof.dr. G. Teisman

Prologue

In November 2006, around 15 Dutch public-sector managers met in a restaurant in the Province of Friesland to brainstorm how to best organise regional cooperation between their organisations - the police, local authorities, fire brigades and health organisations - in case of emergencies and disasters. They concluded that the style of cooperation should follow the type of problems typically emerging in different phases of a large incident: During a crisis, a hierarchical command and control style should be in place, because time is crucial and quick decisions are needed. After the crisis, efficiency takes over as the main driving force for cooperation: all organisations then rely on their own remits and autonomy in order to 'clean up' the remains of the incident quickly and thoroughly. Then an intermediate phase starts: the non-incident phase, in which parties cooperate in the form of a network, and work on enhancing mutual trust and understanding, which prepares them for the sudden switch to hierarchy when a new crisis happens.

What these managers discovered was the necessity of being able to exercise metagovernance: designing and managing, shifting between and combining three different styles of governance - hierarchical, network and market governance. The term governance, as will be explained later, should be taken to mean the totality of interactions in which government, other public bodies, and civil society participate, with the objective to solve societal problems or creating societal opportunities.

This example of the dynamics of multi-actor governance processes does not stand alone. For example in community policing – networking in the shadow of hierarchy and market thinking – many cases like the above can be found.[1] Other examples have been described in the case of urban renewal in the UK.[2] The same can be observed with strategic policy making

---

[1]   E.g. Meuleman (2008): Reflections on metagovernance and community policing: The Utrecht case in the Netherlands and questions about the cultural transferability of governancer approaches and metagovernance.

[2]   Lowndes and Skelcher (1998): The dynamics of Multi-Organisational Partnerships: an Analysis of Changing Modes of Governance.

at the national level. Sometimes, hierarchy is used to stimulate network and market governance, in other cases, network governance prepares the floor for a hierarchical 'finish'.

These examples suggest that hierarchies, networks and markets as forms of social coordination these days appear together and in dynamic mixtures inside public-sector organisations and between the public sector and non-state actors. This is good news: it allows for a much richer range of governance combinations than when (public) managers had only access to one or two styles. Nevertheless, there are theoretical and practical problems with the use of such a multi-governance style approach. Public administration literature has been rather inconclusive about the usefulness or even possibility of distinguishing these three governance styles. Moreover, with regard to the practical component: the context in which public administrators work, is a potentially confusing one.

In the first place, the late 1990s and early 2000's have shown a growing societal discontent with the performance of governments and their agencies in Western European democracies. In the Netherlands, public trust in government decreased from 65% in 2000 to 35% in 2002.[3] In 2006 it had increased again, but not to the level of 2000.[4] The success of a populist, anti-establishment political party led to a political earthquake in that year. In 1996, a Belgian poll about the functioning of the political-administrative system showed that 64% of Belgian citizens thought that their democracy was in danger at that time.[5] In addition, a series of financial scandals were uncovered (Augusta, Dassault).[6] This was accompanied by the emergence of a strong new populist political party. In Germany public trust in the government in general, and in politicians particularly decreased drastically in the early 1990's and since then stayed at a low level[7]. France has witnessed riots caused by serious discontent in suburbs in 2005 and 2006. The European Commission faces the same challenge. In 2003 a UK survey showed that only 35% of the British public had a 'great deal or fair amount' of trust that the Commission's senior officials are telling the truth.[8]

---

[3]   SCP (Netherlands Social and Cultural Planning Office)(2003): The social state of the Netherlands 2003.

[4]   SCP (2007): The social state of the Netherlands 2007.

[5]   Hondeghem (1997: 25): The national civil service in Belgium.

[6]   Woyke (2003: 409): Das politische System Belgiens.

[7]   Ismayr, 2003b: Das politische System Deutschlands.

[8]   Poll prepared for the Daily Telegraph (www.yougov.com).

A second characteristic of the current situation is what the American scholar Kettl names the emergence of 'fuzzy boundaries'.[9] The rather clear separation of roles between social actors and classical public administration has disappeared. Governments have come to realise, more than in the past, that they cannot solve complex societal problems on their own. They rely on partnerships with other public-sector organisations, private-sector and non-governmental organisations. Hajer even argues that an 'institutional void' has emerged. He claims that more and more important policy problems are dealt with next to or across state-institutions.[10] Public-sector organisations that are not able to adapt to the new situation are in trouble. Collaboration is the new imperative.[11] Moreover, there is not *one* new situation. Sometimes the public and societal organisations ask for clear, authoritative guidance, sometimes they want efficient public services, and in other cases they demand to be intensively involved in the preparation or execution of government measures. Frequently, they want it all.

Fuzzy boundaries and societal discontent are related phenomena in the sense that when it becomes unclear what public-sector organisations stand for and what they take as their responsibility, citizens may become more uncertain about who is going to solve societal problems: the fuzziness of administrative boundaries adds to the social discontent. 'Repairing' the vague boundaries seems an impossible mission. One of the factors that have contributed to civil uncertainty, globalisation, increases the fuzziness of boundaries between state and society, and between states. All over the Western world, the role and nature, as well as the institutional foundations of the public sector have profoundly changed[12]. However, this factor is to an extent beyond reach of (national) government interventions. Therefore, it is imperative to try to deal suitably with the new situation.

Uncertainty and fuzziness have not only developed in the relations between government and society, but also *inside* public-sector organisations. The 'inner world' of the public sector has two typical reactions. One is a fatalist attitude: "Both politicians and citizens are unsatisfied with whatever we do". The other reaction is a defensive managerial reaction: "If we cannot improve 'customer satisfaction', what is left to do is to improve the

---

[9]   Kettl (2002: 59): The transformation of governance.

[10] Hajer (2003: 175): Policy without polity? Policy analysis and the institutional void.

[11] Kettl (2006): Managing boundaries in American administration: The collaboration imperative.

[12] Farazmand (2004: 1): Sound governance in the age of globalization: a conceptual framework.

efficiency of our machinery and copy as much as we can from private sector governance".

In this research we will look for other possible reactions. Which other governance reactions would be possible, and when and where may they be applied?

March 2008

Louis Meuleman

Contents

1 Introduction

Public managers can, to a certain extent, choose between various management paradigms which are provided by public and business administration scholars and by politicians as well. How do they find their way in this confusing supermarket of competing ideas? This book explores how public managers in Western bureaucracies deal with the mutually undermining ideas of hierarchical, network and market governance. Do they possess a specific logic of action, a rationale, when they combine and switch between these governance styles?

This chapter sets the scene for the book as a whole and presents the research topic and the research question.

1.1 Problem setting

Since the Second World War, Western public administration systems have changed drastically. The hierarchical style of governing of the 1950s to the 1970s was partly replaced by market mechanisms, from the 1980s onwards. In the 1990s, a third style of governing, based on networks, further enriched the range of possible steering, coordination and organisation interventions. In the new millennium, public sector organisations seem to apply complex and varying mixtures of all three styles of what we will define as governance in a broad sense. This development has brought about two problems.

Firstly, each of the three styles has an internal logic that is to a substantial extent *incompatible* with the logic of the other styles. Authority (hierarchy), trust (network) and price (market) are contrasting and partly undermining principles. The same applies to other sets of characteristics, for example how actors are considered (as subjects, partners or customers), or regarding the type of relations (dependent, interdependent or independent).

The second problem, which aggravates the first, is that each of the three governance styles is and has been considered to be a *panacea*: the political and/or societal fashion determines how the public sector deals with issues, rather than what works best in a given situation. A Dutch political com-

mentator described the situation in the Netherlands in 2005 as a 'chaos of order': A fundamental confusion among politicians and civil servants about how to design governance mixtures that work. This confusion has produced new and widely criticised mixtures of governance styles, such as market-style competition combined with new hierarchical control mechanisms in policy areas where, for example in the Netherlands, traditionally consent (network governance) has tended to be successful, like in the field of social policy.[13]

It is no wonder that the performance of public-sector organisations has been heavily criticised. It is more surprising that there are still successful public-sector activities, in which the inherent style incompatibilities and the forces of fashion do not seem to play a central role. The question emerges if public managers, who are responsible for successfully dealing with policy issues or organisational problems, are merely lucky. Alternatively, could it be that they have found ways to prevent or mitigate these problems? Or is it a contingent combination of both? Moreover, what is the logic of action of these public managers?

This research investigates how public managers consciously design and manage governance style mixtures that work. We will call this metagovernance, the 'governance of governance', a term coined by Jessop.[14] With reference to the challenge, formulated by Davis and Rhodes, that "the trick will not be to manage contracts or steer networks but to mix the three systems effectively when they conflict with and undermine one another"[15], the topic of this research is the manageability of combinations of hierarchical governance, network governance and market governance, occurring inside 21st Century (Western) public-sector organisations. The influence on the metagovernance challenge of politico-administrative cultures is also investigated: How is metagovernance executed in a market-oriented culture like in England or in the Dutch consensus culture, and to what extent do the underlying hierarchical cultures of Germany and the European Commission influence the possibilities and limitations of metagovernance? Another question that will be analysed is if metagovernance is important and feasible in both strategic and operational policymaking.

---

[13]   Schoo (2005): De ordeningschaos (De Volkskrant, 3 September 2005).

[14]   Jessop (1997: 7): Capitalism and its future: remarks on regulation, government and governance.

[15]   Davis and Rhodes (2000: 25): From hierarchy to contracts and back again: Reforming the Australian public service.

1.2 Research focus

Governance as a public management issue appears on three levels. The *macro* level concerns the relations between government and society. The *meso* level is about top managers in the public sector and their relations with politicians. The *micro* level, also inside public sector organisations, concerns the work of middle and project-managers. The macro level has been much better investigated than the meso and the micro level.[16] This book concentrates on governance questions *inside* administration: the meso and micro level, or the *'Innenwelt'* of public administration. [17] The key managing actors on these levels are the directors-general and the secretaries-general[18] (meso level) and middle managers (including project managers) (micro level).

We will use the existing theoretical concept of "governance styles", while adding a new vision on the concept of *metagovernance*. Three 'ideal-type'[19] styles or 'modes' of governance are distinguished that define the roles and lines of responsibility of public-sector and societal players in different ways: hierarchical, network and market governance. [20] These ideal-types are theoretical constructs: in reality, mixed forms tend to appear. Public administration organisations are primarily organised according to hierarchical principles. Public managers are part of this system and have to deal with the characteristics of hierarchy, like authority, legality and accountability: they are used to *hierarchy* as their main style of governing. At the same time, they must deal with another governance style that the New Public Management movement of the 1980s has brought forth: *market* governance, characterised by the idea that public-sector organisations can be run like a business, through the application of efficiency, competition, performance contracts and deregulation, to name a few examples. A third style of governing that public managers must handle

---

[16]   There is a large public administration literature on the governance of the relations between government and society.

[17]   Müller (1986): Innenwelt der Umweltpolitik: Sozial-Liberale Umweltpolitik, (Ohn)Macht durch Organisation?

[18]   The head of a ministry (in the UK 'permanent secretary').

[19]   The adjective 'ideal-type' is used because the three distinguished governance styles are here considered to be theoretical constructs, that 'in reality' only appear in mixed forms.

[20]   The term 'governance' is also used for the internal component (inside administration), because this aspect cannot be disconnected from the overall concept of governance and has been neglected so far.

is *network* governance: a result of the conviction that the public sector cannot solve complex societal problems alone anymore, and of the growing societal pressure on the public sector to co-operate and co-produce with, rather than rule society. Network governance is characterised by building mutual trust and is based on empathy, by understanding interdependency and by creating consensus.

Tensions and conflicts between hierarchical, network and market governance occur frequently: Governance-style conflicts are a normal, daily phenomenon in the public sector.[21] The types of tensions are influenced by the actual societal, political and administrative context. A common cause of conflicts is the fact that Western public-sector organisations are (still) mainly using hierarchical governance[22], whereas societal actors press increasingly for informal forms of governance[23].

Research on the manageability of conflicts between hierarchical, network and market governance has been restricted until now to the management of tensions between hierarchies on one side and networks and markets on the other side.[24] However, the three ways of governing pose a *triple challenge* to public managers. Which characteristics of each of the three styles should be combined – if possible at all – to create and manage productive mixtures of governance styles, and in which situations?

The objective of this research is to develop a contribution to the theory of metagovernance, a framework for further research as well as suggestions for practical use. The latter will not be given in the form of a 'toolbox', but in the form of, as Bevir et al. formulated it, "an informed conjecture or narrative that projects practices and actions by pointing to the conditional connections between actions, beliefs, traditions and dilemma's."[25]

---

[21] E.g. Kickert (2003: Beneath consensual corporatism: Traditions of governance in the Netherlands), Kalders et al. (2004: Overheid in spagaat. Over spanningen tussen verticale en horizontale sturing).

[22] Hill en Lynn (2005): Is Hierarchical governance in decline? Evidence from empirical research.

[23] Peters (2004): Governance and public bureaucracy: New forms of democracy or new forms of control?

[24] E.g. De Bruijn and ten Heuvelhof (2004): Management in netwerken.

[25] Bevir et al. (2003: 199): Comparative Governance: Prospects and Lessons.

1.3 Research proposition and central question

Most public administration scholars argue that governance style mixtures 'emerge'. Apparently, a governance mixture is often only *post-hoc* recognised. The term 'emerge' assumes that these mixtures are usually not designed *before* and managed *during* policy processes. However, other researchers suggest that governance style mixtures are 'manageable'. Taking this second view as a starting point, the proposition that will be investigated in a qualitative way is**:** Designing and managing governance style mixtures, or exercising 'metagovernance', in relation to the political, institutional, and societal context and to the inherent incompatibilities of governance styles as well as to the nature of the framed (policy) problems, may be an important objective of public-sector management.

If hierarchical, market and network governance are in some ways inherently incompatible, then mixtures of these governance styles must cause problems, independent of the political and institutional context of public-sector organisations and of the type of tasks they execute. This leads to the question, if internal conflicts related to governance style mixtures do appear in different institutional and political settings. Furthermore, do they appear on the level of policymaking as well as on the level of policy implementation? This question will be investigated by reviewing the governance literature, and by analysing several case studies.

If problems caused by governance style mixtures can be recognised as such, is it then plausible that they can, to a certain extent, be consciously dealt with? This leads to the central research question:

> How are internal conflicts and synergies within governance style mixtures managed, and what are the possibilities of influencing these mixtures? In other words: Under which conditions may (internal) metagovernance of governance style mixtures be applied by public managers as metagovernors? What is their logic of action, their rationale?

1.4 Structure of the book

The book is structured as follows (Figure 1).The first Chapter introduces the *research topic* and formulates two guiding questions for the research. In Chapter 2, the *theoretical framework* is developed. First, the term governance is defined and the concepts of governance styles and governance hybrids are discussed (2.1). This leads us to the introduction of three

'ideal-type' governance styles: hierarchical governance, market governance and network governance. The argument will be that the evolution of styles of governing since the 1950s has not led to one new common style, but to complex and dynamic mixtures of governance styles in the relations between public-sector organisations and society, as well as inside these organisations. Some claim that the 'old' bureaucracies have been transformed into 'post-bureaucratic administrations'. However, this has not yet been shown to be a valid proposition. Nevertheless, the new 'mixed bureaucracies' bring about important new challenges for public managers. Section 2.2 describes the three ideal-types more in details. Moreover, more than thirty differences between the three governance styles are presented, illustrating that they are not only very different, but also each have a distinct internal logic (2.3). It will be explained that they form complex and dynamic combinations inside contemporary Western public-sector organisations. Several types of interactions between the 'ideal-types' of governance are described. Some are conflicting and undermining each other, others show how synergies are achieved.

Following on from this, Section 2.4 will discuss the relation between the concepts culture and governance. To which extent is *cultural transferability* of governance styles, of specific governance style mixtures feasible? Answering this question is important for two main reasons. Firstly, for understanding how mutual learning between different (national) administrative systems could be organised suitably. Secondly, analysing this question may lead to better understanding the conflicts that arise in praxis when certain governance style mixtures are copied (from Western democracies to developing countries, for example).

In Section 2.5, the concept of metagovernance is discussed, with a focus on what metagovernance means in the 'inner world' of the public sector. It is argued, that metagovernance as the design and management of governance style mixtures is a concept that is more practical for public managers than other concepts of metagovernance.

In Chapter 3, the *research approach* is presented. The chapter begins with detailed research questions (3.1). A research framework is developed, that combines concepts from governance theory and from organisational science (3.2). The framework is tested in two pilot cases. Section 3.3 introduces the methodology: a qualitative comparison of five case studies against the background of a research framework based on the theoretical observations of Chapter 2. The methodology combines the use of ideal types, case study research and grounded theory. Finally, the selection of cases is clarified (3.4).
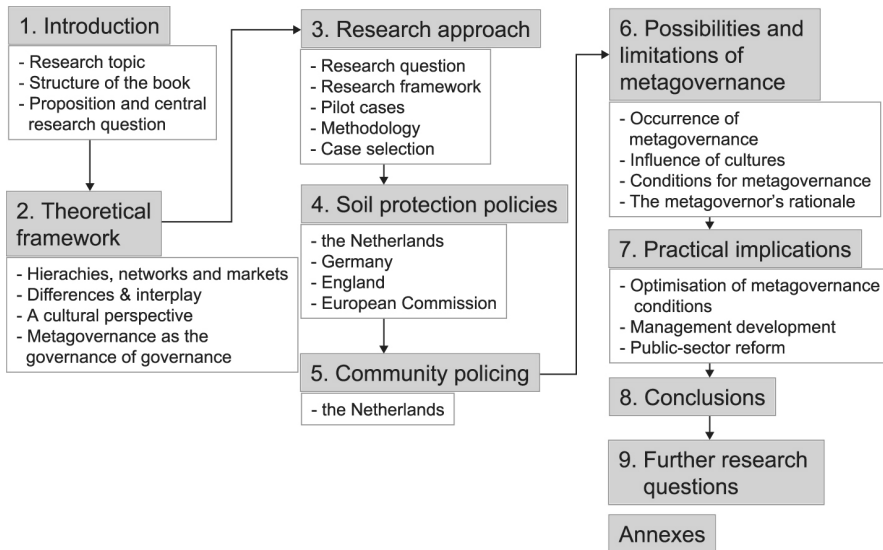
```
┌─────────────────────────┐     ┌─────────────────────────┐     ┌─────────────────────────┐
│ 1. Introduction         │ ──▶ │ 3. Research approach    │     │ 6. Possibilities and    │
├─────────────────────────┤     ├─────────────────────────┤ ──▶ │ limitations of          │
│ - Research topic        │     │ - Research question     │     │ metagovernance          │
│ - Structure of the book │     │ - Research framework    │     ├─────────────────────────┤
│ - Proposition and       │     │ - Pilot cases           │     │ - Occurrence of         │
│   central research      │     │ - Methodology           │     │   metagovernance        │
│   question              │     │ - Case selection        │     │ - Influence of cultures │
└─────────────────────────┘     └─────────────────────────┘     │ - Conditions for        │
           │                                 │                   │   metagovernance        │
           ▼                                 ▼                   │ - The metagovernor's    │
┌─────────────────────────┐     ┌─────────────────────────┐     │   rationale             │
│ 2. Theoretical          │     │ 4. Soil protection      │     └─────────────────────────┘
│ framework               │     │ policies                │                  │
├─────────────────────────┤     ├─────────────────────────┤                  ▼
│ - Hierachies, networks  │     │ - the Netherlands       │     ┌─────────────────────────┐
│   and markets           │     │ - Germany               │     │ 7. Practical implications│
│ - Differences &         │     │ - England               │     ├─────────────────────────┤
│   interplay             │     │ - European Commission   │     │ - Optimisation of       │
│ - A cultural perspective│     └─────────────────────────┘     │   metagovernance        │
│ - Metagovernance as the │                  │                  │   conditions            │
│   governance of         │                  ▼                  │ - Management development│
│   governance            │     ┌─────────────────────────┐     │ - Public-sector reform  │
└─────────────────────────┘     │ 5. Community policing   │ ──▶ └─────────────────────────┘
                                ├─────────────────────────┤                  │
                                │ - the Netherlands       │                  ▼
                                └─────────────────────────┘     ┌─────────────────────────┐
                                                                │ 8. Conclusions          │
                                                                └─────────────────────────┘
                                                                             │
                                                                             ▼
                                                                ┌─────────────────────────┐
                                                                │ 9. Further research     │
                                                                │ questions               │
                                                                └─────────────────────────┘

                                                                ┌─────────────────────────┐
                                                                │ Annexes                 │
                                                                └─────────────────────────┘
```

Fig. 1. Structure of the book

Chapter 4 describes the results of four cases studies on strategic *soil protection policies:* It aims to answer the questions of which roles hierarchical, network and market governance played, and if metagovernance occurred. The first case analyses a crucial phase in national soil protection policy in the Netherlands. The second case compares this with a similar case on the federal level in Germany. In the third case the preparation of the Soil Action Plan for England in the UK is analysed, and the fourth case analyses the preparation of the Thematic Soil Strategy of the European Commission.

Chapter 5 analyses the roles of governance styles and metagovernance in a case of policymaking on a 'street level': an example of *community policing* in the Netherlands, and compares this tentatively with recent practice in other Western European countries. The chapter ends with a comparison of the findings in strategic policymaking cases in one sector (soil protection policies) and operational policy making in another policy field (policing).

Chapter 6 discusses the occurrence of governance style mixtures (6.1) and metagovernance (6.2) in the investigated cases. The following sections compare strategic and operational cases (6.3) and different administrative systems from a cultural perspective (6.4). Section 6.5 discusses the *rationale* of public managers when they act as metagovernors, including the

strategies they use. The chapter ends with a section on the qualifications of metagovernors (6.6).

Chapter 7 presents a number of recommendations for public managers, resulting from this research. First it is discussed how the metagovernor's *qualifications* can be improved (7.1) In Section 7.2, the use of *management development* to improve the 'metagovernability' is discussed. Section 7.3 illustrates how metagovernance may be addressed in public sector *reform programmes*. Measures announced in Western European public sector reform programmes since 2000 can be grouped into three types, each of which is related to one of the three governance styles. Interestingly, the programmes do not address conflicts or synergies between hierarchical, network and market types of measures. This raises the question if this is a structural point missing in current reform programmes.

In Chapter 8, a number of conclusions are presented, as a contribution to the emerging theory on the feasibility of metagovernance. Chapter 9 proposes a programme for further research.

About the author

Louis Meuleman (louismeuleman@publicstrategy.nl) has more than 25 years of public sector experience, serving as a policy-maker, project manager, head of unit, process manager and project director, on national, regional and international issues, mainly in the fields of environment, sustainable development en spatial (land use) planning. He is currently secretary-general of the Dutch Advisory Council for Research on Spatial planning, Nature and Environment (www.rmno.nl) in The Hague. He is Chair of the Netherlands Association for Public Management (www.vom-online.nl) and senior lecturer at the Strategy Centre of Nyenrode Business University, Breukelen, the Netherlands (www.nyenrode.nl).

He is a consultant and trainer (www.publicstrategy.nl); he specialises in workshops on (meta)governance, process management and stakeholder participation, for public managers and policy and communication officers in the Netherlands and EU accession countries (through the Dutch Academy of Public Communication and the Dutch School for Police Leadership). He was also lecturer at the European Online Academy.

He is the author of *The Pegasus Principle: Reinventing a credible public sector* (Lemma, 2003), co-editor of *Environmental Governance in Europe* (Lemma, 2003), and wrote a large number of articles in Dutch, mainly on environmental policy and interactive policy-making.

Louis Meuleman

**Public Management and the Metagovernance
of Hierarchies, Networks and Markets**

What is modern governance? Is it the battle against 'old-fashioned' hierarchy, or is it the restoration of key hierarchical values? Is it optimizing network management, or maximizing the benefits of market thinking in the public-sector? This book argues that it is the combination of all this. The next question is: In practice, how do successful public managers design and manage combinations of hierarchical, network and market governance? In other words: what is their rationale to apply metagovernance? Five case-studies show that metagovernance is a public management requisite: it amplifies the variation of actions public managers can take, and it prevents the three ideal-typical governance styles from undermining each other. Similar cases of strategic environmental policy-making in the United Kingdom, the Netherlands, Germany and the European Commission and one case of community policing in the Netherlands illustrate that successful public-sector managers are dealing with similar metagovernance challenges in different socio-politico-administrative cultures.

❯ springer.com