

The New Governance: Governing without Government¹

R. A. W. RHODES

University of Newcastle-upon-Tyne

The term 'governance' is popular but imprecise. It has at least six uses, referring to: the minimal state; corporate governance; the new public management; 'good governance'; socio-cybernetic systems; and self-organizing networks. I stipulate that governance refers to 'self-organizing, interorganizational networks' and argue these networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and co-ordination. I defend this definition, arguing that it throws new light on recent changes in British government, most notably: hollowing out the state, the new public management, and intergovernmental management. I conclude that networks are now a pervasive feature of service delivery in Britain; that such networks are characterized by trust and mutual adjustment and undermine management reforms rooted in competition; and that they are a challenge to governability because they become autonomous and resist central guidance.

Over the past fifteen years vogue words and phrases for reforming the public sector have come and gone. 'Rayner's Raiders' and the '3Es' of economy, efficiency and effectiveness gave way to the 'new public management' and 'entrepreneurial government'. This paper focuses on one of these words *governance*. It is widely used, supplanting the commonplace 'government', but does it have a distinct meaning? What is it supposed to tell us about the challenges facing British government?

Unfortunately, even the most cursory inspection reveals that 'governance' has several distinct meanings. A baseline definition is essential, therefore, and where else to look other than a textbook. Sammy Finer defines government as:

- 'the activity or process of governing' or 'governance',
- 'a condition of ordered rule',
- 'those people charged with the duty of governing' or 'governors', and
- 'the manner, method or system by which a particular society is governed'.²

Current use does not treat governance as a synonym for government. Rather governance signifies a change in the meaning of government, referring to a *new*

¹ Revised version of a lecture delivered to the RSA/ESRC Joint Initiative on *The State of Britain*, RSA, London, 24 January (1995). I would like to thank Charlotte Dargie (Newcastle) for help in tracking down a diffuse literature and Gerry Stoker (Strathclyde) for advice.

² See S. E. Finer, *Comparative Government* (London, Allen Lane, Penguin 1970), pp. 3–4. Sidney Low, *The Governance of England* (London, Fisher Unwin, 1904) is an early example of its use in the analysis of British government but the term is not in the index nor defined in the text; it is a synonym for government.

process of governing; or a *changed* condition of ordered rule; or the *new* method by which society is governed.

So far, so simple; but the problems of definition become acute when specifying this new process, condition or method. There are at least six separate uses of governance:

- as the minimal state,
- as corporate governance,
- as the new public management,
- as 'good governance',
- as a socio-cybernetic system,
- as self-organizing networks.

Of course words should have clear meanings but there is a more interesting theme to my discussion.

The 1980s heralded a new chapter in the debate about ways of governing. Analysing 'governance' will help to pin down the nature of this experiment and to identify trends and contradictions in the evolution of the British state. I argue British government can choose between 'governing structures'. To markets and hierarchies, we can now add networks. None of these structures for authoritatively allocating resources and exercising control and co-ordination is intrinsically 'good' or 'bad'. The choice is not necessarily or inevitably a matter of ideological conviction but of practicality; that is, under what conditions does each governing structure work effectively. Bureaucracy remains the prime example of hierarchy or co-ordination by administrative order and, for all the recent changes, it is still a major way of delivering services in British government; for example, the Benefits Agency remains a large bureaucracy. Privatization, marketing testing and purchaser-provider split are examples of government using market or quasi-market ways of delivering services. Price competition is the key to efficient and better quality services. Competition and markets are a fixed part of the landscape of British government. It is less widely recognized, especially by British government, that it now works through networks characterized by trust and mutual adjustment; for example, to provide welfare services. British government is searching for a new 'operating code'. This search involves choosing between governing structures. Governance is one such structure.

Uses of Governance

Governance as the Minimal State

This use is a blanket term redefining the extent and form of public intervention and the use of markets and quasi-markets to deliver 'public services'. To employ Stoker's apt phrase 'governance is the acceptable face of spending cuts'.³ The extent of any change is a matter of dispute. Indisputably, the size of government was reduced by privatization and cuts in the civil service. However, public expenditure remained roughly constant as a proportion of GDP; public employment rose slightly in local government and the national health service;

³ G. Stoker, *Local Governance in Britain* (Glasgow, Department of Government, University of Strathclyde, mimeo, November, 1994), p. 6.

and regulation replaced ownership as the preferred form of public intervention with the government creating ten major regulatory bodies. Whatever the results in practice, the ideological preference for less government was stated loudly and often.⁴ Governance encapsulates that preference, but says little else being an example of political rhetoric.

*Governance as Corporate Governance*⁵

This specialized use refers to 'the system by which organizations are directed and controlled'.⁶ Thus:

the governance role is not concerned with running the business of the company, *per se*, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations for accountability and regulation by the interests beyond the corporate boundaries ... All companies need governing as well as managing.⁷

The Chartered Institute of Public Finance and Accountancy (CIPFA) adapted this use to the public sector:

Developments such as compulsory competitive tendering, the creation of discrete business units within internal markets and the introduction generally of a more commercial style of management are bringing about a different culture and climate, which represents a departure from traditional public service 'ethos', and its values of disinterested service and openness. The fact that public services are currently undergoing significant change enhances the need for extra vigilance and care to ensure that sound systems of corporate governance are both set in place and work in practice.

Its report identifies three fundamental principles which apply equally to organizations in the public and private sectors. They recommend openness or the disclosure of information; integrity or straightforward dealing and completeness; and accountability or holding individuals responsible for their actions by a clear allocation of responsibilities and clearly defined roles.⁸ Although a narrow use of the word, the concerns of corporate governance are echoed when discussing accountability in the 'new public management' and 'good governance'. Also, this use reminds us that private sector management practice has an important influence on the public sector.

⁴ See for example: D. Kavannah, *Thatcherism and British Politics: the End of Consensus?* (Oxford, Oxford University Press, 1990), pp. 11-12

⁵ My thanks to Andrew Dunsire (University of York) for pointing out this use and providing several helpful references. Personal correspondence, 28 April (1994).

⁶ The Cadbury Report, *The Report of the Committee on the Financial Aspects of Corporate Governance* (London, Gee, 1992), p. 15.

⁷ R. I. Tricker, *International Corporate Governance* (Englewood Cliffs NJ, Prentice Hall, 1984), pp. 6-7.

⁸ CIPFA, The Chartered Institute of Public Finance and Accountancy, *Corporate Governance in the Public Services* (London, CIPFA, May, 1994), p. 6.

Governance as the New Public Management

Initially the 'new public management' (NPM) had two meanings: managerialism and the new institutional economics.⁹ Managerialism refers to introducing private sector management methods to the public sector. It stresses: hands-on professional management, explicit standards and measures of performance; managing by results; value for money; and, more recently, closeness to the customer. The new institutional economics refers to introducing incentive structures (such as market competition) into public service provision. It stresses disaggregating bureaucracies; greater competition through contracting-out and quasi-markets; and consumer choice. Before 1988, managerialism was the dominant strand in Britain. After 1988, the ideas of the new institutional economics became more prominent.

NPM is relevant to this discussion of governance because steering is central to the analysis of public management and steering is a synonym for governance. For example, Osborne and Gaebler distinguish between 'policy decisions (steering) and service delivery (rowing)', arguing that bureaucracy is a bankrupt tool for rowing. In its place they propose entrepreneurial government based on ten principles:

Most entrepreneurial governments promote *competition* between service providers. They *empower* citizens by pushing control out of the bureaucracy, into the community. They measure the performance of their agencies, focusing not on inputs but on *outcomes*. They are driven by their goals – their *missions* – not by their rules and regulations. They redefine their clients as *customers* and offer the choices . . . They *prevent* problems before they emerge, rather than simply offering services afterwards. They put their energies into *earning* money, not simply spending it. They *decentralize* authority, embracing participatory management. They prefer *market* mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services, but on *catalysing* all sectors – public, private, and voluntary – into action to solve their community's problems.¹⁰

Clearly NPM and entrepreneurial government share a concern with competition, markets, customers and outcomes. This transformation of the public sector involves 'less government' (or less rowing) but 'more governance' (or more steering).¹¹

⁹ For a more detailed discussion of the term see: C. C. Hood, 'A public management for all seasons?', *Public Administration*, 69 (1991), 3–19; and C. Pollitt, *Managerialism and the Public Services* (Oxford, Blackwell, 2nd ed., 1993). Inevitably meanings proliferate and the term has been extended to cover the corporate take-over of public services and post-bureaucratic public management. See P. Dunleavy, 'The globalization of public services production: can government be "best in the world"?', *Public Policy and Administration*, 9 no. 2 (1994), 36–64; A. Yeatman, 'The reform of public management: an overview', *Australian Journal of Public Administration*, 53 (1994), 287–95; and M. Barzelay, with B. J. Armajani, *Breaking Through Bureaucracy: a New Vision for Managing Government* (Berkeley, University of California Press, 1992).

¹⁰ D. Osborne and T. Gaebler, *Reinventing Government* (Reading MA, Addison-Wesley, 1992), p. 20. I do not use 'steering' as a synonym for policy decisions in this paper but to refer to a mode of control which involves setting a norm and correcting deviations from it. See A. Dunsire, 'Holistic governance', *Public Policy and Administration*, 5, no. 1 (1990), p. 5. Also it is useful to distinguish steering (the process) from directedness (the effect). Andrew Dunsire, personal correspondence, 28 April (1994). For a more general discussion, see R. Mayntz, 'Governing failures and the problems of governability' in J. Kooiman (ed.), *Modern Governance* (London, Sage, 1993), pp. 9–20.

¹¹ Osborne and Gaebler, *Reinventing Government*, p. 34.

*Governance as 'Good Governance'*¹²

Government reform is a world-wide trend and 'good governance' is the latest flavour of the month at the World Bank, shaping its lending policy towards Third World countries.¹³ For the World Bank, governance is 'the exercise of political power to manage a nation's affairs' and 'good governance' involves:

an efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; an independent public auditor, responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure, and a free press.¹⁴

Leftwich identifies three strands to good governance: systemic, political and administrative. The systemic use of governance is broader than government, covering the 'distribution of both internal and external political and economic power'. The political use of governance refers to 'a state enjoying both legitimacy and authority, derived from a democratic mandate'. The administrative use refers to:

an efficient open accountable and audited public service which has the bureaucratic competence to help design and implement appropriate policies and manage whatever public sector there is.¹⁵

And to achieve efficiency in the public services, the World Bank seeks to: encourage competition and markets; privatize public enterprise; reform the civil service by reducing over-staffing; introduce budgetary discipline; decentralize administration; and make greater use of non-governmental organizations.¹⁶ In short, 'good governance' marries the new public management to the advocacy of liberal democracy.

Governance as a Socio-cybernetic System

'Socio-cybernetics' is protected by the cloak of language, but I try to avoid most of its neologisms.¹⁷

¹² This section draws on the work of my former colleague at the University of York, Adrian Leftwich and I would like to thank him for his help. See A. Leftwich, 'Governance, democracy and development in the Third World', *Third World Quarterly*, 14 (1993), 605–24. A. Leftwich, 'Governance, the state and the politics of development', *Development and Change*, 25 (1994), 363–86.

¹³ World Bank, *Governance and Development* (Washington DC: The World Bank, 1992).

¹⁴ Leftwich, 'Government, democracy and development', p. 610.

¹⁵ Leftwich, 'Government, democracy and development', p. 611.

¹⁶ D. Williams and T. Young, 'Governance, the World Bank and liberal theory', *Political Studies*, 42 (1994), p. 87.

¹⁷ For ease of exposition, I focus on J. Kooiman (ed.) *Modern Governance* (London: Sage, 1993) as the best recent collection of articles about this approach. See especially: Kooiman, 'Socio-political governance: introduction' in Kooiman, *Modern Governance*, pp. 1–6; and J. Kooiman, 'Findings speculations and recommendations' in Kooiman, *Modern Governance* pp. 249–62. However, I must also mention the work of Sir Geoffrey Vickers, one of the pioneers of systems thinking applied to British government, and Andrew Dunsire. See, for example: Dunsire, 'Holistic governance', A. Dunsire, 'A cybernetic view of guidance, control and evaluation in the public sector' in F. X. Kaufman, G. Majone and V. Ostrom (eds), *Guidance, Control, and Evaluation in the Public Sector* (Berlin, de Gruyter, 1986), pp. 327–46; and Sir Geoffrey Vickers, *The Art of Judgement* (London, Chapman and Hall, 1965).

For Jan Kooiman, governance:

can be seen as the pattern or structure that emerges in a socio-political system as 'common' result or outcome of the interacting intervention efforts of all involved actors. This pattern cannot be reduced to one actor or group of actors in particular.¹⁸

In other words, policy outcomes are not the product of actions by central government. The centre may pass a law but subsequently it interacts with local government, health authorities, the voluntary sector, the private sector and, in turn they interact with one another. Kooiman distinguishes between the process of governing (or goal-directed interventions) and governance which is the result (or the total effects) of social-political-administrative interventions and interactions. There is order in the policy area but it is not imposed from on high; it emerges from the negotiations of the several affected parties. Also:

These interactions are . . . based on the recognition of (inter)dependencies. No single actor, public or private, has all knowledge and information required to solve complex, dynamic and diversified problems; no actor has sufficient overview to make the application of needed instruments effective; no single actor has sufficient action potential to dominate unilaterally in a particular governing model.¹⁹

So, all actors in a particular policy area need one another. Each can contribute relevant knowledge or other resources. No one has all the relevant knowledge or resources to make the policy work. Governing confronts new challenges:

Instead of relying on the state or the market, socio-political governance is directed at the creation of patterns of interaction in which political and traditional hierarchical governing and social self-organization are complementary, in which responsibility and accountability for interventions is spread over public and private actors.²⁰

Central government is no longer supreme. The political system is increasingly differentiated. We live in 'the centreless society';²¹ in the polycentric state characterized by multiple centres. The task of government is to enable socio-political interactions; to encourage many and varied arrangements for coping with problems and to distribute services among the several actors. Such new patterns of interaction abound: for example, self- and co-regulation, public-private partnerships, co-operative management, and joint entrepreneurial ventures.

This use is not restricted to national governance; it encompasses also the international system. For example, Rosenau distinguishes government from governance by suggesting that government refers to 'activities that are backed by formal authority' whereas governance refers to 'activities backed by shared goals'. Governance is 'a more encompassing phenomenon' because it embraces not only governmental organizations but also 'informal, non-governmental

¹⁸ Kooiman, 'Social-political governance', p. 258.

¹⁹ Kooiman, 'Social-political governance', p. 4.

²⁰ Kooiman, 'Findings speculations and recommendations', p. 252.

²¹ N. Luhmann, *The Differentiation of Society* (New York: Columbia University Press, 1982), p. xv.

mechanisms'. So you get governance without government when there are 'regulatory mechanisms in a sphere of activity which function effectively even though they are not endowed with formal authority'.²²

The socio-cybernetic approach highlights the limits to governing by a central actor, claiming there is no longer a single sovereign authority. In its place, there is the multiplicity of actors specific to each policy area; interdependence among these social-political-administrative actors; shared goals; blurred boundaries between public, private and voluntary sectors; and multiplying and new forms of action, intervention and control. Governance is the result of interactive social-political forms of governing.

Governance as Self-organizing Networks

The system of government beyond Westminster and Whitehall was transformed 'from a system of local government into a system of local governance involving complex sets of organizations drawn from the public and private sectors'.²³ This use sees governance as a broader term than government with services provided by any permutation of government and the private and voluntary sectors. Interorganizational linkages are a defining characteristic of service delivery and I use the term network to describe the several interdependent actors involved in delivering services. These networks are made up of organizations which need to exchange resources (for example, money, information, expertise) to achieve their objectives, to maximize their influence over outcomes, and to avoid becoming dependent on other players in the game.²⁴ As British government creates agencies, bypasses local government, uses special purpose bodies to deliver services, and encourages public-private partnerships, so networks become increasingly prominent among British governing structures. Indeed, Metcalfe and Richards define public management as 'getting things done through other organizations' and criticize managerial reform in Britain for concentrating on internal management.²⁵ Governance is about managing networks.²⁶

²² J. N. Rosenau, 'Governance, order, and change in world politics' in J. N. Rosenau and E.-O. Czempiel (eds), *Governance without Government: Order and Change in World Politics* (Cambridge, Cambridge University Press, 1992), pp. 3–6.

²³ See R. A. W. Rhodes, *Local Governance* (Swindon, Report to the ESRC's Society and Politics Research Development Group, November, 1991). See also R. A. W. Rhodes, *Beyond Westminster and Whitehall* (London, Unwin-Hyman, 1988).

²⁴ Rhodes, *Beyond Westminster and Whitehall*, pp. 42–3.

²⁵ L. Metcalfe and S. Richards, *Improving Public Management* (London, Sage, 2nd ed., 1991), p. 220.

²⁶ Countries with a federal structure were quicker to realize the importance of network management. K. Hanf and F. W. Scharpf (eds), *Interorganizational Policy Making* (London, Sage, 1978) explore interorganizational policy making in Germany. R. Agranoff, *Frameworks for Comparative Analysis of Intergovernmental Relations* (Bloomington IN, Indiana University, School of Public and Environmental Affairs, Occasional Paper No. 26, August, 1990) explores intergovernmental management in the American federal system. But networks are a common feature of Western societies, federal or unitary. Walter Kickert, 'Complexity, governance and dynamics: conceptual explorations of public network management' in Kooiman, *Modern Governance*, pp. 191–204 defines public management as: 'the managing, the governance, of complex interorganizational networks', and his example is widely followed by Dutch scholars. J. K. Friend, J. Power and C. J. L. Yewlett, *Public Planning: the Intercorporate Dimension* (London, Tavistock, 1974) was an early British contribution but it had little influence. There is now a growing literature on networks in British government. See, for example D. Marsh and R. A. W. Rhodes (eds), *Policy Networks in British Government* (Oxford, Clarendon, 1992).

Network management is not specific to the public sector. To define public management as getting things done through other organizations is not an implicit argument against the use of markets and quasi-markets. Networks are a widespread form of social co-ordination, and managing interorganizational links is just as important for private sector management.²⁷ Powell argues that networks are 'a distinctive form of co-ordinating economic activity'.²⁸ In similar vein, Larson explores 'network structures in entrepreneurial settings', concluding that 'the network form of governance' highlights 'reputation, trust, reciprocity and mutual interdependence'.²⁹ So, networks are an alternative to, not a hybrid of, markets and hierarchies and they span the boundaries of the public, private and voluntary sectors:

If it is price competition that is the central co-ordinating mechanism of the market and administrative orders that of hierarchy, then it is trust and co-operation that centrally articulates networks.³⁰

More important, this use of governance also suggests that networks are *self-organizing*.³¹ At its simplest, self-organizing means a network is autonomous and self-governing:

The control capacity of government is limited for a number of reasons: lack of legitimacy, complexity of policy processes, complexity and multitude of institutions concerned etc. Government is only one of many actors that influence the course of events in a societal system. Government does not have enough power to exert its will on other actors. Other social institutions are, to a great extent, autonomous. They are not controlled by any single superordinated actor, not even the government. They largely control themselves. Autonomy not only implies freedom, it also implies self-responsibility. Autonomous systems have a much larger degree of freedom of self-governance. Deregulation, government withdrawal and steering at a distance . . . are all notions of less direct government regulation and control, which lead to more autonomy and self-governance for social institutions.³²

In short, integrated networks resist government steering, develop their own policies and mould their environments.

²⁷ There is a large literature on interorganizational analysis. For a useful collection of articles, see W. M. Evan (ed.), *Inter-Organizational Relations* (Harmondsworth, Penguin, 1977); and G. Thompson, J. Frances, R. Levacic and J. Mitchell (eds), *Markets Hierarchies & Networks: the Co-ordination of Social Life* (London, Sage, 1991), especially chs 14–24.

²⁸ W. W. Powell, 'Neither market nor hierarchy: network forms of organization' in Thompson *et al.*, *Markets, Hierarchies & Networks*, pp. 265–76.

²⁹ A. Larson, 'Network dyads in entrepreneurial settings: a study of governance exchange relationships', *Administrative Science Quarterly*, 37 (1992), 76–104.

³⁰ J. Frances, R. Levacic, J. Mitchell and G. Thompson, 'Introduction' in Thompson *et al.*, *Markets, Hierarchies & Networks*, p. 15.

³¹ This notion is closely related to that neologism to end all neologisms: *autopoiesis*. Autopoietic theory argues that organizations seek 'self-referential closure' with their environments; that is, an organization's relationship with its environment is internally determined and change is internally generated. For a short introduction see: G. Morgan, *Images of Organization* (London, Sage, 1986), pp. 235–45. I do not discuss the several variants of autopoietic theory but see: B. Jessop, *State Theory* (Cambridge, Polity, 1990), ch. 11; W. Kickert, 'Autopoiesis and the science of (public) administration: essence, sense and nonsense', *Organization Studies*, 14 (1993), 261–78; and N. Luhmann, 'The autopoiesis of social systems' in F. Geyer and J. van der Zouwen (eds), *Socio-cybernetic Paradoxes* (London, Sage, 1986), pp. 172–92.

³² Kickert, 'Autopoiesis and the science of (public) administration', p. 275.

Governance: a Stipulative Definition

It would seem that governance has too many meanings to be useful, but the concept can be rescued by stipulating one meaning and showing how it contributes to the analysis of change in British government. So, *governance refers to self-organizing, interorganizational networks*.

Any stipulative definition is arbitrary but my definition incorporates significant elements of the other uses, most notably governance as the minimal state, as a socio-cybernetic system and as self-organizing networks. I list below the shared characteristics of 'governance'.

- (1) Interdependence between organizations. Governance is broader than government, covering non-state actors. Changing the boundaries of the state meant the boundaries between public, private and voluntary sectors became shifting and opaque.
- (2) Continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes.
- (3) Game-like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants.
- (4) A significant degree of autonomy from the state. Networks are not accountable to the state; they are self-organising. Although the state does not occupy a privileged, sovereign position, it can indirectly and imperfectly steer networks.³³

This list clearly demonstrates the common ground between my definition and the other uses. However, the key test of any stipulative definition is the contribution it makes to understanding change in British government in the 1990s. The following analysis of change in British government treats networks as a governing structure – as an alternative to markets and hierarchies. It explores the extent to which they already exist and discusses the consequences for British government.

Self-organizing Networks and British Government

Governance contributes to the analysis of British government because it raises new questions about recurrent problems. I explore its potential contribution under the headings of: hollowing out the state; the contradictions of the new

³³ Andrew Dunsire in his discussant's note on R. A. W. Rhodes, 'Towards a postmodern public administration', paper to the 25th Anniversary Conference of the PAC, Civil Service College, Sunningdale, 4–6 September (1995) regretted that my definition left out 'some element' of steering by the state.

I would begin from Rhodes' formulation, but add the means by which the government actor may (however indirectly and imperfectly) steer the transient dynamic of network operations away from undesired configurations and towards desired ones -- with no privileged position or authority save what is readily acknowledged.

I implicitly concede this point in my discussion of intergovernmental management and steering, so I amended this list of network characteristics to accommodate Dunsire's point.

public management (NPM); and the rise of intergovernmental management (IGM).³⁴

This article will not document the pace and extent of change in British central government in the 1980s and 1990s, but there have been significant changes which: pushed back the boundaries of the state; reasserted political authority; improved monitoring and evaluation; reformed public sector management; increased the transparency of the public sector; reformed the structure; and changed the civil service culture.³⁵ Obviously, the Conservative government revisited old problems. The reform of government structure, improving management in government, strengthening central capability, the gap between central policy objectives and local implementation and the accountability of quangos all have long histories. However, the Conservative government evolved a distinctive strategy for reforming the public sector. Initially, for example, it railed against the plethora of special-purpose bodies in British government only to use them extensively later to bypass local authorities and to fragment service delivery systems. The recurrent motifs in its reforms are competition and markets. Without denying the persistent nature of many of the problems of British government, this article focuses on the distinctive changes made by the Conservative government.

Hollowing Out the State

The phrase 'the hollowing out of the state' summarizes many of the changes which have taken, and are taking, place in British government. It refers to:

- (1) Privatization and limiting the scope and forms of public intervention.
- (2) The loss of functions by central and local government departments to alternative delivery systems (such as agencies).
- (3) The loss of functions by British government to European Union institutions.
- (4) Limits set to the discretion of public servants through the new public management, with its emphasis on managerial accountability, and clearer political control through a sharper distinction between politics and administration.

The public sector is becoming both smaller and fragmented and this process of hollowing-out raises several problems. Three problems are of immediate concern: fragmentation, steering and accountability.

The experiments with new ways of delivering services split up the old departmental bureaucracies of central and local government. The examples include: agencies, contracting-out, quasi-markets (in the guise of the purchaser-provider split), and bypassing local government to use special-purpose bodies.

³⁴ Many of the theoretical issues will be explored by the ESRC's Whitehall programme which will analyse the changes in British central government in the postwar period. There are twenty-two projects in the programme which started in April 1995. See: R. A. W. Rhodes, *The Changing Nature of the British Executive: a Research Proposal* (Swindon, Report to the ESRC's Research Programmes Board, May, 1993).

³⁵ R. A. W. Rhodes, *Understanding Governance* (Buckingham, Open University Press, 1996), ch. 6; and V. Wright, 'Reshaping the state: implications for public administration', *West European Politics*, 17 (1994), 103-34.

Fragmentation leads to reduced control over implementation. Services such as care in the community are delivered by a network of organizations including the central department, local authorities, health authorities, agencies, private businesses and voluntary groups. For example, domiciliary care of the elderly can involve upwards of a dozen people drawn from more than six agencies covering every sector. In effect, during the 1980s, British government multiplied the number of interorganizational networks delivering major welfare state services.³⁶

Steering complex sets of organizations is difficult. So far, British government has compensated for its loss of hands-on controls by reinforcing its control over resources. Decentralizing service delivery has gone along with centralizing financial control. Such hands-off controls may not provide sufficient leverage for the centre to steer the networks. Hollowing out erodes the capacity of the centre to co-ordinate and plan; a concern echoed by Sir Robin Butler, the Head of the Civil Service, who argues that fragmentation must not reach the point:

where individual Departments and their Agencies become simply different unconnected elements in the overall public sector, with little in the way of staff transferability, *and no real working mechanisms for policy co-ordination* (emphasis added).³⁷

As networks multiply, so do doubts about the centre's capacity to steer. Kettl argues that, as a result of contracting-out, government agencies found themselves 'sitting on top of complex public-private relationships whose dimensions they may only vaguely understand'. They had only 'loose leverage' but remained 'responsible for a system over which they had little real control'.³⁸ The Swedish example suggests that agencies will become increasingly independent with their own distinct cultures and a marked reluctance to accept central guidelines. Given that the 'Next Steps' agencies will develop a near monopoly of expertise in their policy area, given that policy often emerges from innumerable small decisions, it is conceivable the agency tail will wag the departmental dog.³⁹

Hollowing out also erodes accountability. First, institutional complexity obscures who is accountable to whom for what. Second, the 'new magistracy' or special-purpose bodies have replaced central departments and elected local councils for the delivery of services and they are subject to varying degrees of public accountability.⁴⁰ Third, the government equates transparency and consumer responsiveness with public accountability. Such innovations as *The Citizen's Charter* (Cm 1599) and the associated *Code of Practice on Access to Government Information* are welcome but neither strengthen political accountability because the user has no powers to hold a government agency to account.

³⁶ For a more detailed account of hollowing out, see: R. A. W. Rhodes, 'The hollowing out of the state', *Political Quarterly*, 65 (1994), 138–51. Networks are a long-standing feature of British government, see: Rhodes, *Beyond Westminster and Whitehall*.

³⁷ Sir Robin Butler, 'The evolution of the Civil Service', *Public Administration*, 71 (1993) p. 404.

³⁸ D. F. Kettl, *Sharing Power: Public Governance and Private Markets* (Washington DC, The Brookings Institution, 1993), pp. 206–7.

³⁹ See, for example C. Fudge and L. Gustafsson, 'Administrative reform and public management in Sweden and the United Kingdom', *Public Money and Management*, 9, no. 2 (1989), 29–34.

⁴⁰ S. Weir and W. Hall, *Ego-Trip: Extra-Governmental Organisations in the United Kingdom and their Accountability* (Colchester, University of Essex, Democratic Audit; and London: Charter 88 Trust).

Finally, with the coming of agencies, no new arrangements were introduced to preserve ministerial accountability and the government's position is at best ambiguous and, at worst, 'superficial and complacent'.⁴¹

The hollowing out of the state is another way of describing the problems of managing interorganizational networks in British government. Interdependence, fragmentation, the limits to central authority, agency autonomy and attenuated accountability are all features of governance. Governance is relevant to British government because self-organizing interorganizational networks are already part of the landscape of British government.

The Contradictions of NPM

NPM as managerialism extols the virtues of private management practice but, in Metcalfe and Richards memorable phrase, it succeeded only in dragging Britain 'kicking and screaming back into the 1950s'.⁴² There are important lessons to be learnt from private management but they are not the lessons proselytized by supporters of managerialism. The new governance points to four weaknesses in NPM.

First, and most obvious, managerialism adopts an *intra*-organizational focus. It concentrates on the '3Es' and value for money; on hierarchical control and the clear distribution of authority and responsibility. Although appropriate for managing line bureaucracies, and there are many left in British government, this approach pays no attention to managing *interorganizational* links; to negotiating shared purposes where there is no hierarchy of control.

Second, managerialism is obsessed with objectives; it resurrects management-by-objectives for the 1980s and 1990s. Vickers compares such goal seeking to the behaviour of rats in a maze, arguing the distinctive feature of human decision making is regulation, or maintaining relationships in time.⁴³ This shift of emphasis is crucial for managing network relationships. For example, the diplomatic skills of preserving the relationship between the local authority social services department and the private sector provider of domiciliary care are more significant than strict adherence to specific contractual targets. Preserving trust overrides all other considerations.

Third, NPM focuses on results. In an interorganizational network, no one actor is responsible for an outcome; there may be no agreement on either the desired outcome or how to measure it; and the centre has no means of enforcing its preferences. There is 'the problem of many hands' where so many people contribute that no one contribution can be identified; and if no one person can be held accountable after the event, then no one needs to behave responsibly beforehand.⁴⁴ The style of management varies with the governing structure. NPM may suit line bureaucracies but it is inappropriate for managing interorganizational networks and, more important such networks undermine NPM with its *intra*-organizational focus on objectives and results.

⁴¹ W. Plowden, *Ministers and Mandarins* (London, Institute for Public Policy Research, 1994), p. 13.

⁴² Metcalfe and Richards, *Improving Public Management*, p. 17.

⁴³ Vickers, *The Art of Judgement*, p. 30.

⁴⁴ See: M. A. P. Bovens, 'The social steering of complex organizations', *British Journal of Political Science*, 20 (1990), p. 115.

Finally, there is a contradiction between competition and steering at the heart of NPM. For example Training and Enterprise Councils (TECs) are described as a market solution to remedy the defects of industrial training but, in reality, TECs are the nodal point of a network co-ordinating multiple stakeholders. The problem is there is a low level of interdependence between the several stakeholders and the resulting network is unstable and lacks the trust necessary to develop a negotiated equilibrium. The language of markets and competition serves only to compound the problem of steering.

The Rise of IGM

Effective governance requires a re-examination of the government's tool kit. Steering (the process of setting norms) is separated from directedness (the outcome of that process). The government needs tools to bridge that gap. Intergovernmental management claims to provide them.

According to Deil Wright, IGM has three distinctive features: problem solving, intergovernmental games and networking. It is about coping with several jurisdictions to solve particular problems and building networks of communication to produce such useful results.⁴⁵ According to Agranoff, it is about separate organizations developing joint actions and finding 'feasible courses of joint management activity', although others argue the scope and boundaries of the subject remain unclear.⁴⁶ However, American and Dutch research had begun to identify the kinds of techniques which work.

Klijn and others argue that networks do not respond to managers as system controllers. The effective manager plays a facilitative role; that is, does not seek to achieve his or her own objectives. He or she can pursue two broad strategies: game management or identifying the conditions which will sustain joint action; and network structuring which involves changing the rules of the game. For example, promoting win-win situations in which everybody gains some benefit will foster joint action, even though many network actors will not achieve their initial aims. Alternatively, changes in the distribution of resources within the network can be used to encourage some kinds of behaviour, to introduce new actors to the network or to undermine other actors.⁴⁷ In a similar vein, Agranoff identifies twelve management approaches to IGM. They include: 'grantsmanship' or the several members of the network acquiring grants from several sources for numerous purposes; 'process revision', or 'smoothing grant management through managerial process changes, such as joint applications'; 'bargaining and negotiation'; 'problem solving' through 'mutual adjustment';

⁴⁵ D. S. Wright, 'Managing the intergovernmental scene: the changing dramas of federalism, intergovernmental relations and intergovernmental management' in W. B. Eddy (ed.), *Handbook of Organization Management* (Berlin, de Gruyter, 1983), p. 431.

⁴⁶ See: Agranoff, *Frameworks of Comparative Analysis*, pp. 23-4; and V. L. Marando and P. S. Florestano, 'Intergovernmental management: the state of the discipline' in N. Lynn and A. Wildavsky (eds), *Public Administration: the State of the Discipline* (Chatham NJ, Chatham House, 1990), p. 308.

⁴⁷ E. H. Klijn, J. Koopenjan and K. Termcer, 'Managing networks in the public sector', *Public Administration*, 73 (1995), 437-54.

'co-operative management' or management by agreement; and 'political games' such as lobbying.⁴⁸

There is some evidence of equivalent behaviour in the UK. Friend and others analyse the problem of Birmingham overspill and the agreement to expand Droitwich. They identify decision networks or 'open networks of communication among people acting either within or across the interface between them' and stress the importance of *reticulists* who occupy 'nodal positions in the wider decision network' and make key judgements about linkages or what to communicate to whom.⁴⁹ Rhodes uses the notion of a policy network to explore the relationship between central and local government and describes both the rules of the game and strategies used by central and local government in the intergovernmental network. The strategies for managing the relationship include: incorporation, consultation, bargaining, avoidance, incentives, persuasion, and professionalization.⁵⁰ The game-like quality of network management is not specific to federal systems.

Bureaucracy remains an important governing structure in Britain but administrative orders do not work for all policy areas in all circumstances; they are as likely to provoke avoidance and confrontation as cooperative action. Market solutions to long-standing problems are the distinctive innovation of the Conservative government. Policies such as contracting-out deliver significant cost and labour savings. But as for bureaucracy, market solutions do not work for all policy areas in all circumstances. Networks are a third governing structure.⁵¹ They are not better than either bureaucracies or markets. They have different characteristics and suit some policy areas some of the time. Reciprocity and interdependence, not competition, characterize network relations. If there is one phrase which captures the nature of IGM, it is 'mutual adjustment'. So, managing interorganizational networks is both game-like and requires strategies rooted in trust. Planning, regulation and competition need to be supplemented with facilitating, accommodating and bargaining, the keys to effective network management.⁵²

⁴⁸ Agranoff, *Frameworks for Comparative Analysis*, pp. 25–6. See also P. Bogason, 'The fragmented locality' in P. Bogason (ed.), *New Modes of Local Political Organizing. Local Government Fragmentation in Scandinavia* (New York, Nova, 1995); and L. G. White, 'Public management in a pluralistic arena', *Public Administration Review*, 49 (1989), 522–32.

⁴⁹ Friend *et al.*, *Public Planning*, pp. 43–4.

⁵⁰ R. A. W. Rhodes, *The National World of Local Government* (London, Allen and Unwin, 1986), pp. 392–3.

⁵¹ On the limits to bureaucracy and markets see C. E. Lindblom, *Politics and Markets* (New York, Basic, 1977). There is a growing literature criticizing policy networks; see, for example: K. Dowding, 'Mode! or metaphor? A critical review of the policy network approach', *Political Studies*, 43 (1995), 136–58. However, I know of no critique of networks as a service delivery mechanism and there is little or no discussion in the literature of the conditions under which networks are effective or, indeed, of what constitutes effectiveness for a network.

⁵² I do not discuss new ways of steering in this paper. For a discussion of new tools derived from cybernetic theory, see: A. Dunsire, *Manipulating Social Tensions: an Alternative Mode of Government Intervention* (Köln, Max Planck Institut für Gesellschaftsforschung, Discussion Paper 93/7, August, 1993); and Kaufman and others, *Guidance Control and Evaluation*. For a rational choice analysis of the strengths and weakness of self-organizing institutions in regulating shared resources, see: E. Ostrom, *Governing the Commons: the Evolution of Institutions for Collective Action* (Cambridge, Cambridge University Press, 1990).

Conclusions

Governance defined as self-organizing interorganizational networks does help us to understand change in British government. First, it identifies the extent to which networks already deliver services and the resulting problems of steering and accountability. Such problems are not new but the reforms of the 1980s and 1990s deliberately fragmented service delivery systems, generating functional imperatives for interorganizational coordination. These networks are self-organizing and the centre's capacity to regulate them remains undeveloped; it has only 'loose leverage'. Second, it shows the limits to managerial reforms which stress either intra-organizational control and management by objectives or competition, masking the need for trust and cooperation with the language of the market. Third, it suggests that networks require a distinctive managerial style based on facilitation, accommodation and bargaining.

Focusing on governance can blur, even dissolve, the distinction between state and civil society. The state becomes a collection of interorganizational networks made up of governmental and societal actors with no sovereign actor able to steer or regulate. Governance as self-organizing networks is as distinct a governing structure as markets and hierarchies. A key challenge for government is to enable these networks and to seek out new forms of co-operation. The central lesson of this development is that:

the outcomes of administrative action are in many areas not the outcomes of authoritative implementation of pre-established rules, but rather the results of a 'co-production' of the administration and its clients.⁵³

The challenge for British government is to recognize the constraints on central action imposed by the shift to self-organizing networks; and to search for new tools for managing such networks. Game-playing, joint action, mutual adjustment and networking are the new skills of the public manager.

However, there is a danger in these remarks. They treat networks as a tool of government. But they are not just a mechanism for delivering services. As important, they are a challenge to democratic accountability. Some specific problems of accountability were noted earlier; for example, the debate about the new magistracy, but there are bigger problems. The conventional account of policy networks treats them as an instance of private government, arguing that networks:

destroy political responsibility by shutting out the public; create privileged oligarchies; and are conservative in their impact because, for example, the rules of the game and access favour established interests.⁵⁴

An alternative interpretation suggests citizens could be regaining control of government through their participation in networks as users and governors, thereby creating a 'postmodern public administration':

Networks of publicly interested discourse which transcend hierarchical institutions provide a feasible model for public administration. Some policy networks, interagency consortia, and community task forces exhibit potential for discourse. In these nascent forms are found think tank

⁵³ C. Offe, *Contradictions of the Welfare State* (London, Hutchinson, 1984), p. 310.

⁵⁴ Marsh and Rhodes, *Policy Networks in British Government*, p. 265. They are paraphrasing: T. J. Lowi, *The End of Liberalism* (New York, Norton, 1969), pp. 85-97 and 287-97.

experts, legislative staff, policy analysts, public administrators, interested citizens, process generalists, even elected officials participating together to work out possibilities for what to do next.⁵⁵

In a similar vein James Rosenau argues that governance empowers citizens:

Given a world where governance is increasingly operative without government, where lines of authority are increasingly more informal than formal, where legitimacy is increasingly marked by ambiguity, citizens are increasingly capable of holding their own by knowing when, where, and how to engage in collective action.⁵⁶

There are important limits to the new role of citizen as user. There are significant constraints on authentic discourse within the network. Governments still restrict access to information and there are clear limits to the knowledge of citizens. There is an obvious conflict between the tenets of accountability in a representative democracy and participation in networks which can be open without being formally accountable. These differing views of networks pose different challenges for the public manager. Is their role to regulate networks (in the sense of maintaining relationships)? Do they act as guardians of the public interest? Do they still have the authority and legitimacy to claim a privileged position in the network? Can they be privileged actors in the network without undermining the discourse?

These speculative comments may only introduce the topic of the relationship between governance and democratic accountability but, none the less, they are essential to demonstrate the extent of the challenge posed by governance as self-organizing interorganizational networks. The study of networks raises issues of equivalent importance to the study of bureaucracy and democratic accountability, but it gives these issues a distinctive twist. For example, the assumption of institutional hierarchy which underpins so many discussions of bureaucratic accountability no longer holds. Accountability can no longer be specific to an institution but must fit the substantive policy and the several institutions contributing to it. The 'problem' of a network governing structure cannot be reduced to developing a new style of public sector management.⁵⁷

Interorganizational networks are already widespread. This trend is not widely recognized and has important implications not only for the practice of British government but also for democratic accountability. Governance as self-organizing networks is a challenge to governability because the networks become autonomous and resist central guidance. They are set fair to become the prime example of governing without Government.

(First submitted: 27 March 1995; finally accepted: 21 May 1995)

⁵⁵ C. J. Fox and H. T. Miller, *Postmodern Public Administration: Toward Discourse* (London, Sage, 1995), p. 149.

⁵⁶ J. N. Rosenau, 'Citizenship in a changing global order' in Rosenau and Czempiel, *Governance without Government*, p. 291.

⁵⁷ Paul Hirst recommends associational democracy in which 'voluntary self-governing associations' are the locus of both democracy and service delivery. See: P. Hirst, *Associative Democracy* (Cambridge, Polity, 1994). Other governing structures include, for example, solidarity or 'acting according to common values and duties while neglecting the price'. See K. Gretschnann, 'Solidarity and markets' in Kaufman *et al.*, *Guidance, Control and Evaluation*, p. 395. I note these normative accounts of governing structures in this article to broaden the discussion beyond management issues.