# chapter five | metagoverning governance styles – broadening the public manager's action perspective

*Louis Meuleman*

## Co-existence of hierarchical, network and market governance

Before the 'discovery' of policy networks and the mechanisms of different types of network governance, social coordination was considered to take place in two distinct forms: hierarchies and markets.[1] Market coordination was the second ideal type described after Weber's bureaucratic ideal type had become the prototype for a classical hierarchy. Networks were for a long time considered a hybrid form of these ideal types. We find the fiercest defenders of the idea of a hierarchy-market dichotomy among economists. Ruys *et al.* (2007) argue that 'market contracting' (market governance) is the 'original state of affairs', and call the opposite 'vertical integration' (hierarchical governance), while all governance styles between these extremes are called 'hybrid relationships'. However, economists were also among the first to argue that networks form a separate type of social coordination (e.g. Powell 1991, Thompson 2003).

Already in 1986, Thorelli stated that the network form is a distinct form of societal coordination, and not 'just' a hybrid form that combines hierarchy and markets. Meanwhile, there is a huge public administration literature based on the idea that network governance, after hierarchical and market governance, has become the third ideal type. Network governance as an alternative to hierarchical or market governance is not only accepted in public management, but is also widely applied in knowledge-intensive businesses (Roobeek 2007) and in private enterprises in general (e.g. Assens and Baroncelli 2004, Larson 1992). The network concept has become so popular that sometimes a new dichotomy emerges, namely 'hierarchy versus networks', while market governance is neglected (Koffijberg 2005, Kalders *et al.* 2004).

Others reserve the term 'governance' for what they call the 'new modes of governance' (i.e. market and network[2]) – which is a contradiction in terms: hierarchy

---

1. Thompson (2003: 37) makes a useful distinction between 'coordination' (alignment of the elements in a system) and 'governance' (the regulation of their alignment). He places them on a continuum: coordination simply brings together elements in an ordered pattern, and governance does this by direction and design. Hierarchies, networks and markets can be used as coordination mechanisms and as governance structures as well.
2. E.g. European Commission (2002: 7): Report from the Commission on European Governance. Rhodes is ambivalent too: he defines 'hierarchy' as one of the governance structures besides

must then also be a governance style, namely the ‘old’ mode of governance. Peters bridges this contradiction by bringing network and market governance approaches under the umbrella of ‘informal governance’, besides the ‘formal governance’ of hierarchies (Peters 2005: 1). Notwithstanding the overwhelming empirical evidence that the trichotomy of hierarchy-network-market has more analytical power than the hierarchy-market dichotomy or the hierarchy-network dichotomy, there is still a dispute among scholars about whether this trichotomy makes sense. This dispute is emotional and value-laden; not surprisingly, because different world views or belief systems collide in this debate (Meuleman 2010).

Hierarchy, or ‘bureaucratic management’ in a Weberian sense, continues to exist in a complicated mixture with market and network thinking, and sometimes disguised as network or market governance. The ‘dinosaur scenario’, which emphasises that hierarchy is undesirable and not viable, and that a shift toward market or network governance is inevitable, is an insufficient explanation for contemporary public-sector governance: ‘Bureaucratic organization and the success criteria in which it is embedded are still with us’ (Olsen 2006: 17–18).

It is therefore useful to distinguish three basic styles of governance: hierarchical, network and market governance, which differ in at least thirty-five ways and appear in combinations, and may or may not function well (Meuleman 2008: 45–50). Nevertheless, much of the academic literature on governance of the last decade seems to concentrate on forms of network governance like interactive governance, deliberative governance, adaptive governance, et cetera. There is a ‘conceptual crowd’ within the governance spectrum around network governance. There are good reasons for this focus – our societies are confronted with vaguely defined, complex and thus essentially ‘wicked’ problems, for which such an approach seems to be appropriate.

On the other hand, the academic focus on network governance may also be criticised. If the entire world was a complex issue, this would imply nothing is a complex issue (Thompson 2004: 413). From the viewpoint of a public manager, a great deal of his or her daily work consists of routine issues and, to a lesser extent, crisis and conflict management. For such issues, respectively market governance and hierarchical governance are in many cases the most successful approach. Moreover, it has been shown that the governance approach applied in a specific situation does not depend only upon how the problem at hand is framed. Sometimes, a complex and wicked issue requires a hierarchical approach when network governance does not work (Meuleman 2008: 145). In addition, public policy processes often show several phases or rounds that require different governance styles (Lowndes and Skelcher 1998). Finally, network governance has characteristic failures that can be addressed by using elements of hierarchical and market governance. This implies that all three styles of governance should be included in governance research and in governance practice.

market and network (Rhodes 1997: 47, *Understanding Governance*) and elsewhere in the same book defines ‘governance’ in a network connotation, as an alternative to markets and hierarchies (Rhodes 1997: 53).

## Problems of governance style combinations

Governance style combinations sometimes fail. Three problems seem to be linked to such failure:

1. governance styles have typical failures;
2. governance styles may undermine each other;
3. governance styles tend to be used as panaceas because of their attractive internal logic.

### *Typical failures of governance styles*

Although some consider network forms of governance as panaceas, which can be illustrated by the widespread use of the term 'governance' as synonymous to 'network governance', it is disputable if this approach can be successfully used in every situation. Like all styles of governance, network governance has its typical weak points (Meyer and Baltes 2004: 42). Networks are unstable constructions that tend to either disintegrate, or convert into a formal organisation. They are not very efficient compared to markets and hierarchies. The advantage (compared to hierarchies) that networks are open can also be a threat. Being closed can enable security, which again is a condition for trust, a key dimension of network governance. Sørensen (2006) argues that network governance marginalises politicians and thereby weakens democracy: it 'stretches' democracy and raises issues regarding equity, accountability and democratic legitimacy. Depending on how democracy is defined, this may be problematic. Klijn and Koppenjan (2000a: 376–377) distinguish an instrumental vision (democracy is an efficient way of decision-making) and a substantive perspective (democracy is a societal ideal, a value in itself). Proponents of participatory or direct democracy usually take the latter view.

A final weakness of network governance worth mentioning here is inherent to networks. Networks are not 'democratic': there are always people who possess a much higher number of links with other people than most do, and these 'hubs' guarantee high-speed communication. However, if such hubs are removed, networks may break down into isolated pieces (Barabási 2003). Moreover, hubs establish a kind of hierarchy in a network and actors who find themselves in such a key position have an advantage over other players (Thompson 2004: 413). This makes the selection of participants in network governance processes problematic. In addition, there are no commonly accepted procedures for selection, and the risk is that privileged actors join in technocratic decision-making, which may result in a decrease of citizens' participation compared to the classical representative forms of democratic decision-making (Von Blumenthal (2005: 1165).

Hierarchical governance can also be characterised by typical failures. For example, the following premises of hierarchical governance are not useful when a complex, disputed and dynamic problem is tabled (Herbst 1976: 23–8):

- A task can nearly always be decomposed into smaller and smaller independent parts;

– An organisation has a simple inflexible structure which can be visualised in an organigram (or chart) with lines of responsibility;
– Organisations are of a uniform type;
– Organisational units have a single, exclusive boundary.

Market governance is characterised by the use of techniques which have flourished in the private sector. However, some of these techniques and mechanisms have turned out to be inappropriate for use in the public sector. For example, a high degree of flexibility and discretion may conflict sharply with the rigidities created by complicated civil service laws and regulations (Ingraham 1996: 262–263). Market governance principles are responsible for at least three structural problems (discovered in an international survey on New Public Management (NPM) in local governments; Naschold *et al.* 1997):

1. quality management often degenerates to a simple instrument of legitimising the administration;
2. ideologically driven privatisation programs end up in short-term, non-durable solutions;
3. outcome-orientation often falls back to the traditional hierarchical steering concept.

Another problem is that market governance advocates suggest that the private sector is by definition superior to the public sector. This has contributed to a low morale in public administration (Savoie (2000: 8–9). Furthermore, market thinking may threaten democratic processes, just as network governance does (Perry 2007). Finally, considering citizens as customers restricts the task of governments to providing services and products; citizens are also subjects, voters and nationals, in which roles they expect more than only service provision (Ringeling 2001: 34).

The governance styles also have their typical ‘perversities’. Hierarchy can lead to abuse of power, network governance to abuse of trust (manipulation) and market governance to abuse of money (for example corruption).

### *Undermining characteristics of hierarchical, network and market governance*

The second problem noted is that combinations of hierarchy, market and network may produce a variety of conflicts. Rhodes considers networks, markets and (hierarchical) bureaucracy as rivalling ways of allocating resources and co-ordinating policy and its implementation (Rhodes 2000: 345). Meyer and Baltes (2004: 46) argue that the main source of ‘network failures’ is the ‘dualistic pressures from both market and hierarchy’ on the network coordination principle. A major reason why the conflict potential is high is that the three styles express different types of relations with other parties: dependency (hierarchy), interdependency (network) or independency/autonomy (market) (Kickert 2003: 127). A hierarchical ‘command and control’ style of leadership will seldom lead to a consensus (network style) – even if this was the only feasible outcome of a policy process, which government is not able to 'steer' with legal instruments. Decentralisation or outsourcing (a typical market governance strategy) makes actors more autonomous. They become frustrated when detailed control mechanisms are introduced (or re-introduced), i.e. hierarchical governance. The coexistence of 'new modes of governance' with compulsory regulation, or hierarchy, is problematic (Héritier 2003; Eberlein and Kerwer 2004: 121).

Other examples of possible conflicts between three pairs of governance styles are given below. Most examples are taken from 'external' governance-mixture conflicts: they emerge in the relationship between administration and societal actors.[3] However, they are usually 'mirrored' inside public sector organisations. Sometimes attempts to a network approach are undermined by hierarchical governance inside one and the same public sector organisation (Meuleman 2003).

From the perspective of the classical hierarchical governance style, network governance is problematic because 'governments, such as the church, will find networks messy and carp at the mess' (Bevir *et al.* 2003: 206). Internal competition with the traditional hierarchical governance style is one of the reasons that the introduction of network governance sometimes fails. This competition has led to obstruction from other public sector organisations or other parts of the same organisation, and to unreliable behaviour (not keeping promises, sudden withdrawal of negotiation mandate) (Meuleman 2003: 39–41; 203). Network governance has also met some resistance caused by distrust and irritation, such as when network governance is a disguise for gaining (or regaining) control and (hierarchical) steering information (Bauer 2002: 778–9). Klijn and Koppenjan (2000b: 155) concluded that experiments with network governance in the Netherlands often remain marginal and half-hearted, because a government hesitates when abandoning existing routines and giving up unilateral power.

When hierarchical ('vertical') and network ('horizontal') steering are applied at the same time by one public administration organisation, paradoxical situations appear, in which this organisation ends up in a 'split'. Kalders *et al.* (2004: 339–343) investigated nine cases in the Dutch public sector and found five typical tensions between hierarchical and network governance:

1. *The 'double hat' problem:* the administration combines hierarchical and network governance in a way that is counter-productive. Voluntary agreements[4] are frustrated by strict accountability procedures for the same policy issue.
2. *The 'steering split':* an actor wants to comply with norms and expectations that come from hierarchical and network relations simultaneously.
3. *The 'accountability curve':* a decentralised government is held accountable for the performance of its partner organisations with which it does not have hierarchical relations.

3. Most governance literature focuses on the external component of governance.

4. Kalders *et al.* consider voluntary agreements a network governance instrument, but it seems to be more related to market governance: such agreements are forms of performance contracts.

4. *'Horizontal disguise':* a network instrument, such as a covenant, is used in a hierarchical way, when the central government unilaterally decides on the rules of the game.
5. *The 'vertical reflex':* (a) bottom-up, if decentralised governments ask central government for more direction, or (b) top-down, if central government forces decentralised governments to start network co-operation with its partners, within a very strict framework.

Network-style 'interactive decision-making' can lead to major tensions and conflicts with hierarchy when elected politicians, who have the formal authority to take final decisions, reverse a consensual outcome of an 'interactive' process (Kickert 2003: 126). Edelenbos and Teisman (2004) developed governance mechanisms that link hierarchical and network principles in a productive way. However, like Kalders *et al.* they did not include an analysis of the third force, the market governance paradigm with drivers like price (cost-effectiveness) and autonomy. To take an example: one of their mechanisms is improving the management of expectations about the degree of influence stakeholders will have on formal decision-making. The problem here may be that hierarchy (rules, formal decision power) may be predictable and reliable, but market thinking is not – a government agency with an autonomous position will be considered still part of government by the public, but does not have to follow hierarchical instructions anymore. In other words, management of expectations is feasible in the relationship between hierarchy and networks, but not when market thinking is also involved.

Market governance has the potential to conflict with network governance on the way decisions are made. Competition in a market setting asks for quick decisions of independent actors, who strive to optimise their own interests. Decision-making may take a lot of time in a network setting. Moreover, the type of decision, a consensus, may not be the optimal outcome for actors' competitiveness. The interdependency of actors in a network governance setting may conflict with the autonomy a market approach demands. Network governance relies on trust; hierarchical and market attitudes can damage the trust between network partners.

### *Governance styles as panaceas: the cultural dimension*

The third problem is that each of the three basic governance styles, hierarchical, network and market governance has its own internal logic. If we define a culture as 'the values, attitudes, beliefs, orientations, and underlying assumptions prevalent among people in a society' (Huntington 2000: xv) and consider cultures also as a dynamic pattern of assumptions in a given group (Schein 1987: 9), the three styles *are* cultures or 'ways of life' (cultural theory, see Thomson, Ellis and Wildavsky 1990). They are lenses through which one can only see part of reality. The central value of hierarchical governance is authority; therefore, authoritative and legitimate results are sought. The central values of network governance are empathy and trust, and therefore the results are preferably based on consensus. Market governance is based on competition and price, which makes it logical that the best results are the most competitive and cheapest products.

This internal logic seems so attractive that many public managers and politicians adopted one of the styles as their belief system or doctrine. To them it presents a truth that has to be accepted without proof. Cases of environmental policy making in the United Kingdom, the Netherlands and Germany show that the governance style closest to the national culture was the first style to be tried as the dominant style (Meuleman 2010). Only when this did not work, were the other styles considered and a situational mixture emerged.

## Metagovernance as the governance of governance

Governance style conflicts outside and inside public sector organisations exist and may produce serious performance problems. How, and to what extent, can these conflicts be prevented and mitigated and how can synergy be stimulated inside these organisations? Jessop (1997) suggested that it might help to go one step beyond, one step above the governance concept. He coined the term 'metagovernance' as a concept 'above and beyond' governance. From the emerging literature on the governance of governance, or metagovernance, two forms of metagovernance can be distinguished, depending on how governance is defined:

1. Metagovernance as supporting a chosen governance style by use of elements of the two other styles, and/or by protecting it against undermining influences of the other two styles. This could be called *first-order metagovernance*.
2. Metagovernance as combining and managing combinations of the three styles, without an a priori preference for one style. This could be called *second-order metagovernance*.

An often-used version of first-order metagovernance defines metagovernance as 'the governing of networks' (Sørensen and Torfing 2007). It aims at improving the results of the interactive network style of governance and at mitigating its typical failures. It may introduce hierarchical elements such as entrance or exit rules and legally-binding measures to secure consensual results. In addition, such market governance principles as efficiency, empowerment and entrepreneurship may be introduced in order to overcome the typical network pitfall of never-ending talks.

Others, such as Kelly (2006), define metagovernance as an attempt to regain state control over new forms of governance. They observe that hierarchical governance emerges in a new form to coordinate network and market styles of governance. Similarly, a metagovernance of market governance could be defined.

## First-order metagovernance: hierarchical and market styles supporting network governance

A case study on policy changes in the Dutch Housing Ministry concluded that hierarchical and network types of strategies are often 'situationally' combined (Koffijberg 2005: 363). The initiative for a network approach often begins with a hierarchical decision. Another example comes from an analysis of partnerships between police departments and community development corporations. It was noticed that networking strategies were used to establish the hierarchical structures within which action takes place thereafter (Thacher 2004: 123).

Synergies have also been found between market and network governance. The introduction of market techniques has resulted in a fragmented institutional infrastructure of the public sector; networks put it back together again (Davis and Rhodes 2000: 21). Poppo *et al* (2002) showed empirically that managers in interorganisational relationships may use contracts (market) and 'relational governance' (network) as complements: the results are, for example, better customised contracts.

Two examples are given below of how network governance may be used in productive combination with the other styles. They are based on case studies used to investigate the feasibility of metagovernance (Meuleman 2008).

### *Example 1: Network governance and the German Soil Protection Act*

The first case study investigated the last phase of the preparation, and first phase of the implementation of the federal Soil Protection Act of 1999, in the period between 1996 and 2001. Germany is a country with a deeply-rooted hierarchical culture dating back to the Prussian state. In Prussia, a government developed by coercion and subjection (Raadschelders and Rutgers 1996: 76) and the centralised Prussian administration, which dates from around 1650, became the role model for the German state formed in 1871, and still in essence characterises the current German administration (Mayntz 1997: 23–25).

Network governance occurred in the form of the meetings that the Soil Working Group held with stakeholder groups, although close relationships only developed with a few groups. The Environment Ministry (BMU) representatives participated in a soil protection working group of the German industry federation (BDI) (Smeddinck and Tils 2002: 132). Because mutual trust, a basic characteristic of network governance, had developed, it was possible for BMU to discuss draft texts of the Soil Protection Act with BDI without too much risk of 'leaks'. The goal was to reach acceptance among the industry. The interviewees regarded this relationship as a success: in the end, the chair of the BDI advised the prime minister to support the Act. Also, the relationship with the farmers' association had elements of a network approach (building trust), but here the negotiating style was more like bargaining (market governance) than reaching consensus (network governance).

After the Soil Protection Act 1999 had come into force, network governance became more important. The German Environment Agency (UBA) used its relatively independent position to initiate a series of non-hierarchical governance actions, besides its primary task to contribute to new legislation with scientific knowledge. The UBA had already built a scientific and technical expert community around annual conferences since the early 1990s and now took the initiative to establish two professional associations with their own magazines: one on contaminated soils (around 1,000 members in 2006) and one on preventive soil protection (around 550 members in 2006). The process design was different in the phase of preparation of the Soil Protection Act (more hierarchical with elements of networking), compared with the phase of implementation and the raising of awareness for prevention (mainly networking with elements of market governance).

***Example 2: Network governance and the Dutch Soil Policy Letter***

The Dutch state is based on a consensus model of democracy. Lijphart (1999: 31) distinguishes this from the Anglo-Saxon Westminster or the 'majoritorian model', in which power is concentrated in the hands of the majority. In a consensus democracy, power is shared in broad coalition cabinets and a majority will always try not to exclude minorities. The Netherlands has a strong underlying corporatist-consensual model of deliberation with interest groups and pragmatic compromise (Kickert 2003: 127).

The Netherlands had already issued a Soil Protection Act in 1987. From 1995, an evaluation commenced, which was primarily a network governance process. However, this process did not lead to common conclusions. Pressure rose to stop the 'endless' internal discussions and reach a common standpoint within the ministry as soon as possible. The two responsible directors in the ministry decided to switch from the network style that had failed, to a *hierarchical* internal decision-making style and a 'command and control' leadership style, in order to produce what became the 2003 Policy Letter. A tight time schedule was agreed, which resulted in a 'closed shop' approach where there was no time for communication with external parties (except for two other involved ministries). The 'game' was altered from a slow and costly joint problem-solving game, in which value creation was the interaction mode, to a unilateral decision-type of game, which is faster and has minimal transaction costs (Scharpf 1997: 172). This is an example of metagovernance as the conscious application of one governance style (hierarchy) to produce policy measures characterised by another style (market governance).

In a way, the ministry used the distrust that had developed after the failure of the pre-project to create an internal policy breakthrough (Meuleman 2008):

> It was difficult to find a balance: on the one hand, VROM had to take the lead, and on the other hand, everybody had to be involved. At the same time, the net production time for the Soil Policy Letter was only three months. In addition, we also had to do some 'damage control': the relations with the decentred governments had been disturbed.

This hierarchical approach was feasible because the decentred (i.e. local) government partners of the 2000 project all blamed the Ministry for the failure and requested that the Ministry solve the problems internally first. Local government, businesses and NGOs received a draft text for comments towards the very end, leaving only a few weeks in which to react.

In the implementation phase of the Soil Policy Letter, a network co-operation was restored with local government and the two other involved ministries. Davis and Rhodes (2000: 21) describe the phenomenon whereby networks can put the fragmentation caused by market governance back together. This also seems to apply to the restoration of trust after a hierarchical approach has destroyed it.

## Inherent problems of metagovernance

The application in research and in practice of metagovernance – defined as the governance of networks (a form of first-order metagovernance) – may lead to a number of problems as set out below.

### *Network bias: not all problems should be tackled by using network governance*

Each of the basic styles of governance is inadequate for tackling certain types of societal problems, and better equipped for other problem types. Hierarchical governance may destroy trust in a complex, unstructured, 'wicked' problem setting, but is often the best approach for crisis management. There seems to be no better approach to routine issues than market governance, but the opportunistic focus on efficiency may lead to questions of legitimacy and a disregard of social values. Network governance is too time-consuming for emergencies and too inefficient for routine issues, but probably the best approach for tackling 'wicked', complex, and/or unstructured problems. Therefore, there are good reasons to focus on network governance when a complex policy issue emerges or is the object of analysis.

### *Problem reframing*

Because all societal problems are socially constructed and this construction is contingent and, by definition, temporal, complex problems may suddenly be reframed into urgent questions, such as when there is finally a political window of opportunity. When this happens, the main governance style usually switches from network to hierarchical governance. There are many examples of this in environmental policy, e.g. acid rain in the 1980s, eutrophication by agricultural waste in the 1990s and climate change in the 2000s.

### *Loss of effectiveness when a new policy phase begins*

A new phase or round in the policy process may require a different governance approach (Lowndes and Skelcher 1998). The ability to switch from one style to another depends on the ability to apply all three styles and their hybrids. Analysing