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## WORKING PAPER

**Blocking and Accepting Steering from Ministers and Departments.**

**Coping Strategies of Agencies in Flanders**

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## **ABSTRACT**

This article analyzes the relationships that exist between semi-autonomous agencies, departments and ministers. In theory, agencies have a significant amount of autonomy. However, in practice, this autonomy seems to be hollowed out by both ministers and departments. Politicians no longer are committed to agencification reform in Flanders and attempt to re-centralize. Departments hold a bureaucratic mentality and treat agencies as being lower in rank. However, what emerges from the findings discovered here is that agencies do not accept this passively. Over time, they have developed tactics to ensure their own autonomy. They depict departments as being incompetent and untrustworthy, and even manage to bypass them. Due to the low-level interest of ministers, they manage to shape the reform to their own objectives. These problems can be best described using theories of trust. This analysis suggests that both structural and contextual factors create distrust between agencies, departments and ministers.

## **KEY WORDS**

Political commitment, trust, executive agencies, steering, reform, departments

## INTRODUCTION

In recent years, semi-autonomous agencies increasingly have become popular as a key component of new public management reforms (James 2001). Being placed at arm's length, they have acquired some independence from politicians, in terms of spending public money and fulfilling their functions (Greve *et al.* 1999). However, reality seems to be complex, as the growing literature has shown a gap between the formal and factual autonomy of agencies. The fundamental problem appears to be that the political context fails to adapt sufficiently to new situations. Hogwood *et al.* (1999) found that especially those working in politically-salient areas may experience micro-management and are overwhelmed with questions from politicians. Smaller agencies of less political importance generally enjoy more autonomy (Judge *et al.* 1997). Mostly, very few changes occur in the behaviours of politicians, who apparently cannot cope with their new steering role. Their political rationality does not seem to fit a managerial rationality (Schedler 2003: 537). Accountability demands and steering mechanisms remain largely focused on inputs (Curristine 1999; Verhoest 2002; Verschuere 2005). Standard operating norms continue to prevail and still resemble the hierarchical norms of pre-agency status (Talbot 2004). Ministers sometimes are concerned with operational matters and the day-to-day running of the agency. Furthermore, the alleged depoliticization, as a motive to create agencies, is a myth. Politicians still retain subtle ways of maintaining influence (Flinders 2004; Greve *et al.* 1999). They make substantial use of their power to appoint agency managers, develop informal networks of influence, and tie agencies to them via annual budget allocations (Pierre, 2004).

This hollowing out of autonomy has been called the paradox of autonomization, meaning that an increase in autonomy has also led to an increase in external control (Kickert, 1998; Smullen *et al.*, 2001). Principals are reluctant to let agencies have their autonomy. They have a vertical reflex and want to keep strict control over agencies (Noordegraaf, 2000). This paradox is common for NPM reforms, being caused by conflicting views on autonomy between its underlying theories (see Rommel *et al.* 2005; Rommel and Christiaens 2006 forthcoming). The paradox may lead to rising tensions between agencies, who claim their autonomy, and those departments or ministers who want to maintain control. As agencies learn to be autonomous, they will become more emancipated ('t Hart

and Wille 2002). They may resist controls and do everything they can to bring factual autonomy more in line with formal autonomy.

This article examines the adaptation of the political context and the paradox of autonomization. Moving beyond merely looking at how ministers and departments increase control over agencies, it examines how agencies cope with steering. It aims to discover how agencies ‘manage’ their autonomy and how they resist controls. The acceptance of control is examined by looking at the relationships that exist between agencies and ministers on one hand, and between agencies and departments on the other. For both relationships, the article explores how agencies anticipate steering.

It will be argued that agencies secure their autonomy through a complex process of building identities, bypassing departments, and re-shaping the reform. The article places politicians in the centre of the analysis, by discussing the consequences of their lack of commitment to reform. It also will be shown how theories of trust can be used to analyse this process.

The article now proceeds with a brief outline of the Flemish reform context. Next, the methods and findings are presented. To allow for explanation building, the article adopts an inductive approach. Therefore, the theoretical framework is introduced in a separate discussion section following the findings. In this section, the findings are discussed and a framework is developed, building on theories of trust. The article finishes with some conclusions.

## **THE FLEMISH REFORM CONTEXT**

In 2000, the Flemish regional government<sup>1</sup> engaged in broad reform, known as ‘Better Governmental Policy’ (Beter Bestuurlijk Beleid), which will be referred to hereafter as the BBB-reform. It seeks to establish a new relationship between politics and administration. In Flanders, political control over departments traditionally has been exercised by ministerial cabinets. These resemble the French cabinets, being the personal staff that works directly for the minister. They are composed of political and policy advisers, each with a temporary nomination. These staff members are not a part of the administrative hierarchy and are personally appointed by the minister (Pelgrims

2001). The relationships between cabinets and administration traditionally are tense. There have been problems of duplication of departmental work, and the cabinet also has a strong policy-making role, which reduces the role of departments (Brans *et al.* 2006). The BBB-reform was intended to provide the administration with a stronger policy-making role, but the total abolition of cabinets has proven to be politically unfeasible.

Focusing on the agency aspects, the main objective of the reform was to strengthen political control over administration. This would be achieved by making a clear distinction between traditional departments and more corporatized agencies. The former were to be concerned with preparing and evaluating policy, whereas agencies became responsible for service delivery and executing policy. The agencies would be autonomized, but were to be made accountable through performance contracts. Such a division of responsibility makes clear who is accountable for what and, therefore, would allow for closer parliamentary scrutiny (Vlaamse Regering 2004).

The ‘Framework decree’ (Kaderdecreet) lays out the fundamentals of the agencification programme. It establishes different types of agencies, which vary in their degree of dependence from the minister. ‘Internally decentralized agencies’ (intern verzelfstandigde agentschappen) are located within a department and are subordinate to the minister. They have some degree of autonomy over their internal structuring and the allocation of resources. Some of these organizations are established by law and are, thus, a ‘legal entity’, making it harder to dissolve them. Conversely, ‘Externally decentralized agencies’ (extern verzelfstandigde agentschappen) are not subordinate to the minister and have their own governing boards. They have a ‘far-reaching autonomy and independence over service delivery’ (Vlaams Parlement 2003). They can be established by public or private law (Bouckaert and Peters 2004). To date, sixty-five agencies have been created. Co-ordination is to be achieved through the ‘policy council’ (beleidsraad), which consists of agency managers, the minister and the department head. It aims to be a ‘forum for consultation between the political and administrative level’ (Vlaams Parlement 2003). For our cases, the construction of this policy council is the most significant innovation that the BBB-reform brings about.

## **METHODS**

### **Qualitative research methodology**

The key question of the research conducted herein is: how do agencies cope with steering from ministers and departments? With the objective of examining explanatory 'how' questions, a qualitative empirical case study approach was selected (Yin 2003: 6). A case study design allows for the inclusion of multiple actors in the study, to look at how the change process is shaped by both internal forces and the external environment, and how relationships with departments and cabinets are developed (Cassell and Symon, 1994).

To prevent potential bias, the research was triangulated, making use of (1) interviews, (2) document analysis, and (3) surveys. First, semi-structured interviews were conducted with senior agency managers. These were recorded and transcribed. Although we had provided the interviewees with an interview protocol prior to the interview, the interviews deviated somewhat from the protocol to allow for new insights. Second, we analysed formal reports and informal notes (e.g. internal communications on internal restructuring), as well as our own field notes (Strauss and Corbin 1990). Third, a questionnaire was sent to all interviewees, as a tool to validate some elements that were deemed vulnerable to potential bias. Respondents were asked to score items related to their relationship to the minister and the department and to their perceived level of autonomy (e.g. in HRM, expenditures, internal structuring).

To enable explanation building, the data were coded by means of computer-assisted analysis. To increase reliability, the interviews also were coded by another researcher who was not involved in the study. When inter-rater reliability was low, the two raters compared their codings and discussed disagreements. This process resulted in a total of 41 codes. When separate codes seemed to be related, they were recoded inductively into higher-order supercodes. A summary of the relevant codes can be found in Table 1. For each case, a within-case analysis was constructed, on which respondents were given the chance to provide feedback (Yin 2003).

[Insert Table 1 about here]

### **Introduction of the cases**

We wanted to examine salient agencies that have been autonomous for a long time. Agencies seldom are new creations, as similar organizational forms existed prior to the agencification programme (Wettenhall 2005). Similarly, Flanders already had several VOI's (Vlaamse Openbare Instellingen), which had their own governing boards and significant operational and financial autonomy. We selected former VOI's that now are labeled as agencies. In this way, we avoided looking at agencies that still are being created or that exist only on paper. The five cases that were selected are presented in Table 2. Apart from these, one reformer with long-standing experience as the head of a ministerial cabinet was interviewed. This interviewee was actively involved in designing and initiating the global BBB-reform.

[Insert Table 2 about here]

### **FINDINGS**

This section compares the cases according to the different supercodes. The indented quotations are taken from interviews to illustrate how a case relates to the specific code.

### **Reform process**

#### **INTERNAL CHANGES**

In general, the reform brought about some incremental changes in the tasks of the agencies. Some tasks were hived off from the department and transferred to the agency, together with the respective budget and personnel. However, the cases already had staff working on the same tasks, insofar that these transfers basically only are centralizations of portions of the same task into one organization. The agencies mostly benefited from this rationalization, as there is almost no movement in the opposite direction, from the agency to the department.

Most cases did not undergo any major structural changes because of the reform, with two exceptions. First, all five cases had hard debates with their minister about their agency status, i.e. questioning whether they would become internally or externally decentralized. The childcare agency did not manage to steer the debate to its desired outcome. Although it traditionally had been organized in the exact same way as the other cases, it was the only agency among the five to be converted into an internally decentralized agency. This caused major changes in its corporate structure, such as the dismantling of its governing board and internal audit function. This decrease in autonomy has provoked much disappointment and many bitter remarks from management. These remarks targeted the absence of objective criteria to distinguish between internal and external autonomization (Kind en Gezin 2005). Furthermore, the removal of the governing board is expected to have a significant impact upon the speed of the agency's decision-making:

‘Many decisions that used to be made by the board now have to be made by the government. Our board used to meet every month, so it did not take long before decisions were made. Now it has become a very extensive procedure, involving an Inspector of Finance and the Department of the Budget. The effect is that we have far less autonomy in our decision-making. We have to deal with more controlling bodies now.’

The second exception is that the BBB-reform was sometimes used to encase other, unpopular reforms that otherwise would have been difficult to pursue. Management could defend the other reform by arguing that it was logical in the philosophy of BBB, even though it had not been directly prescribed. The housing agency centralized four delocalized subunits into two larger units, implying that some people had to move to a different workplace:

‘You could say that I have “abused” the reform as an opportunity to question inefficiencies in our structure. Our people did not really welcome the rationalisation; but the current climate of major structural changes could facilitate those changes somewhat.’



## POLITICAL COMMITMENT

After six years of continuous negotiations, extensive studies and an impressive stack of documents, politicians seem to be dissatisfied with the progress of reform implementation. All interviewees reported that the political commitment towards the reform was low:

‘I haven’t seen any enthusiasm yet. You can see that the momentum is gone.’

Although there was no organized resistance movement, there were many criticisms that steered the reform in another direction, away from the original concepts. In the end, the reform was swept away in an endless effort to seek compromises (Mareels 2006), leaving the agency managers with great uncertainty:

‘The original idea was to combine ‘Economic matters’ and ‘Employment’ into a single policy domain. We consistently kept this idea in mind when designing the structures of our policy domain. But then, all of a sudden, political rationalities came into play and it was decided that the two domains should remain separate.’

There are several reasons why support from politicians is lacking. First, the current government feels no real ownership. The framework decree was passed in 2003, under the previous government. Although the new government communicated the same objectives in 2004, several ministers are new. They often are unfamiliar with the reform and the opposing politicians from the previous government have strengthened their position:

‘I would say that there was some panache behind BBB in the past term, but this is far less the case today. The gurus are gone; new ministers have arrived.’

Second, the internal structuring of the administration is not a main concern for the minister. If a minister must divide his time between policy and management tasks, he will prefer the former, because it provides him much greater visibility for the public. In other words, politicians cannot ‘score points’ in their role as a manager of a department:

‘The minister is interested in everything that happens in the field, not in what happens in his administration. Voters want to see changes in practice; they don’t care how the department is run. It is a shame, but few people are interested in how the administrative apparatus is organised.’

A third explanation for the low level of commitment may be that the need for change never has been crystal clear. The reform was initiated for reasons of external pressure, outside the government, rather than because of an internal need. Imitation is one reason why agencies have proliferated (Elgie 2006; Van Thiel 2001). Similarly, our respondents view BBB as a sort of copy-pasting of the global move towards NPM. In this respect, BBB is seen as an attempt by the Flemish regional government to catch up to or even outdistance the preceding reform of the federal government, the Copernicus project, which aimed at introducing NPM-reforms at the federal level. The existing structures came under pressure, and this pressure also affected regional government. In order to preserve legitimacy, the regional government believed it had to introduce a similar reform:

‘There has been no analysis of what had gone wrong. Sure, there was a blueprint that started from the global move towards NPM; but nobody ever wondered whether those techniques would solve the existing problems in the Flemish context. I am not saying that there were no problems, but we did not have a checklist of problems and solutions.’

‘I believe that BBB started off for the wrong reasons. The only motive was to copy Copernicus. Copernicus received quite a lot of attention from the media, so we needed a similar thing. It is like our neighbours bought a new car and we wanted one too, even though our old car still was driving.’

If it is not clear from the beginning what is wrong, there may be little motivation to persist in reform when criticisms rise. When the reform was attacked, no clear problem was targeted which everyone agreed needed to be solved. The regional reform becomes especially vulnerable for attacks when similar federal reform does not succeed. Critics then may use the reasons why the federal reform has failed as an argument to criticize the regional reform. This is the case with the mandating system, in which top managers of agencies and departments are mandated for a period of five years and are evaluated on the performance of their organization. Top federal civil servants heavily criticized these evaluations and managed to slow down the federal reform process. This inspired regional top civil servants to criticize a similar evaluation system in the regional reform.

#### IMPLICATIONS OF LOW-LEVEL COMMITMENT

The lack of political commitment has considerable implications. Structural changes need the approval of the minister. If it is not a priority for the minister, then any proposed change is likely to be set aside. However, agencies set up implementation teams and proceed with the reform on their own. This may lead to a different reform outcome. Agency managers actively shape it to meet their own objectives. Some ministers are presented with a fait accompli:

‘BBB has become a sort of leverage to initiate other things. The basic idea was: “If the government wants us to do it, then let us do it the way we want”.

Ministers do not seem to be fully aware of the innovations that BBB brings about. This raises doubts regarding the steering capacity of the ministers. One example is the introduction of performance contracts, whereby the ministers will have to negotiate in terms of the agency’s targets. Although there will be learning effects, the upcoming negotiations clearly are a concern of ministers:

‘At the end of the year, we will start negotiating. We have had some contact with the cabinet on this matter. They know it’s coming, but they are unfamiliar and uncomfortable with it.

Perhaps you can't expect it from politicians, but it is quite evident that they have no knowledge about targets.'

The low-level commitment has cultural implications regarding the policy council, the only real innovation for the examined cases. This structure only will reach its objective as a discussion forum, if the minister attends its meetings in person. Moreover, it is questionable whether such a council is compatible with political logic:

'Politicians principally react on short-term signals. When they want us to do something, they will not first assemble the council, then discuss all the alternatives with all top civil servants, and then evaluate their proposals. This won't work when we need a quick response.'

### **Relations with departments**

The BBB-reform creates a dichotomy between agencies and departments, driven by the will to establish 'a clear and consistent separation of tasks between the political and administrative level; between departments, focusing on policy support and the agencies, focusing on policy execution' (Vlaamse Regering 2004: 59). This implicitly refers to the age-old debate on the policy--administration dichotomy. Although it has been discarded in the literature (Svara 1985), NPM reintroduces this dichotomy (Christensen and Lægreid, 2001; Hogwood, 1995). The reformers believe that the tasks of agencies and departments can be separated.

This separation outlines a paradox in the reform. By establishing the policy council, the reformers wanted to create a model of shared governance between agencies, the department and the minister. Agencies and departments would have no hierarchic relationship and would discuss matters as equal partners. Yet, all respondents unanimously felt that a dichotomy lived on in the minds of the departments, leading to strained relations (Kind en Gezin 2004; Movi 2005)

## THE HOLLOW DICHOTOMY

The envisioned separation already has become superseded. Agencies are involved in policy formulation:

‘Our role as mere executor is a theoretical role, it does not correspond to reality at all.’

They are involved in what were to be the tasks of the department. One aspect of policy support is study work. However, agencies also produce studies, they follow market trends, and they establish international contacts. Departments become marginalized as other organizations take their place:

‘We experience a continuing Europeanization of decisions. I will tell you this: as far as public transportation is concerned, we follow it, we have the knowledge and we will continue to do so. We will never say: “The department will do it for us”.

Respondents also present a normative argument against the separation of policy and execution. The examined agencies have structural ties with the customer groups. In some cases, field organizations are represented in the governing board (e.g. waterways and employment agencies). In other cases, the agency steers the field that must execute the policy itself (e.g. childcare agency). In all cases, the field is important in implementing policy. Some managers argue that a dichotomy would result in lower customer satisfaction, because the needs of the customers could not be addressed by some ‘unworldly’ department.

Considering these strong ties with the field, the minister will have to turn to the agency when he or she wants to know how a specific initiative will be received. Consequently, it is unavoidable that ministers will want to obtain policy advice from agency staff, rather than from the department.

## DICHOTOMY IN PRACTICE

Because of its lack of practical expertise, the hollowing out of its role and the loss of its tasks, personnel and budget after the BBB-reform, the department has become isolated and invisible. The

agency has become the minister's primary partner to induce new policy initiatives. There appears to be a cultural gap between the entrepreneurial agencies and their departments, with an alleged bureaucratic mentality. Departments seem to use the dichotomy as a defensive tool. By treating agencies as hierarchically lower in rank, they attempt to siphon off the policy work (Movi 2005).

The bureaucratic behaviour takes many forms. First, departmental heads regularly meet each other without agency representatives, because they see themselves as the true spokespersons of their policy domain to the outside world. Second, departments increasingly formalize reporting requirements. Third, respondents complained of continuous and excessive demands for information. Respondents unanimously indicated that it is hard to fulfill all requests for information from the department. Those requests rarely have to do with reviewing performance. Departments see themselves as gatekeepers, in that information from the agency to the minister must pass through them first. Fourth, this information sometimes even is manipulated to the department's advantage:

'We give them a statute that needs to be changed. They review it, after which we never see it again. Before you know it, it's in the hands of the minister, but all kinds of things have been changed without me knowing it. Then they justify their actions by arguing that it was "highly urgent".'

Fifth, the bureaucratic mentality is expressed in more subtle ways. One telling debate was about titling:

'I used to be called Director-General, and I still am called this way. Since we were equal, it was agreed that we all would be called the same, something like 'Head of Department' or 'Head of Agency'. But the Secretary-Generals of the departments wanted to keep their old name, because it somewhat reflects that they are the 'primus inter pares'. Surely, titles are a bit ridiculous, but they also are external features of power and authority.'

Because of these tactics, departments claim some kind of superiority:

‘The image that currently is being cultivated is that we are the losers and they are the intellectuals.’

## REACTIONS FROM THE AGENCIES

Agencies have developed a counter-strategy to hold back the departments. First, agencies learned to ignore the formalization attempts:

‘They write big plans. Well, I have a big drawer to put them in, and that is where they belong.’

Second, information is withheld from the department. Respondents unanimously indicated that they are careful with passing information on to the department, because ‘you never know what will happen to it’. Agencies filter the information and reflect on what parts of the information will be passed on. Third, in some cases, they even will bypass the department and turn directly to the ministerial cabinet. Apparently, the cabinet accepts this bypass of the department:

‘Agencies do not really feel like turning to the department. Policy is formed here and I do not expect it to change. If the cabinet wants information, you know it is serious. You have no choice. If the department wants information, you can let them wait a bit.’

## **Relations with ministerial cabinets**

Because of these problematic relationships with departments, agencies turn directly to the cabinets. These relations appear to be much better. There may be a cultural gap between agencies and departments, but this certainly is not the case between agencies and cabinets.

## MUTUAL UNDERSTANDING

First, they have contact on a much more frequent basis than either has with the department. Formal meetings are arranged every two weeks, wherein strategic matters and new policy initiatives are discussed in the presence of the minister. Informal contact is more frequent, but is not fixed. Some managers even have contact with their minister every couple of days. The contact drastically intensifies in the event of a crisis or sudden media exposure.

Second, agencies understand and accept the objectives of the minister. This results in a mutually beneficial relationship:

‘I enjoy working with cabinets. Relations are so different than in a hierarchical environment. You can work with a cabinet. You can tell them what you like and what you do not like. But if they say that I have to do something, I know I really have to. Agencies accept this subordination, because the cabinet forms the personal staff of the minister. On the contrary, you don’t accept steering from someone standing on the same level, like the department.’

Since the cabinet has more power than the department, it is more important to be in the cabinet’s favour. Agency managers will do everything they can to let the minister score points and increase his or her popularity with the public. Respondents noted the use of ‘media calendars’ to carefully plan when to bring out a new initiative:

‘In public transport, there is a great interest from the media whenever new schedules or more comfortable buses are introduced. We do a lot for the people and we let our minister bring out the scoop. You have to be pragmatic in this: we leave it to the minister and that keeps him satisfied.’

## RETURNING THE FAVOUR

The cabinet grants some degree of autonomy to keep the agency satisfied. It respects the technical expertise of the agency. First, when the minister wants to take on a new initiative, he or she



first will consult with the agency. Managers feel that they can provide substantial input. Second, they are regarded as being the spokesman of their sector. Ministers and agency managers jointly present new initiatives at press conferences. Furthermore, parliamentary questions are passed on to the agency automatically, which then prepares a written answer. In 9 out of 10 cases, the answer is adopted by the minister without substantial revisions. Revisions, when they occur, usually are limited to changes in the wording or the political interpretation of the answer.

Because of path-dependant routines and their status as externally decentralized agencies, agencies have acquired considerable autonomy. This especially is true for the day-to-day running of the organization. This includes internal management issues, such as designing the corporate structure, facility management, administrative organization, and allocating resources for internal functioning. They are autonomous in engaging contracts with third parties and in designing the tools by which they monitor progress towards objectives. Agencies are free to hire and fire, but salaries are prescribed by law.

The picture is somewhat mixed for policy-related matters. Since the ties with the field are particularly strong in the examined cases, they are relatively free to determine their target population, and even more so in choosing how to consult, negotiate and co-operate with the field.

There is much less freedom as far as budgeting is concerned, although they do have input in discussing policy objectives. Expenditures are set by the government, to a large extent.

#### DIFFICULTIES IN RELATIONSHIPS WITH THE CABINET

The main problem has to do with the minister's use of control instruments. Agencies and cabinets constantly debate on what matters are operational or strategic. Managers clearly try to siphon off operational matters:

‘These are tasks of management. But every minister tends to behave a bit like a director. This is a constant field of tension and you always have to watch this carefully.’

Furthermore, the control apparatus seems to be centralistic and focused on inputs. Even though agencies accept control of performance, ministers rarely ask questions related to effectiveness and efficiency. Lower performance of the agency often is without any real budgetary consequences.

Instead, ministers make extensive use of traditional instruments of political control. They have the power to appoint agency managers and all managers of the examined cases have worked in ministerial cabinets prior to their current position. Nonetheless, all respondents had extensive experience and some already had been in the position for over 10 years.

The picture probably will be different among the newly-created agencies, for which a manager is yet to be appointed. Because of the low level of political commitment, respondents expected many political appointments in the future.

Ministers also can hold onto their managers through personal evaluations. Even in those organizations with their own board of directors, the minister is central to evaluating the manager:

‘I only am evaluated by the minister. So, if I would tread on his toes a bit too often, I will get a bad evaluation, even though I have acted in the interests of my organisation. I have the same interests as my board, but not the same interests as the minister. Nonetheless, my board does not evaluate me.’

In summary, even though agencies are created with the purpose of granting more autonomy, political control has not yet evolved and remains focused on ensuring loyalty.

## THE PENDULUM SWINGS BACK

There are some indications that the BBB-reform is reconsidering its original intentions and should be regarded as a centralization movement instead of an attempt for autonomization (Movi 2005).

In the past, functions such as ICT, HRM, external communication and facility management were left to the agencies and hardly existed at a central level. Nowadays, horizontal departments also

organize these functions and impose new rules on the decentralized functions. Complying with these regulations is seen as a significant burden:

‘Everything related to recruitment, selection, promotions and evaluations is determined by statutes for the entire Flemish government. This is a very rigid framework that maintains a status quo. I do not want to get my managers from some central pool, selected after a general exam. I want to be able to design a procedure myself, take part in the recruitment, and then choose whomever I want.’

Managers resist full take-over of these innovations, which results in very ambiguous task allocation between the central and decentralized functions.

#### UNREALIZED AMBITIONS OF THE REFORMERS

To ensure responsiveness, politicians already have hollowed out some original intentions prior to their actual implementation (Movi 2005). Performance contracts will no longer be connected to an agency’s long-term planning. This means that agencies will have to negotiate their budget each year.

Originally, one intention was that each policy domain would be led by only one minister to avoid signaling from multiple ministers. This so-called ‘one-on-one relationship’ has not been put into practice. It has proven to be politically delicate to centralize all organizations related to one sector under one minister (Mareels 2006). In addition, freedom of investing is limited by a rule that says that agencies are not allowed to create any debt. In practice, this implies that investments must be entirely financed with cash.

The result of both the structural centralization and the more subtle hollowing out of autonomy is that some agencies appear to have less autonomy than before BBB. This especially is true for innovative agencies that were forerunners of some reforms. They feel that their innovations are being pushed back by a centralized, watered-down version of the innovation:

‘We are like a bird whose wings and tail are being cut from all sides, insofar that we will no longer be able to fly that high anymore.’

## MANAGING FOR AUTONOMY

Agencies have developed a management style that is aimed at ensuring their acquired autonomy. They form alliances with the field to defend their viewpoint with the department or the cabinet. These alliances can be formalized, through joint websites or via representation in governing boards. Agencies also form alliances together, at a top management level. Managers of the former VOI’s regularly meet with each other at their own working group (MOVI). They exchange information on the reform and write reports, as a counterweight to the official documents. Through MOVI, agencies demand participation in the reform:

‘It is a good thing that we have MOVI. Before we were loners: everybody was inclined to retire to their own agency. BBB was led mainly by departments, but we lagged behind. We permanently had to catch up and we felt the need to organise ourselves. That is why MOVI became particularly useful.’

Respondents noted that this lobbying creates some suspicion with ministers, as the group sometimes is seen as ‘a trade union for top managers’.

Agencies also build up legitimacy with other parties. Particularly the politically-salient organizations attempt to establish closer networks with members of parliament. They organize meetings for members of the parliament, during which the workings of the organization are explained. Visits to local offices are organized to demonstrate practical experiences and problems. In this way, the agency demonstrates its expertise and professionalism, in the hope that members of parliament will become convinced of the need for more funding. Agencies also try to keep the parliament content by providing custom-tailored information, even if the parliament does not specifically ask for it.

## DISCUSSION

The relationships between agency and cabinet on the one hand and between agency and department on the other can be characterized as high, respectively low levels of mutual trust. Trust is based on shared expectations and means that one actor is confident that another actor will not behave opportunistically, despite uncertainty and risk (Gambetta, 1988; Lyon, 2006). Thus, it reduces complexity and creates predictability in the behaviour of other actors. Trust serves as an alternative coordination mechanism to power (Bachmann 2001). Trust is essential for genuine sharing of information to occur; therefore, it is central when looking at long-term oriented inter-organizational relationships (Lane and Bachmann 1996; Hudson 2004; Huxham 2003). Especially in post-bureaucratic environments with participative management styles, trust becomes particularly effective, since predictability no longer comes from strict rules (Grey and Garsten 2001).

Inherent in all trust relationships is the risk that trust can be ashamed (Bachmann, 2001). Relational risk refers to the probability that the other actor will behave opportunistically. Such behavior may include shirking, cheating, distorting information or appropriating resources. Conflicts arise because of diverging interests. Performance risk is the risk of bad performance of the partner (Das and Teng 2001).

Both types of risk appear to be present in the relationships between agencies and departments. The perceived hierarchic mentality of the department creates much relational risk. The BBB-reform has increased the degree of relational risk, as the department has shifted from passive to more active involvement in the agency. This places excessive demands for information on the agency, interferes with day-to-day operations, and allows for opportunistic behaviours, such as manipulating reports to the cabinet. Furthermore, there is some performance risk, in that departments are perceived to be incompetent in formulating policy or doing study work. Consequently, if the risk is perceived to be high, agencies will have low levels of trust in departments. In turn, this is likely to diminish sharing on behalf of the agency, which inhibits inter-organizational collaboration.

The opposite is true for the relationship between agencies and ministerial cabinets. Despite constant struggles with micro-management, the two organizations appear to have high levels of mutual trust. Because of their regular meetings and continuous contact, managers and cabinets have developed considerable inter-personal trust.

Trust becomes stronger when partners understand each other's interests and hold the same norms, beliefs and goals. Maguire *et al.* (2001) found that actors construct identities in which they place themselves and others. They will engage in collaborative relations with those actors who are placed in the same identity.

Such identification-based trust seems to be present between cabinets and agencies. They both have an entrepreneurial culture of 'getting things done', they both are interested in the practical aspects of policy, and they share values and priorities, since managers mostly have past experience in cabinets.

One example of a shared norm that creates identification-based trust is reciprocity, as proposed by social exchange theory (Gould-Williams and Davies 2005). This theory views actions as depending upon rewards and learning processes. Social interactions are seen as exchanges in which one actor gives something valuable to another. If the other actor feels that he has been rewarded with a benefit that has great value for the giver, he will feel obliged to repay this debt. If this process continues, then mutual obligations continuously will be created. If each debt is repaid, this continuous process will lead to increased trust and even 'affection' between the two parties (Bottom *et al.*, 2006, 33). Individuals can use tactics such as self-presentation and other-enhancement to strengthen this process.

Social exchange theory does not only predict when trust will rise, it also predicts how interactions can lead to distrust. When the condition of reciprocity is not satisfied (e.g. when a benefit is not repaid), then the giver may perceive this as cheating. If this is a continuous process, then the giver will learn that the receiver is not trustworthy. Such violations of expectations ultimately lead to rejection, as the giver wants to get even with the recipient.

Agencies and ministers seem to have developed a history of mutually-beneficial exchanges and have learned to serve each other's interests, at least in terms of running daily affairs. The 'media

calendar' that is used to let the minister score points is a clear example of 'other-enhancement'. Agencies are actively involved in 'self-presentation', as they invite politicians to work visits. Contact with the minister increases drastically in times of crisis, indicating a strong degree of reciprocity (Lyon, 2006). This seems to be absent in relations with the department. Agencies perceive cheating from the department and have learned to distrust the department. This results in retaliations such as withholding information and bypassing the department. The agency turns to the minister directly, without even consulting the department.

Social exchange theory also provides a deeper explanation for the strained relations between agencies and departments. Reciprocity implies that, in order to trust someone, an actor first must feel trusted. Departments lose budgets and tasks and become less visible, so that they do not feel trusted by the minister. They may want to get even with the minister by behaving bureaucratically towards the agency, which clearly has become the minister's preferred partner in realizing policy. Reciprocity implies that the minister should give departments a valuable gift, such as the authority to steer and monitor the agency. This now is almost completely done by the ministerial cabinet. Such a surveillance role might increase trust between departments and ministers, but also between departments and agencies, because it allows each party to know more about the other (Lyon, 2006).

## **CONCLUSIONS**

This article investigated the relationship between ministers and agencies on the one hand, and between agencies and departments on the other. Evidence was found for the paradox of autonomization, meaning that an increase in autonomy also leads to an increase in control. However, we also found that agencies do not passively accept this, managing to secure their autonomy anyway.

Agency managers are somewhat disappointed with the lack of steering that has occurred pertaining to the reform. Since the decision to reform was made, ministers have demonstrated hardly any interest in its implementation. Political commitment is at a low ebb, because ministers feel no real ownership and because there is no clear motivation for change. However, agencies have not waited for their minister, instead initiating their own reforms. They encase other reforms into BBB and reshape

the scope of the reform so that the outcomes are different than what originally was intended. This creates a potential power imbalance between the well-prepared agency and the uninformed minister. Ministers seem to realize that they cannot compete with agencies and that their political control is limited (Christensen and Lægreid 2001). They take refuge in traditional systems of political control. Responsiveness is ensured through political appointments, structural re-centralizations and hollowing out of the reform.

Despite these struggles, our cases seem to have a symbiotic relationship with their minister for day-to-day affairs. There is much mutual trust and even affection between them, created through a long-standing personal history and continuous social exchanges. They both are aware of each other's interests and they feel that it is to their own advantage to maintain a good understanding with each other. When one of them does something for the other, it is almost certain that the other will repay the debt. Ministers are aware that they need the agency to get things done in the field. In return, they respect the agency's technical expertise. On the other hand, agencies need the minister in negotiations regarding their budget. In return, they actively seek opportunities for the minister to increase his popularity.

Whereas the evidence for the paradox of autonomization is nuanced for the minister, it is much more evident in the case of the department. The department is regarded as a parasite, acting from the viewpoint of an alleged bureaucratic mentality, constantly trying to deceive the agency and to make it look ridiculous to the minister. This probably is a defensive maneuver, since departments have much to lose with the reform. To counter this behaviour, agencies have engaged in tactics such as 'shaming' and 'getting even' with the department. We can conclude that these problematic relationships are caused by both structural (i.e. tasks of agencies, departments and cabinets) and contextual (i.e. BBB's agencification reform) factors.

However, more research is needed on the trust-building potential of the policy council, which is the only true innovation that the reform brings about. Also, research should focus on why the department behaves in this way. One hypothesis for future research is that hierarchical behaviour is, in itself, a tactic the department uses to get even with the minister.



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**Table 1: Summary of supercodes and associated codes**

<b>First Order Code</b>	<b>Supercode</b>
Structure	Internal changes
Service organization/tasks	
Discussion on agency status	Commitment: political
Encasing other reforms into BBB	
Own minister	
Other parties	
Ownership of government	
Internal commitment to reform	Imitation of reforms
Copying international NPM-reforms	
Copying federal Copernicus project	
Unrealistic separation	Dichotomy in department (Cheating)
Normative dimension	
New interpretation of separation	
Desired role of agency	Getting even with department
Withholding information	
Manipulation of information stream	
Bypassing department	
Duplicating departmental work	Steering from minister
Capacity of cabinet	
Operational versus strategic matters	(Trust)
Steering on output	
Frequency of contact with minister	
Frequency of contact with cabinet	
Formal contact with cabinet	

Appointment of managers

Evaluation of managers

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Good understanding agency-cabinet

Letting each other 'score'

Relations with field

Lobbying through MOVI

Managing autonomy

Incorporating other reforms

Demanding participation

Building up legitimacy (parliament)

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Rewards of top managers

Performance contract

Long-term planning

Reconsidering the ambitions

One-on-one relations

Decentralisation (HRM, audit, financial)

Accrual accounting

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Agency as spokesman

Respecting technical expertise

Responding parliamentary questions



**Table 2: Presentation of Sample Organizations**

Name of Case	Agency status	Staff
Employment Agency ( <u>Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding</u> )	Externally decentralized, public law	4,800
Public Transportation Agency ( <u>De Lijn</u> )	Externally decentralized, public law	7,500
Social Housing Agency ( <u>Vlaamse Huisvestingsmaatschappij</u> )	Externally decentralized, public law	250
Waterways Agency ( <u>Waterwegen en zeekanaal</u> )	Externally decentralized, public law	850
Child Care Agency ( <u>Kind en Gezin</u> )	Internally decentralized, legal entity	1,025

## ENDNOTES

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<sup>i</sup> Belgium is divided into three regions: the 'Flemish region', 'Brussels-Capital', and the 'Walloon Region'.