

**NEW CHALLENGES IN EUROPEAN PUBLIC MANAGEMENT  
DESIGNING INTERORGANISATIONAL NETWORKS**

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### ***Introduction***

The last two decades have seen a remarkable and unexpected development of public management reforms. Public management has moved from being regarded as an alien idea of peripheral significance to be widely accepted as a key factor in improving governmental performance. Politicians and senior officials who used to disdain “management” as a subordinate function unworthy of their attention, now accord it high priority. Almost any new policy initiative is accompanied by an assurance that the management systems needed to guarantee success will be put in place. Public management reform has become a global growth industry based, paradoxically, on reducing the scope and scale of government. Many reforms have been sold as slimming cures. Whether leaner government is also fitter government is open to debate, but there is little doubt that there has been a cultural shift towards accepting management models and methods in government on an unprecedented scale.

While the movement for public management reform has built considerable momentum, it cannot be said that public administration as a discipline has shared in its success. Public administration specialists were not active in initiating its development. On the contrary, the characteristic stance was that of an interested bystander; surprised at what was happening and sceptical that anything of real significance would result. The usual predictions about management reforms were that either political will would rapidly fade or diligent efforts would be bogged down by the shrewdly placed obstacles of bureaucratic resistance to change. At the time it seemed plausible and down-to-earth for cynical academics or seasoned administrators to assert that a) “It will never happen”; or b) “It just won’t work”. Now, the assumptions that underlay these false expectations of early failure and lack of impact seem strangely out of touch with reality.

With the benefit of hindsight it is easy to find convincing reasons why public management reform did build a sufficient head of steam in many countries to be able to plough through the obstacles. The mounting problems of fiscal stress and the manifest inefficiencies of state-provided services in the 1970s and 1980s were sufficient in themselves. But most of the factors that are regularly quoted as explanations had been around for a long time without having any significant effect in prompting administrative reforms, let alone the more specifically management reforms that are now well established. Administrative reforms generally had more success as a part of a political platform that could be traded away for concessions of more immediate political value than as a serious programme to improve the way government worked.

Why did public management reform take off when it did? One widely held view is that reforms have been practice-led. It was practitioners rather than theorists who seized the initiative and pushed ahead with changes in a pragmatic way despite the opposition. Usually these political initiatives have been ideologically inspired. The paradigm case is Margaret Thatcher, one of the pioneers in the field, whose brand of “conviction politics” blazed a trail that others followed in the quest for a fitter and leaner public service.

If practice has led, theory has lagged. The long-standing scepticism of public administration academics in many countries towards ‘management’ resulted in their being marginalised or choosing not to be involved. It took some time to recover from the professional culture shock induced by having to come to terms with a world in which management was taken seriously. Although academics were closely following the developments that were taking place there was disbelief that the reforms would ever achieve anything. Overcoming this attitude of denial meant that with few exceptions public administration academics were left standing by the pace and momentum of reform. The process of catching up with events did not really begin until the late 1980s. This may seem like an overstatement. But, consider the response to the announcement of the Next Steps programme to create agencies in British central government. Despite almost a decade of reforms the main academic (and media) reactions were to point out the implausibility of the proposals and highlight the practical difficulties that would be encountered in attempting to implement them. When the Head of the Next Steps Project Team announced that by the mid 1990s he expected 75% of civil servants to be working in Agencies his forecast was treated with derision. It was subsequently fulfilled. With all the problems they raised about the relationship between policy and management Next Steps Agencies are an established fact of administrative life that has survived the 1997 change of government (Cowper and Metcalfe 1998)

Having said this, it would be wrong to conclude that public management reforms have just been a set of pragmatic atheoretical responses to objective political and economic circumstances. In the first place rightward shifts in political ideology had an important though variable influence in prompting the search for ways of rolling back the frontiers of the state and making government more concerned with performance and value for money. In the second place it is not so much the absence theoretical influences that is significant as the fact that public administration has experienced an invasion from other disciplines. Where political ideology has provided direction and passion to conviction politics it has often had implicit or explicit theoretical support from sources outside public administration. When politicians began to look for reforming ideas and, more especially, detailed reform proposals, they did not look to public administration. Instead they turned to economists, accountants, management theorists and consultants of various kinds who were prepared to get involved and offer positive proposals for improving performance, reducing costs, streamlining the delivery of services etc.

### ***NPM: An Academic Mirage?***

When public administration did make a belated contribution to the reform process it was through the introduction and popularisation of the notion of New Public Management (NPM). The global reform movement was portrayed by some as a manifestation of a widespread commitment to a new approach to managing public organisations and improving the efficiency with which public policies were implemented. NPM has provided a reference point and a focus for debate, but it is questionable whether it has done much more (Peters and Wright 1996) . It is not the purpose here to give a detailed account of NPM and its evolution over the last ten years or so. Suffice it to say that it has been variously interpreted as how governments *are* reforming their administrations by introducing new management structures and systems or as a set of prescriptions for the way governments *should* reform. Employing the former definition NPM is a summary or synthesis of what governments are doing in practice. Employing the latter it is a much more specific set of prescriptions for what they ought to do.

The search for convergence on a set of common principles or practices has not shown much sign of reaching a conclusion. On the contrary there are indications that NPM is simply losing credibility as a useful guide to both research and practice. If practitioners can call whatever reform they introduce an example of NPM and if researchers can attach the label to an extensive array of different principles, policies and practices which are not necessarily compatible with each other there can be little cumulative progress in understanding improves performance in public management. This does not prevent consultants from continuing to sell one-size-fits-all management reform packages to gullible governments.

One response to this situation is to engage in a definitional debate about what NPM really means or how we should agree to use the term. This debate will continue to absorb a good deal of time and attention, although it is unlikely to lead to useful conclusions or, indeed, any conclusions at all. There are too many strands of thought and diverse empirical cases to fit them all into a single coherent conceptual framework. NPM is an academic mirage that from a distance seemed to provide direction, purpose and even relevance to the research process. But as one approaches it disintegrates and disappears.

Nevertheless, there have been some important advances, not least in establishing the credibility of “management” as a concept in a context that has often been hostile to it. The issue is no longer the relevance of management as such, but what forms of management are needed and appropriate to the tasks and circumstances of government. We need to reformulate the concept. The complexity of public management raises some large theoretical and practical questions which force recognition of the limitations of what has generally been subsumed under the NPM label. In the main there has been a reliance on imitating established management practice – usually business management practice. Imitation has pragmatic attractions. It can accelerate the introduction of reforms because it offers ready-made answers and a short-cut through the troubling and slow process of conducting a detailed diagnosis and designing tailor-made solutions. However, imitation is counter-productive when it fails to give sufficient credence to the distinctiveness of public management.

### ***Interdependence and Diversity***

The main sources of governments’ distinctive management problems are organisational interdependence and organisational diversity. Public policies are not managed by single organisations operating independently. There is a division of labour among a network of formally autonomous but functionally interdependent organisations. Successful implementation depends on coordination of the activities of numerous organisations which often have different objectives and interests. Sometimes there are hierarchical relationships among organisations at different levels of government. But usually policy outcomes are achieved through organisational networks in which partnerships are established on non-hierarchical principles. Cultural and functional differentiation has to be allowed for in managing interdependence.

Management is often defined as “*getting things done through other people*”. The usual unit of management is a single organisation. Public management adds an additional dimension because it involves coordinated action by networks of organisations. Public management therefore is “*getting things done through other organisations*”. The performance of individual organisations and the effectiveness of the system as a whole depends not just on whether individual organisations are well managed but also on how well they work together. The more interdependent the activities of organisations and the

more diverse they are in culture and function the greater the difficulties of ensuring effective organisational and interorganisational performance.

In European, and especially European Union (EU), contexts an interorganisational perspective on public management is essential because of the way management responsibilities are expanding. European policies, whether viewed as supranational or intergovernmental, always involve the collaborative efforts of a plurality of organisations. European public management introduces the additional complexity of managing across national boundaries. The organisations involved are widely distributed across the Member States and are often located at different levels of government within them. The composition and structure of networks linking countries and levels of government are often poorly understood. Merely mapping the networks is a considerable undertaking. It is very difficult at times to know which organisations are involved and whether they have the resources and expertise to play their designated role, let alone whether the relationships among them are appropriate to ensure that the network as a whole can be effective. The design of interorganisational networks in such complex policy contexts is problematic not only because it is unclear what options are feasible but also because it is far from obvious who should do the designing and how it should be done.

It cannot be said that these generic features of European public management have received anything like the attention they deserve. “Europeanisation” used to mean the transfer of legal competences and responsibility to the European institutions with little thought as to how the architecture of the system might help or hinder effective performance. As the integration process has advanced, to encompass more countries and fields of policy it has become evident that the effectiveness of the system depends on building and strengthening multilevel and multinational organisational networks. “Europeanisation” needs to be redefined in these terms.

### ***Reform and Research***

The general prescriptions of NPM reformers are only marginally relevant to the large-scale management problems discussed above. NPM reformers have displayed little interest in such issues as organisational diversity, interdependence and coordination. Ideologically they have tended to assume that coordination among organisations is mainly an artificial creation of bureaucrats intent on enhancing their own importance rather than an indispensable means of ensuring effectiveness in situations with high levels of interdependence. NPM reforms have often sought to cut away the thicket of irrelevant complexity to reveal a simpler and more easily manageable world in which more or less unrelated tasks are assigned to independent agencies that are then left free to manage on their own. But there are growing numbers of cases in which the reductionist assumption that the whole is just the sum of the parts is false. There are emergent problems that need to be seen from a system perspective.

In this area practitioners are grappling with difficulties for which there are no clear precedents let alone ready-made answers. If we cannot imitate we need to consider how to innovate. Innovation implies the development of new ideas that work in practice. To devise a strategy for innovation it is necessary to reconsider the relationship between theory and practice in the public management field. The particular issues in public management are related to a larger set of questions about links between social sciences and policy. Wittrock (1991) reviewed and elaborated on a range of possible relationships that move the debate beyond sterile discussions about pure and applied research. He suggested four models: a policy learning model, a social problem-solving model, an

adversary model and a dispositional mode. The present discussion has a more specific focus on the relations between reform and research in public management (c.f. Barzelay 1998; Jones and Schedler 1997). The main purpose is to combine an interorganisational perspective on public management with the view of policy-making and implementation as a learning process (Argyris and Schon 1974; Deutsch.1963; March 1991; Senge 1990). In organisation theory there a current fashion and a longer tradition for organisational learning and learning organisations but in public management the question arises whether it is possible to organise and manage processes of *interorganisational learning*.

Practitioners involved in reforming public policy systems face the problems of designing organisational networks that function effectively. the question is whether research help to clarify what is involved in doing so. This is experimentation of a sort although clearly it is not classical controlled experimentation. Reform proposals function as hypotheses about what will improve performance and the reform process promotes the development of learning capacities within politico-administrative systems. Where public management reforms are concerned it would involve the construction of new theories about the behaviour and performance of organisational networks that are sufficiently detailed and specific to guide the process of reform and yet are cast in terms that permit comparison and generalisation to other situations. The role of reform is to design or redesign networks the role of research is to systematise interorganisational learning by generating and testing models of network functioning. In this context, learning is not an optional extra, justified by its contribution to the growth of scientific knowledge. It is potentially an important aid to improving performance. Directly, it provides a means of monitoring the results of specific reforms. Indirectly, it provides a systematic comparative basis for “lesson-drawing” (Rose 1993). So that what is learned in one situation can be applied in others, making allowance for differences between them.

The next sections of this paper summarise three different cases which are “work in progress”; the Helsinki Commission; the European Agency for Evaluation of Medicinal Products and the European Commission. The differences will become apparent, but whatever the substantive differences among them, each is involved a reform process that involves redesigning an organisational network and therefore has to cope with some generic problems. Organisational networks have a number of common features that impede effectiveness and adaptation to change. The constituent organisations often lack technical and management capacities. Even if some organisations have the requisite capacities many do not and any unevenness shows up when cooperation is needed. Cooperation is also hampered by unclear definitions of roles in the organisational division of labour. A basic question is “who does what?”. Uncertainty or confusion in answering this question leads to turf wars and other forms of counterproductive bureaucratic politics.

A third problem is ill-defined relationships. The term “partnership” is often used in a vague and general sense without much consideration of the mutual rights and obligations it assumes or the terms on which organisations are expected to work together. This is often associated with a fourth shortcoming, inadequate capacities for coordination (Metcalf 1994). In an organisational network much of the work of coordination depends on the willingness and ability of organisations to manage their relationships with each other rather than on the superimposition of some hierarchical form of central control. Most effective coordination takes place without a “coordinator”.

Because of these shortcomings organisational networks – even where common interests are clearly recognised – are undermanaged. They respond reactively and incoherently to

change. The usual complaint is that that action, when it comes, is too little, too late. Even if they are able to deal with gradual incremental change they are ill-equipped to deal with structural change. The inability to handle structural change may lead to crisis and breakdown.

## **HELCOM: Reforming a Regime**

The first example is not an EU case as such although the EU has direct and indirect interests in it. It concerns a current attempt to reform the environmental regime for the Baltic Sea area, based on the Helsinki Commission. The Helsinki Commission was created in 1974. Its remit was to implement the Agreement among the countries bordering the Baltic Sea to take measures to protect the Baltic environment from pollution and to help conserve the whole marine ecology of the Baltic region. The agreement committed all the countries concerned to take necessary independent and joint action in pursuit of these goals. This led to a series of initiatives ranging from basic data collection about the actual state of the Baltic and identification of sources of pollution from land and sea to arrangements for emergency action to combat serious threat to the environment due to accidents. To implement the agreement a small Secretariat, based in Helsinki, was created. The Secretariat was staffed on a secondment basis by people with relevant expertise from the countries. Since the agreement bound the Contracting Parties i.e. the national governments around the Baltic, to fulfil agreed obligations there was no need, or at least no possibility, to have a large executive organisation. In deciding what to do, in gathering data and assessing evidence HELCOM worked through a structure of committees bringing together individuals with relevant expertise from all the countries involved. At the top level decisions about HELCOM policies, programmes and resource allocation were made by unanimity at meetings of Ministers, representing all the signatory states, or by Heads of Delegation nominated by them.

While HELCOM acquired a reputation as a positive example of international cooperation in the environmental field, it had some acknowledged defects. But despite growing concerns about the adequacy of the system the basic governance structure for policy formation and operational activity remained unchanged until this year. Some of the dissatisfaction stemmed from external political changes. HELCOM was a creation of the Cold War era. Even its existence was an achievement in a political context where the possibilities of contact were very limited. But the scope for effective cooperation and hence the practical results were also limited. At the most basic level of technical cooperation it was difficult to ensure the compatibility of environmental data from different countries. And, for security reasons, important information about levels of pollution and its sources were not available. Even if recommendations were agreed by Ministers meeting in the Commission or by Heads of Delegation the record of implementation was poor and little could be done to improve it. It was even difficult to monitor what was actually being done because it was national government (the Contracting Parties) who were responsible for implementation. Unanimity was the basis of decision-making and in the interests of preserving the system as a point of contact between East and West controversial issues were avoided.

Within this governance framework progress was made through the formation of specialist committees and working parties with memberships drawn from the Baltic countries and nominated by their governments. The Helsinki-based Secretariat provided administrative

and professional support to the committees. But there was a growing gap between what HELCOM could achieve and what needed to be done to deal with the deterioration of the Baltic Marine environment. The need for action was sharpened by increasing public awareness of environmental issues, reinforced by more active environmental interest groups. HELCOM began to be looked at more critically. Political concerns were crystallised in 1988 when a Ministerial meeting of the Commission made a commitment to the goal of a 50% reduction in discharges of the substances most damaging to the Baltic ecosystem including heavy metals, toxic organic substances and nutrients by no later than 1995. This was a political expression of frustration rather than a thought-out policy, but it prompted other action.

In 1992, following earlier preparatory work a Diplomatic conference on the Protection of the Marine Environment of the Baltic Sea was held in Helsinki and it approved the Baltic Sea Joint Comprehensive Environmental Action Programme - with the purpose of providing an overview of the sources of pollution from a regional point of view rather than just a summation of national views. After some debate, responsibility for coordinating the JCP was assigned to HELCOM and a new Programme Implementation Task Force (PITF) was established. While the main stakeholders were the coastal states participation was extended to include all the states in the Baltic catchment area (Belarus, Czech Republic, Norway, Slovakia, Ukraine). At the same time a new convention was signed to take account of German reunification, Russia's succession to the responsibilities of the USSR, the three independent Baltic States Estonia, Latvia and Lithuania, and, the European Economic Community.

Despite the changes in the signatories and new substantive provisions there were no significant alterations in the cumbersome structure of the HELCOM regime or the way it functioned. The new wine of the post Cold War era was poured into the old institutional bottle. There was a recognition that institutional reforms were needed if the system was to be able to cope with new demands and responsibilities. In 1994 a Working Group aided by management consultants was established to review activities, working structure and methods, but there was little follow-up; in part because of a realisation that even if all the recommendations were implemented structural reform was still required.

The need for reform arose as much from the transformation of the political environment as from increasing problems in the physical and biological environment. Expectations of more rapid economic advance in the old East Germany, Poland, Russia, Lithuania, Latvia and Estonia posed problems of increased pollution from industrial sources (leaving aside the non-coastal states). The increased number of states in HELCOM complicated the task of achieving unanimity. At the same time, HELCOM's organisational environment was becoming more densely populated with NGOs, interest groups, intergovernmental for a such as the Council of Baltic Sea States and new initiatives in HELCOM's own domain such as Baltic Agenda 21 which raised higher aspiration levels in environmental policy in the direction of sustainable development. Finally as the process of EU enlargement brings all countries except Russia into the EU there will be a legal obligation to meet EU environmental standards. Membership of the club requires acceptance of the rules in the environmental field as in others.

These changes in problems, in context and in aspiration levels created a situation that the existing HELCOM system could not meet. Administrative behaviour as Herbert Simon observed is based on satisficing not maximising. But so far as HELCOM was concerned profound and complex changes were underway in what was regarded as satisfactory. What HELCOM was doing was perceived as not "good enough". The task of assessing



the situation and making recommendations was assigned to a Review Steering Group (RSG), composed of individuals actively involved in HELCOM and familiar with its history and problems. The remit of the RSG was to produce a diagnosis and recommendations to be considered by a meetings of Ministers and Heads of Delegation

The RSG came into operation in the summer of 1998 and reported in March 1999. It took a broad view of its task treating HELCOM as a system; a regime; rather than focusing narrowly on the Secretariat. The performance of the system depends on the networks of ministries and other organisations in the Baltic Sea States and their interaction with each other and the Secretariat. Performance is a function of interorganisational cooperation and the limited capacities of the Secretariat together with the clumsy decision-making processes meant that hindered rather than helped:

- There was no strategic overview of the system or a way of setting priorities;
- There were rigidities and inadequate coordination;
- The system was reactive and slow to respond to information and initiating action;
- Implementation of recommendation was left to the States which lacked the capacities needed to fulfil obligations in several cases.

The themes of inadequate capacities and undermanagement run through the diagnosis of HELCOM's problems. The Secretariat has limited resources, the Committees rely on the participation of national experts – who have their own commitments and can give limited time and attention to HELCOM's work. The structure and working practices of the system gave main responsibility at the political level to the Commission and Heads of Delegation as the senior officials of the Contracting Parties. At the working level the Committees are the main nodes of specialist networks. But their specialist interest and segmented organisation create obstacles to coordination. Furthermore, there are rigidities in the procedures and decision-making processes that lead to considerable delays and frustrations in the workings of the system. The Executive Secretary has little discretion and many detailed decisions have to be referred to Heads of Delegation or to the Contracting Parties i.e. to the national governments.

It should be clear that the term “Contracting Party” gives a false impression of the unity and coherence. National governments are not monoliths. They are themselves organisational networks more or less imperfectly coordinated. These intragovernmental weaknesses contributed to slow and incoherent responses on matters of importance to the functioning of HELCOM and reinforced a vicious circle which reduced the effectiveness of the system and in turn made the Contracting Parties reluctant to assign more responsibilities to HELCOM. The RSG recommendations sought to remedy these shortcomings and propose ways adapt HELCOM to perform ongoing and new tasks in a changed environment by enabling it to develop

- a coherent vision
- a proactive approach to scientific work,
- a capacity to identify new trends and developments
- the ability to raise public awareness of what was being done as well as what is needs to be done.

In arriving at its proposals the RSG worked independently but not in isolation. Deliberate efforts were made to share information and consult the national governments as the work proceeded. But this was done on the assumption that a diagnosis and prescription would

be made from the standpoint of the system as a whole. Implementing these recommendations requires organisational changes to remove rigidities and changes in management to increase the flexibility of the system. It was observed earlier that HELCOM is not an organisation but a regime; based on a network of organisations. The recommendations seek to do more than upgrade the efficiency and performance of the regime as it stands. They involve a structural redesign, a transformation of the pattern of relationships and the division of labour among the constituent organisations.

How can the proposed changes, which have now been approved in principle, be defined and specified? A useful point of departure in understanding the direction of change is Putnam's "two-level game" model of international negotiations. The structure of the model can be summarised briefly as follows. The linkage between domestic and international policy-making is mediated by national political leaders who appear at each level and act as chief negotiators.

"Across the international table sit his foreign counterparts, and at his elbows sit diplomats and other international advisors. Around the domestic table behind him sit party and parliamentary figures, spokespersons for domestic agencies, representatives of key interest groups, and the leader's own political advisors. The unusual complexity of this two-level game is that moves that are rational for a player at one board (such as raising energy prices, conceding territory, or limiting auto imports) may be impolitic for that same player at the other board. Nevertheless, there are powerful incentives for consistency between the two games." (Putnam, 1988, p. 434).

Thus negotiations at each level shape and constrain what happens at the other, but not in an unstructured way. In Putnam's model the national level is the main locus of power. Negotiations take place at the international level. Provisional agreements reached there are subject to ratification at the national level. The role of the national leader as chief negotiator and the formal link between the two levels is crucial. The normal assumption is that the chief negotiator is doubly constrained but will accord primary significance to domestic interests and preferences. The decision-making process within Putnam's framework is the classical diplomatic process of national presentation of preferences, negotiation at the international level, provisional agreement subject to ratification at the national level.

The established practices of HELCOM have, from the start, corresponded fairly closely with the structure of Putnam's two level game model. Even the official terminology; "The Contracting Parties" "The Heads of Delegation" carries overtones of wariness towards close involvement, sticking to the letter of agreement and giving little discretion to the international institutions. The principle of unanimity and national approval even on quite minor matters underlined the primacy of national over international concerns and an attitude of caution if not mistrust. Most of the weaknesses identified by the RSG can be traced back to structural features of the regime that impeded effectiveness and obstructed change. These shortcomings are built into the two level game structure. That, of course, is why the performance of the system came in for criticism – once performance became a serious issue after the end of the Cold War.

It is useful to compare this two level game model with the analysis by Levy, Keohane and Haas (1993) of conditions for effectiveness of international environmental institutions. They suggest that international institutions can contribute to improvements in dealing with environmental problems and raising environmental standards three main ways, by:

- Increasing governmental concern by focusing political attention, heightening public awareness and raising the priority of environmental issues.
- Enhancing the contractual environment by reducing the transaction costs of negotiating agreements and through a pattern of regular meetings checking the credibility of commitments. Since one of the major sources of uncertainty at the international level is lack of trust international institutions can become an important means of building trust and thereby reducing uncertainty.
- Increasing national capacity by putting peer pressure on national governments to build capacities to implement what has been agreed and incorporated in international regulations. Where institutions create a base for solidarity such as the “Baltic family” they also engender commitments to comply that raise questions about the adequacy of organisational capacities at the national level where the detailed work has to be done.

It is immediately obvious that the two-level game model scores badly on all three of these dimensions. It tends to keep environmental issues behind closed doors rather than increasing political and public concern about them. It maintains attitudes of mistrust and gives very little discretion to institutions at the international level. And, it does little to assist or promote the development of national capacities on which effective implementation depends. The more the structure and functioning of the HELCOM system approximate to this model the less the prospects of improvements in performance.

The main thrust of the RSG proposals is an attempt to move away from this low concern, low trust, low discretion, low performance structure to one that enhances performance by engendering more trust and confidence in what is done at the international level. This includes giving more policy discretion to meetings of Heads of Delegation and enabling operational decisions to be made by the Secretariat within a policy and accountability framework where it and the Committees are responsible to Heads of Delegation, rather than requiring the referral of virtually all detailed decisions to the national level.

These changes involve modifying the dynamics of the system as a whole and mobilising the support of a wide range of interested parties in doing so. In a sense the way it has proceeded by involving national governments in the process provides a trial run for the way the system might work in the future. Pursuing this line entails redefining the roles and redesigning the relationships of the organisations involved from a systemic standpoint. It does not mean centralising power in HELCOM. HELCOM is not in the law-enforcement business. In the spirit of regime theory the main factors in improving implementation depend on governance without government. At the same time it should be clear that regimes are not self-organising systems that naturally and spontaneously transform themselves as and when circumstances demand. Rather, it is useful to view the role of the RSG as an active agent in seeking to prompt joint efforts to management structural reform that would not come about if the established dynamics of the system were left unchanged (Senge 1990).

One of the critical questions to be faced is how much participation is needed in the next phases of the change process and how it should be organised. Broadly speaking the process can be viewed in terms of three overlapping phases. The first phase centred mainly on the RSG has been concerned with detailed diagnosis of the problems and the formulation of outline solutions. Once approved in principle by HELCOM at Ministerial level this led to the second phase which widened the circle of participation and consultation and worked through the detailed implications of redefining the roles of the

Secretariat and giving more authority to meetings of Heads of Delegation. At some stage this will raise questions about the appropriate form of accountability. The third phase, somewhere in the future, will be the implementation of the recommendations for the reorganisation of the committee structure and the development of the operational management capacities needed to upgrade the performance of the system.

## **EMEA: Innovation in European Public Management**

The second example is drawn from the European Union. In view of recent criticisms of the Commission and the resignation in March of all the Commissioners, of which more later, it is interesting to examine a case of innovation in European Public Management; the development of European Agencies in specific sectors of EU policy. Agencies themselves are not a new phenomenon in European integration, but recent concerns about inadequate management of EU policies led to an emerging view, often based on national government experiences, that “agencification” is one of the keys to future reforms. The early 1990s saw a flurry of Agency creation (Everson 1995). Although it has to be admitted that the flurry took time to get going because of disagreements among the Member States about where Agencies would be located. One of the symbols of Agency independence is that they are not located in Brussels but spread around the Member States.

There are two background factors to the recent development of Agencies in the EU. One is the rapid growth of EU policy management responsibilities and the increased loads this places on the Commission. The other is the difficulty of combining the exercise of management responsibilities with the other roles the Commission has to play. Management has had low priority in the Commission culture which has a strong orientation towards launching new policy initiatives and gives much less attention to ensuring that they work in practice. Locating increased management responsibilities within the Commission runs the risk that management remains the poor relation. Or worse, specific management concerns become entangled with political issues and problems from which they can and should be insulated.

In a context where reform is in the air the Agency formula appears to offer a recognisable ready-made solution; imitation rather than innovation. There are pressures to cast debate in terms of the “Agency model”. Although it is far from clear there is such a model, the term itself triggers particular expectations and hypotheses drawn from practice and theory about the form and function of agencies. One set of expectations, based on experience with agencies at the national government level in, for example, Sweden, Britain, the Netherlands or the USA, lead to prescriptions for operational management bodies with executive responsibilities clearly separated organisationally from policy responsibilities. Another set of expectations derived from principal-agent theory centres on problems of compliance. Designing an agency involves establishing the cues, incentives and accountability framework to ensure the agency is responsive to its principal.

Despite the differences between them, each assumes a hierarchical relationship that places the agency in a subordinate position as a means of handling tasks and responsibilities defined at a higher level. As with all decentralisation processes the key design problem is how to combine delegation of responsibilities with effective means of

monitoring, supervision, control and accountability in a way that reinforces rather than undermines the motivation to improve performance. There is always the question of the extent to which programmes and activities can be prescribed *ex ante* and, where this is impossible, how much actual performance can be subject to *ex post* evaluation. But however the design problem is resolved in practice the general intention is to ensure that the agency is an administrative tool responsive to higher authority.

Rather than assuming that the route to reform lies in imitating what has already been done elsewhere it is useful to see what lessons can be learned from reforms already taking place in the EU. The purpose here is to examine one recently-formed Agency, the London-based European Agency for the Evaluation of Medicinal Products (EMA), and the role it is developing in the regulatory system for the evaluation of drugs for human and veterinary use. After explaining how EMA fits into the EU structure and what it does we will return to consider the relevance and adequacy of hypotheses about agency behaviour and consider some aspects of the functioning and performance of this Agency that they do not capture.

### ***The European System for the Evaluation of Medicinal Products***

Although EMA has specific tasks and responsibilities of its own it cannot be considered in isolation. Its work has to be seen in the context of the current EU system for the evaluation of medicinal products that came into existence in 1995. This system is the latest phase in a difficult process of institutional development that has been going on for over thirty years (Gardner 1996; Vos 1999). The function of the system is to authorise medicinal products for human and veterinary use so as to protect public health and facilitate the free circulation of pharmaceuticals within the EU. The system must therefore cope with the tensions between two important policy objectives; public health and free trade. The system is intended to serve both the interests of users of pharmaceuticals in having better medicines available and the interests of the pharmaceutical industry in having efficient and ready access to the single market. In the rhetoric of the 1992 single market programme the removal of barriers to trade is negative integration. Particularly for an industry like pharmaceuticals, where very large investments in research and development have to be made over a long period of time in order to achieve commercial success, the efficiency of the regulatory system is extremely important. The other side of this particular coin is that protection of public health requires measures of positive integration with investments in new governance structures and management capacities needed to make them work on a continental scale.

### ***Centralised and Decentralised Evaluation Procedures***

In an attempt to meet these extremely demanding requirements a new system of authorisation for medicinal products was designed and inaugurated in 1995. It has two main components; a *centralised* procedure operated directly by EMA and a *decentralised* mutual recognition procedure operated among the national authorities of the Member States. In addition, for medicinal products sold in only one Member State it is still possible to have a purely national authorisation. Since authorisations have a time limit and manufacturing processes, as well as the products themselves, are subject to evaluation there is a system for monitoring compliance that is the responsibility of national authorities. The *centralised procedure* is obligatory for all medicinal products based on biotechnology. It may also be selected by companies in some additional cases. Companies producing other innovative products have the option of using the centralised procedure by submitting an application to EMA in cases where the centralised

procedure is not mandatory. In the centralised procedure EMEA has 210 days in which to make a risk assessment judgement on a new product. Its opinion is transmitted to the Commission which retains the right of decision on authorisation. The *decentralised procedure* applies to other medicinal products whose marketability across the EU depends on the operation of the principle of mutual recognition.

### ***The Organisation of EMEA***

Turning now to the organisation of EMEA itself, what follows is a brief overview of its main organisational features. EMEA has a separate legal identity from the European Commission and has specific tasks delegated to it from the Commission. Its structure is related to the role it plays in the regulatory procedures outlined above and the need to establish working relationships with the other organisations involved by the regulatory system. EMEA's primary task is risk assessment. It performs scientific evaluations of pharmaceuticals and presents the conclusions in the form of advice to the Commission where final decisions about market authorisation are made, taking account of other factors. Thus, risk assessment is separated institutionally and procedurally from risk management.

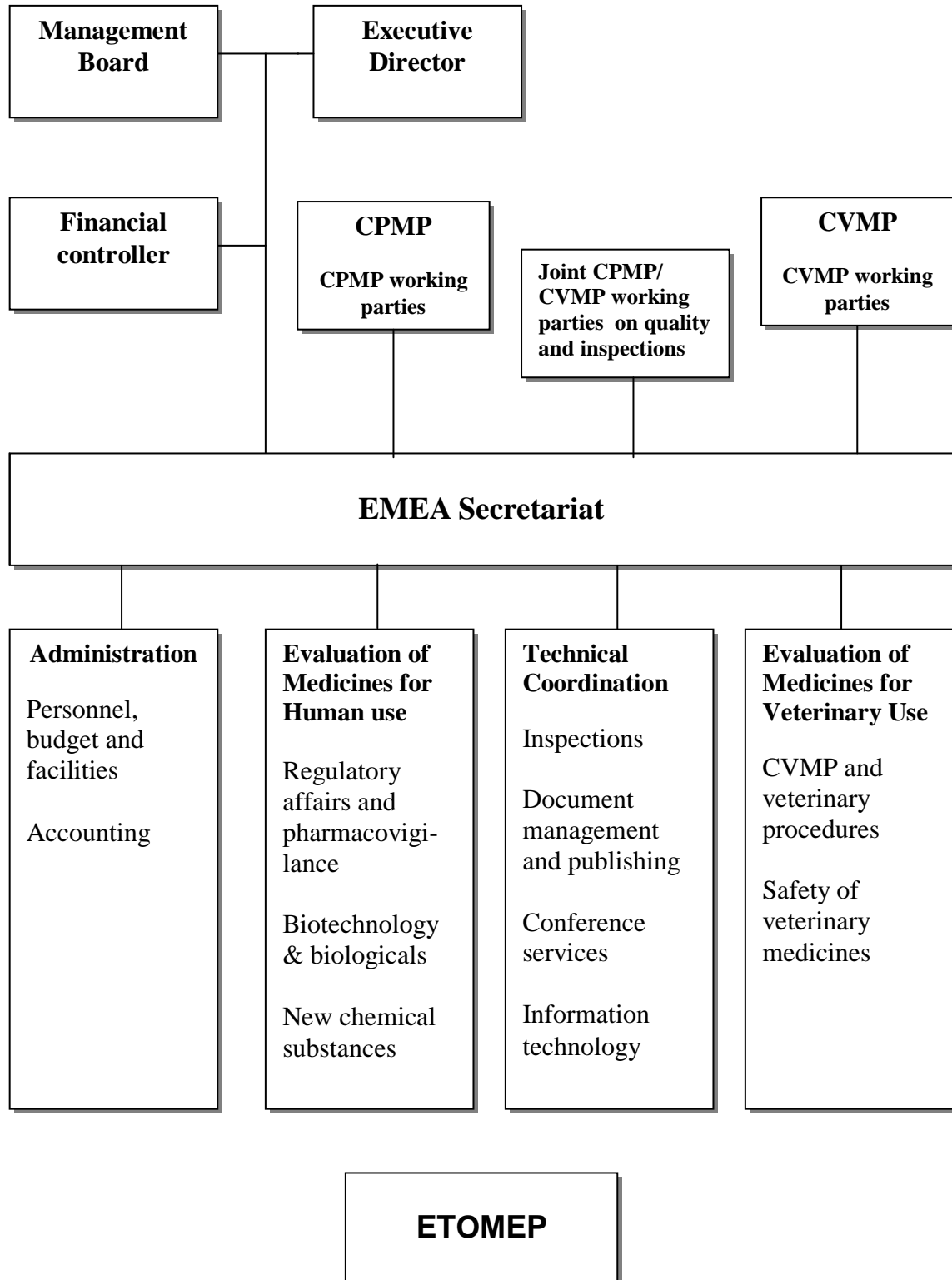
The executive core of the organisation is the EMEA Secretariat based in London, led by an Executive Director who is appointed by the Management Board and responsible for organising and managing the work of two main committees; the Committee for Proprietary Medicinal Products (CPMP) and the Committee for Veterinary Medicinal Products (CVMP). It is these committees, headed by independent chairmen and composed of experts in the appropriate field, who conduct the product evaluations within separate procedures for pharmaceuticals for human and veterinary use. The committees and working parties involved in assessing medicinal products for human and veterinary use work to different sets of specific criteria within the basic premises that they should evaluate the quality, safety and efficacy of new products. For example veterinary products are assessed to discover what residues they may leave in animals that are part of the human food chain.

The internal organisation of EMEA has two corresponding units responsible for organising the work of the committees and the substructures of working parties: the Unit for the Evaluation of Medicines for Human Use and the Unit for the Evaluation of Medicines for Veterinary Use. Their work is supported by a Technical Coordination Unit and an Administration Unit responsible for personnel, budget and accounting. The EMEA staff numbers less than 200 people in total at present, having grown from nothing when it was formed. There is a firm policy of in-house management of recruitment and selection of staff who are employed on a contract basis to meet well-defined job requirements. They are not employed as permanent career officials. This policy applies from the Executive Director down.

In addition to the staff and organisation summarised above, the European Commission Joint Research Centre at Ispra has an office in the EMEA headquarters to manage and develop a telecommunications network to facilitate the exchange of information between EMEA and the other organisations in the system. The ETOMEPEP is funded through the fifth EU framework programme for research and technological development. As a deliberate part of a policy of transparency EMEA has a well-developed and well-connected website that ETOMEPEP manages. A staff member of the Commission's Joint Interpreting and Conference Service (JICS) has been seconded to EMEA to strengthen

cooperation in conference organisation and assist with the multilingual aspects of its communications responsibilities (e.g. to ensure that labelling of medicines is standardised, accurate and intelligible in all official languages).

## STRUCTURE of the EMEA



The accompanying diagram sets out the main constituents of the EMEA organisation in conventional organigram form. As usual this organisation chart depicts the status and reporting relationships among the main units of the organisation but does not explain how it works. To understand better how it operates *and why there are significant departures from the conventional model of an executive agency it is useful to start by considering its own definition of its mission.*

### ***EMEA's Mission***

EMEA's mission statement is set out below. As it shows, the organisation has a different *modus operandi* from self-contained executive agencies and a broader remit than they are generally expected to have. It has specific tasks and developmental responsibilities. It gives clear and explicit priority to public health. Implicitly it gives recognition to the importance of "industrial health". The pharmaceutical industry makes huge investments in research and development to get new drugs to the stage where they can be evaluated and authorised and EMEA has to find ways of meeting its expectations as well as safeguarding public health.

#### **EMEA's MISSION STATEMENT**

To contribute to the protection and promotion of public and animal health by:

Mobilising scientific resources from throughout the European Union to provide high quality evaluation of medicinal products, to advise on research and development programmes and to provide useful and clear information to users and health professionals.

Developing efficient and transparent procedures to allow timely access by users to innovative medicines through a single European marketing authorisation.

Controlling the safety of medicines for humans and animals. In particular through a pharmacovigilance network and the establishment of safe limits for residues in food-producing animals.

How does EMEA work? With all the reservations that have to be made about mission statements, for once this seems to capture the flavour of what EMEA does, and equally important, how it does it. There is a pro-active emphasis on *mobilising* scientific expertise rather than employing it; *developing* user-friendly procedures and policies of openness and transparency and *following-up* to ensure that what is authorised remains safe.

Although it is virtually impossible to avoid making some reference to the US Food and Drug Administration (FDA) in answering this question, it is immediately obvious that the differences between EMEA and the FDA are sufficiently great as to preclude any simple and direct comparison. The EMEA is a much smaller organisation than the FDA, with a staff of less than 200 compared with the FDA's 3000. Its budget is a fraction of that of the FDA budget. The FDA as its title indicates, covers food as well as drugs. EMEA does not. In the EU, food safety is the responsibility of DG XXIV, Consumer Affairs. The FDA is responsible for enforcement. EMEA is not. The EU system leaves enforcement to



the national authorities of the Member States. Since the differences are more important than the similarities, the best thing to do is to consider EMEA itself.

### *Operational Management*

EMEA works, at the operational level of processing applications from pharmaceutical companies, by managing and monitoring the evaluation process. This involves all facets of supervising the activities of the CPMP and the CVMP and the working parties and task forces they establish to process specific applications or to work on issues of general relevance to the evaluation process. Operational management therefore includes the provision of support services, the assembly of teams and task forces, the administrative arrangements that enable them to work and also that ensure the formalities of submitting opinions to the Commission are properly handled. In addition, since EMEA charges fees for conducting evaluations and reimburses the organisations and individuals providing expertise there is a considerable task of financial management.

The system for managing applications operates to a tight time scale with strict deadlines. Given the commercial importance of ensuring that there are no unnecessary delays in the evaluation process it is important that the various tasks of operational management are handled well. These stringent requirements are reflected in the way that the personnel and finance functions of EMEA are managed within the framework of the Commission's staff and budgetary regulations. It must be emphasised that while responsibility for finance and personnel is delegated to EMEA and, as a matter of deliberate policy is managed in a decentralised way within EMEA, the agency is subject to exactly the same staff and budgetary regulations as any of the Commission's DGs or other services. While there may be a case, as the first report of the Committee of Independent Experts says, to review the Staff and Budgetary Regulations of the Commission EMEA has been able to devise means of managing effectively in a decentralised way within the Regulations as they stand.

Operational management is generally regarded as the core of what an organisation does, the activities that in the end produce the outputs on which its performance is judged, it is commonly assumed that operational management tasks are carried out as internal functions within the organisation. But even here, EMEA operates in a network rather than as a self-contained entity. With its small staff it would not be able to process more than a fraction of the inflow of applications it receives. Instead, it works by drawing in relevant expertise from the Member States as the technical requirements of applications determine. This method of working involves the creation and maintenance of lists of accredited experts in all relevant fields who can be called upon to participate in working groups of the CPMP and CVMP. Again this places an administrative burden on EMEA which has to ensure that the right people are appointed to the right committees when they are needed. It also leads to a wider consideration of the character of the organisation.

EMEA does not carry out its executive responsibilities in isolation. An interorganisational perspective is essential to understand how it works as part of an organisational division of labour which brings it into partnership with many other organisations. In conducting evaluations and managing the evaluation process EMEA works by creating an EU-wide network of professionals. The work of evaluation, carried out under the supervision of the CPMP and CVMP, is done by committees of experts drawn from lists proposed by the national authorities of the Member States. This gives EMEA access to over 2300 highly qualified specialists. Experts are included in lists of approved specialists on the basis of their professional expertise and are appointed to

particular working groups on the same basis. Groups are formed according to need as applications are prepared and received for evaluation from companies. Their services are paid for by EMEA which also provides them with working facilities and makes also the necessary conference arrangements.

### ***Corporate Governance: The Role of the Management Board***

On the basis of what has been said above it is clear that EMEA is a professional organisation (Mintzberg 1983). It is a professional organisation of a rather special kind both because of the responsibilities it has within the EU regulatory process and the way it draws in and uses outside expertise. In one of its current presentational documents EMEA describes itself as a “decentralised networking agency”. This is elaborated in the following way. “EMEA is designed to coordinate existing scientific resources of the Member States. Rather than create a highly centralised “Food and Drug Administration” for Europe, EMEA acts as a pro-active interface between national competent authorities without dismantling their structures. The EMEA has created a strong and effective partnership between national competent authorities and the European Community institutions, reinforced by contracts for services.” This leads directly to consideration of strategic issues of corporate governance and EMEA’s relations with its organisational network.

Like any public organisation EMEA has to deal with its political environment as well as its task environment. Maintaining political support and securing resources depend on demonstrating relevance and competence. The Board is a key institution of corporate governance because it is where issues of operational and strategic management come together with concerns about supervision and public accountability (Metcalf 1998). The Board is in a position to shape Agency policy and define the interface between the Agency and its political environment. In a well-run organisation the Board has an important function in ensuring a close and continuing correspondence between the policies actually pursued and public expectations of what the organisation should be doing. This is a difficult balance to strike. Boards fail to be effective links between governance and management if they move into details and try to take over day-to-day management functions or, conversely, if they are too remote and out of touch to influence the actions of top management.

The following quotation from a publication of the Swedish Agency for Administrative Development (SAFAD) on EU Autonomous Agencies highlights one of the general concerns that arises when the governance of European Agencies is discussed. The report is subtitled “For a more efficient Union and enhanced national influence”,

“SAFAD considers that the (Swedish) Government’s scope for exerting influence and gaining an understanding of operations is enlarged by the establishment of autonomous EU agencies. Its influence increases most clearly with the board form of EU agencies, when all member states have an equal vote regardless of their size. Sweden’s and other member states’ insight into activities is also facilitated if these activities do not take place within the Commission and are, instead, clearly demarcated and identified, with their own budget and responsibility.” (Statskontoret 1997).

A conspiracy theorist could see this as an attempt to use Agencies as a means of reversing the process of integration and recovering lost national influence. The old zero-sum issue of supranationalism versus intergovernmentalism appears to lie behind it. Independence from the Commission is equated with increasing the influence of member states – disproportionately small Member States. It would be wrong to jump to hasty conclusions, but the fact that such issues are raised is symptomatic of unresolved questions of governance and management in relation to the design of Agencies and in particular the composition and role of Agency Boards.

The composition of the EMEA Management Board reflects somewhat different considerations from those that apply to the professional tasks of evaluating drugs. The main emphasis in the discussion of operational management was on ensuring the independence and professional integrity of those responsible for making assessments. Operationally, EMEA seeks to function as a professional organisation which mobilises an extensive professional network. With the Management Board representative principles apply. Most EMEA Board members are appointed as representatives of national governments. The Board of EMEA is composed of two representatives from each Member State (expected to cover the human and veterinary sides of the work) plus two from the Commission and one from the European Parliament, together with an independent Chairman and the Executive Director. The EMEA Board meets four times a year and is therefore in a position to follow the work of EMEA quite closely. This gives rise to a dilemma of leadership that is endemic to EU Agencies. On one hand, cooperation with national authorities at a working level is facilitated by their participation in the EMEA Board. Excluding them might jeopardise the development of reliable partnerships. On the other hand, the dominance of outside interests in the Board, some of which are competitive, may threaten the continuity and coherence of EMEA's policy.

The question arises whether giving such weight to representatives of the Member States in the Management Board compromises the independence and integrity of EMEA as a European Agency. There is no *a priori* answer. What happens in practice depends on how the duties and responsibilities of the Board are defined and how members interpret their roles and organisational loyalties. It also depends on how the Board functions, whether Board Members behave as a collection of individuals with little or no identification with EMEA, or as a group with a sense of collective identity and responsibility for corporate governance. These are not just matters of individual temperament and personal preference, there are institutional factors in operation. A Member State may be able to ensure that Board Members act as if they were delegates; following the instructions of their home governments. Conversely, they may be left free to act independently because their governments do not seek to exercise any specific control over them once they are appointed. Between these extremes there is a continuum of possibilities and there is no reason to suppose uniformity in the behaviour of Board Members or what their home governments expect of them. The question is an empirical one and such evidence as there is shows diversity. Some national governments are concerned to keep a close watch on what an agency does through their Board members, while others take a more relaxed attitude. A Board Member who is also to be a senior official of a national regulatory agency will have good reason to be wary of any initiative that might give EMEA a competitive advantage over national authorities

### ***Cooptation and Corporate Governance***

Approaching the underlying issues from the standpoint of organisational analysis the representative composition of the Board is an example of the use of “cooptation” as a

strategy for linking organisations. Cooptation is a process whereby either power or the burdens of power, or both, are shared. Cooptation is common in business, in the form of interlocking directorates and non-executive directorships, as well as in many governmental contexts. It is pervasive in the EU from the appointment of Commissioners downwards and in one way or another is a feature of all EU Agency Boards. Although the practice of coopting individuals into an organisation has a very long history, its systematic use as an organisational strategy was highlighted in Philip Selznick's classic study of the Tennessee Valley Authority "The TVA and Grass Roots" (1949).

Selznick's analysis has, justifiably, had a lasting influence. But EMEA raises issues that it does not really cover. Selznick saw the deliberate incorporation of outsiders from other organisations into the leadership of an organisation as an organisational response to organisational need; in particular the need for security in relation to potentially hostile organisations in its environment. He defined cooptation as "the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence". Selznick distinguished two types of cooptation, formal and informal. *Formal cooptation* is designed to influence the public image of an organisation while informal cooptation is intended to come to terms with the actual distribution of power in the organisational environment and does not require any public recognition. With formal cooptation, public responsibility for the exercise of authority is shared with outsiders but without actual redistribution of power itself. The strategic use of formal cooptation occurs when an organisation needs to establish its legitimacy in the eyes of the general public. The formal, public character of cooptation is essential to the end in view. With *informal cooptation* there is a shift in the internal distribution of power, in order to adjust to the realities of the external situation. The coopting organisation has to take account of other organisations in its environment. But once on the inside, individuals are able to exercise influence on operational decisions and the policy direction of the organisation.

When cooptation is used to aid adjustment to other organisations in the environment Selznick assumed that it would be covert and unacknowledged. For this reason he saw a conflict between formal and informal cooptation. If informal behind-the-scenes adjustment to specific outside interests became public knowledge the legitimacy of the organisation as a representative of common interests would be undermined. Bearing in mind what has been said above about the possible attitudes of Member States and particularly the difficult prehistory of the present regulatory system there was ample justification for employing defensive strategies in setting up EMEA. If an entirely new and separate organisation had been created without any involvement of the Member States it would probably have been perceived as a threat by national regulatory authorities and found it difficult to secure their cooperation. Coopting Board Members from the Member States probably helped to overcome some of the anxieties and fears they had. But what impact does it have on corporate identity?

### ***Cooptation: A Defensive or an Innovative Strategy?***

The use of a cooptation strategy in EMEA raises some questions that do not fit Selznick's analysis about the impact on policy management and the implications for organisation. It is hard to see a dichotomy between formal and informal cooptation. Formal and informal motives worked together rather than against each other. Virtually constituting the EMEA Management Board by cooptation is undoubtedly formal and was, presumably, motivated by a desire to establish the legitimacy of the organisation. But it was also motivated by a

need to adjust to the actual distribution of power within the regulatory system where national regulatory authorities had and have a very important position.

More important, cooptation has not just been used as a defensive strategy to ward off external threats. It has been employed in innovative ways to develop EMEA's own corporate identity *and* promote the integration of the whole system. Imaginative leadership has played a key part in enabling EMEA to develop in directions that are simply not considered in conventional accounts of agency behaviour. There is little doubt that with passive or reactive leadership an Agency like EMEA, in which outside interests have such an entrenched position on the Board, would find itself on the defensive. National rivals would seek to increase their influence and reduce the Agency's discretion and room for manoeuvre. In fact, the leadership of EMEA has turned the involvement of national representatives to advantage. Rather than being a liability it appears to be an asset. The French Executive Director, Fernand Sauer, a trained pharmacologist and lawyer with a successful track record in the Commission has found purposeful and constructive ways of using cooptation to improve not just the effectiveness of EMEA but the functioning and performance of the whole network.

There are several aspects to the innovative use of cooptation that deserve mention. One has already been mentioned; the access that links with the national regulatory authorities gives to the professional expertise EMEA needs to perform its evaluation task. Without being able to draw on outside expertise EMEA would have taken a long time to be operational and even longer to be credible. Second, cooptation has helped build a strategy based on "collaborative advantage". Whereas strategic management in a business context aims to build competitive advantage, in a governmental context it is collaborative advantage that matters. The core competences required for collaborative advantage give primary importance to building cooperative relationships and partnerships to ensure the effective coordination of a system. This does not preclude or eliminate competition. Indeed, as discussed earlier, EMEA is partly in competition for business with national regulatory authorities.

Third, participation in the governance of EMEA helps consolidate a professional identity among regulators at the European level. Representatives meet frequently with professional colleagues in a context where matters of common interest and shared problems are discussed that transcend national preoccupations. Whatever their different national loyalties they establish a professional peer group with its own values and norms. Fourth, the fact that the Board is based on coopting from regulatory authorities and brings representatives together frequently means that EMEA is becoming a major focus for considering major issues about the way that the regulatory system as a whole relates to other interested parties; the pharmaceuticals industry, the health professionals who administer drugs, the health authorities who often end up paying for them and the patients who ultimately receive them.

EMEA could not do this on its own but its strategic position in the regulatory network has enabled it to design and develop a close relationships with its professional peer group and also improve coordination with the clients on both the input and output side of the evaluation process. Appropriately enough it has become a force for integration.

Finally, this entrepreneurial approach to the development of its role involves building up a wide range of working relationship within the EU and beyond. In the context of EU enlargement, candidate countries have to be brought into the EU's regulatory network. In the context of globalisation EMEA advises and assists the Commission in developing

external relationships with non EU countries. Thus rather than being a separate independent executive organisation performing defined operational tasks EMEA has a strategic position in developing and integrating the regulatory system.

## **REFORMING THE EUROPEAN COMMISSION**

EMEA is only one part of a larger picture of European Public Management reform. There is now a move to introduce management reforms into the European Commission. The European Union has a much more impressive record of acquiring new policy responsibilities than of managing them effectively. The whole system is geared to seeking new tasks and taking on new responsibilities without systematic assessment of the workloads they will generate in either policy formulation or policy implementation. Criticisms, some justified and some misplaced, have long been levelled at the excessive bureaucracy and ineffectiveness of the system, especially the Commission. But what has been a chronic problem of poor performance now threatens to become an acute crisis of effectiveness. The EU is ill-equipped to cope with a whole range of new policy commitments plus the accession of central and east European countries. The combined effect of deepening and widening integration is to create a significant, and probably growing, gap between the EU's legal competences and its management capacities. In short, the EU has a "management deficit" that is at least as important as the much more familiar democratic deficit.

It is increasingly risky to make the assumption that the Commission in combination with national administrations has all the capacities needed to implement European policies. The accession of Austria, Finland and Sweden with their professional and well-resourced administrations has raised average standards. But the next enlargement will have the opposite effect. The accession of central and east European countries not only requires a considerable investment in building their own capacities for managing European policies, but also puts considerable strains on the cohesion of the system as a whole. Moreover, no-one; not the Commission, not the Member States; is really responsible for dealing with the management deficit.

Although precipitated by other factors, the resignation of the Santer Commission in March this year brought these concerns about management and institutional reform to the forefront of public debate. The confrontation between the Commission and the European Parliament and the defensive responses to mounting criticism of its integrity and performance were symptomatic of an organisation fighting to preserve an eroding status quo. The current crisis has brought to a head long-standing concerns about the ability of the Commission to adapt. Originally created to serve a homogeneous Community of six Member States, the Commission is ill-designed to serve a much more disparate European Union of twenty or more Member States in the future.

There is widespread frustration inside, as well as outside, the Commission about the failure to improve its *efficiency*. On top of that, and in the long run more important, reform is needed to gear the Commission up to meet some particularly severe challenges. As the EU takes on new tasks and comes to terms with the full implications of the forthcoming enlargement questions of *effectiveness* will loom increasingly large. If the need for reform is clear, there is no agreement on the form it should take or a guarantee that it will actually take place. The Commission has survived several previous attempts to reform it. The commitment of Romano Prodi, the incoming President, is a necessary but

not a sufficient condition for reform. A reform strategy is also needed, as well as an institutional mechanism for leading and managing the reform process.

With reform so high on the agenda it is important to have some proposals that address what are emerging as key issues concerning the performance of the EU as a whole. This requires an interorganisational perspective rather than the rather myopic organisational perspective on internal management that seems prevalent. The main issue is how to equip the Commission to play an effective role in managing integration rather than just how to upgrade the managerial efficiency of the Commission itself. To set the scene and establish some reference points the following section summarises what is more or less the orthodox view of reform issues and proposals as they apply to the Commission.

### *The Established Reform Agenda*

Many of the items on the current agenda for reforming the Commission are familiar from previous, unsuccessful, attempts to instigate change. They set the terms of debate with a focus on organisational efficiency. They include:

- the functions of the Commission and the priorities among them;
- the independence of Commissioners and their roles within the organisation and outside it;
- the internal organisation and decision-making processes of the College of Commissioners, including the powers of the President and the continued appropriateness of collegial decision-making;
- the accountability of the Commission as a body and of individual Commissioners;
- the structure of the Commission services, in particular the number of DGs, the division of responsibilities between them and the means of ensuring better coordination among them;
- the role of Commissioners' cabinets in policy development, coordination and management;
- the scope for "unbundling" existing responsibilities and decentralising their performance to, for example, independent regulatory authorities or European Agencies;
- improved management of personnel, finance and policy responsibilities within DGs and greater flexibility across the Commission as a whole, taking advantage of opportunities for greater delegation of management responsibility and less reliance on detailed hierarchical supervision as a means central control;

A plausible reform package could be constructed based on various combinations or permutations of proposals selected from this list. But this would fall well short of what is needed. To a large extent current proposals are framed by the terms of debate established in the Spierenburg Report of twenty years ago. The established agenda does not provide an adequate basis for formulating a reform strategy that will assure the effectiveness of the EU in the longer term because it is based on too restricted a diagnosis. Too little has been done to encompass new issues that have arisen as a consequence of the advances European integration has made in the last twenty years and the dramatic transformation of the political environment since the end of the Cold War.

### *Strategy, Structure, Systems*

Rather than begin from the deficiencies of the Commission it is useful to reframe the problem by viewing European integration from a management perspective. The standard logic of management thinking follows a well-established sequence; **strategy, structure and systems**. The established approach to reforming the Commission does not follow this logic. It concentrates on structures and systems and gives scant consideration to the strategic analysis that should guide the design of structures and the choice of supporting management systems. Consequently reform proposals often lack a clear sense of direction. The strategy issue has been avoided because it is has been politically too hot to handle. There are deep divisions among the Member States about substantive strategic questions such as how far and how fast integration should proceed in particular directions. To ask what should be the future role of the Commission reopens political divisions about the whole process of European integration. There are strong political pressures to confine discussion to structural and procedural matters and to exclude strategic issues altogether.

This may be self-defeating. In the absence of a well-thought-out strategy for reform, the Commission will be pressed to adopt management reforms similar to those that have been introduced in the Member States. This type of imitation would be misguided. Most national reforms have not been so concerned with what are key problems of European public management – the design of new interorganisational networks together with the development of the capacities to make them function effectively. Nor have they been concerned with problems of extremely large-scale reorganisation such as those that have to be overcome as part of the reform of the CAP or the Structural Funds or, for that matter, Monetary Union.

This offers a way forward on the strategic front. Switching attention from substantive questions about the pace and direction of integration to questions about capacities avoid intergovernmental conflicts and contribute to the effectiveness of the integration process. Designing such a reform strategy must take account of the way the EU is evolving into a more complex and diverse multilevel governance system than was foreseen originally, or even, it must be said, was imaginable a little more than a decade ago. Dealing with the management deficit requires the formulation of an interorganisational capacity building strategy based on a diagnosis of the needs of the system as a whole and not just the inner workings of the Commission.

### *Broadening the Reform Agenda*

The effectiveness of integration depends on coming to terms new problems of very large-scale interorganisational management that are different in kind from those that existing institutions were designed to deal with. European integration now needs a Commission with the expertise and legitimacy to manage the construction of new frameworks of European governance; new policy management regimes; that work reliably across all Member States.

Recognising that there is a management deficit does not mean is that the Commission alone should be expected to fill the substantial and widening gap between EU policy commitments and the management capacities available to deal with them. It is impossible for the Commission to attempt to deal with the EU's management deficit itself. Despite the image of a huge, predatory and ever expanding Brussels bureaucracy the Commission



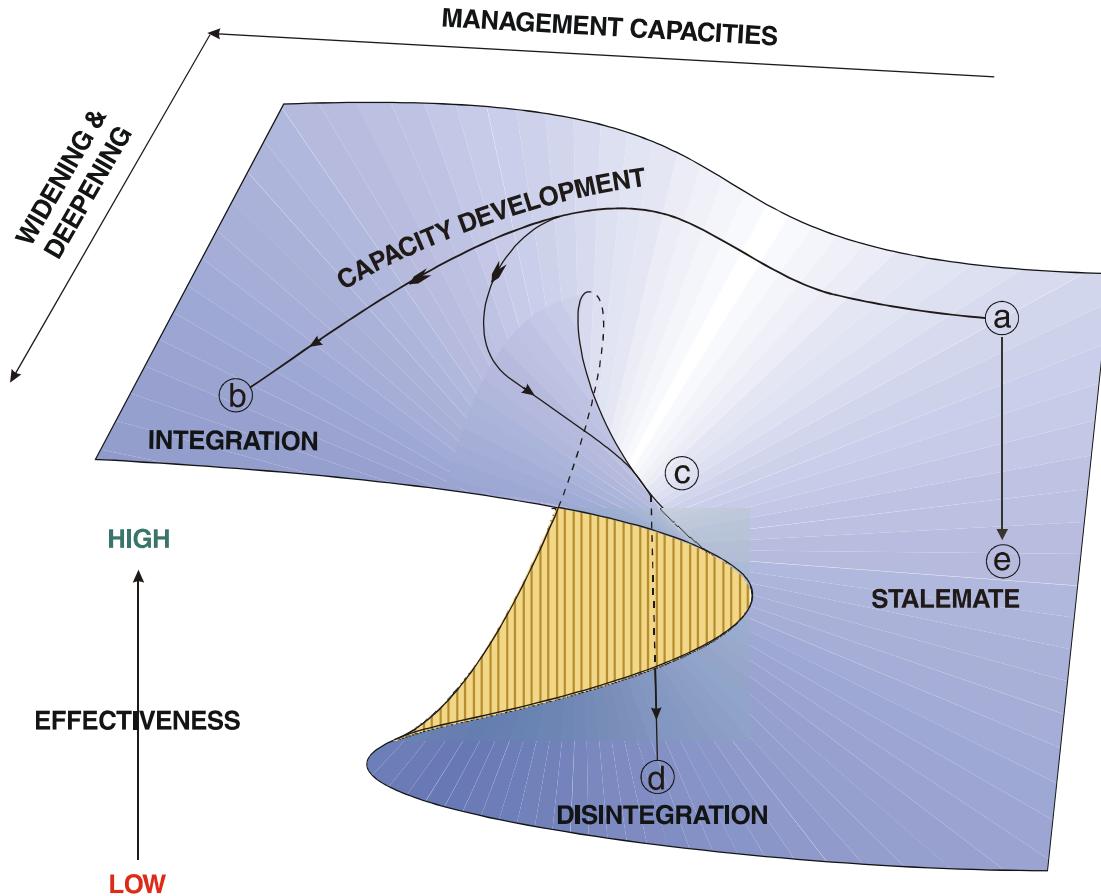
is far too small an organisation to take on more than a tiny fraction of the whole range of management responsibilities that have to be performed. Furthermore, the Commission is not the appropriate organisation to take on the operational management tasks of policy implementation. In the implementation of policies the Commission is obliged to work with and through the administrations of the Member States.

There is a delicate problem here. The Commission is a participant in policy networks in one or more of its traditional roles; as policy initiator, guardian of the Treaties, resource allocator, regulator, etc. To avoid role conflicts it will be necessary to distinguish clearly when it is acting as an agent of change in designing and developing new networks and governance structures rather than participating within them. To play a *capacity-building role* systematically and effectively the Commission must be reinvented as the organisation that instigates action to deal with the management deficit.

### ***The Capacity-Building Role: The Commission as a Network Organisation***

Whatever the specific objective of European policy in fields as diverse as agriculture, environment, the structural funds, technology and competition the common denominator is that all require the collaboration of extensive networks of organisations across the Member States. A well-understood organisational division of labour with good working relationships is fundamental. Such organisational networks do not spring into existence spontaneously, as the previous cases have shown. The architecture of supranational governance systems operating through intergovernmental networks needs careful design and deliberate development if it is to prove robust. The composition and distribution of organisational capacities for managing European policies and the means of ensuring coordination among the organisations involved make crucial contributions to the performance of integrated regimes. Looked at in this way, European integration is the management of change on a grand scale. The next phase of European integration will require a sharp increase in management capacities to ensure the effective performance as a whole. In each of the three pillars increasing interdependence will require the development of policy management networks that are capable of operating effectively across all the Member States. If, for the sake of argument Latvia, Poland and Bulgaria are frontier states there must be confidence that they have the capacities to operate reliable border controls and cross-border policing in areas of customs, immigration and drug trafficking. In the Internal Market, the new approach to technical harmonisation based on mutual recognition assumes that there are the capacities to monitor and apply the same standards throughout. In the second pillar there is more to ensuring a consistent approach than appointing a CFSP figurehead.

What, if anything, should be the role of the Commission in dealing with these systemic problems? Clearly, it cannot pursue a centralising strategy and attempt to consolidate its own position as a central executive authority. Instead it can should develop a new role as a network organisation (Metcalf, 1992, 1996) taking responsibility for consolidating organisational networks into reliable and effective policy regimes. At present it is not equipped to do so and some of the requirements of the role seem likely to go against the grain of a hierarchically oriented culture. Management of change in an interorganisational context cannot rely on unilateral control. The process of designing and developing networks requires the active participation of the Member States rather than mere passive



acquiescence. But it will not make much headway without the leadership and involvement of the Commission as a network organisation concerned with ensuring that policy networks have the capacities needed to function effectively. The accompanying diagram, provides a way of visualising the relationships between the determinants of effective performance in the context of deepening and widening integration. Management capacities, policy tasks and standards of effectiveness are plotted on different axes. Three trajectories are identified to illustrate three distinct and plausible responses to a situation where there is a management deficit and effective integration requires substantial capacity-building. Commitments to deepening and widening integration call for significant capacity building efforts to achieve a higher level of effectiveness.

First, what may be termed the “stalemate” trajectory *a-e* shows that higher performance standards are simply not possible if there is no capacity-building process. It is impossible to achieve a higher level of effectiveness. Commitments to further integration is mere tokenism and wishful thinking. The “integration” trajectory *a-b* represents a deliberate and sustained process of capacity building to reduce the management deficit and achieve a dynamic balance between the development of capacities and the phased acceptance of

new commitments to deepening and widening. Matching management capacities to the increasing demands of European policies involves the design and development of organisational networks that can function as governance structures and policy regimes rather than merely the attribution of legal competence to the Commission or other European institutions.

The “disintegration” trajectory *a-c-d* is the most worrying because it is too close to real life situations for comfort. It represents a risky combination of political acceptance of ambitious integration objectives and half-hearted capacity-building efforts. New initiatives, accession processes and major policy reforms all involve political commitments that need to be backed up by substantial investments in management capacities. The EU is currently involved in all of them. Has provision been made to match new commitments with adequate capacities? The danger is that false expectations are raised and when difficulties are encountered there is insufficient capacity to deal with them. At best this will produce a political backlash. At worst it may precipitate a serious breakdown. The disintegration of the beef regime stemming from the BSE crisis is the most dramatic recent example of such a collapse in recent years. In the accession process, countries concerned to keep up with others may be tempted to claim that they are further up the capacity-building hill than they actually are.

## **Conclusions**

In different ways these three examples illustrate the difficulties and the importance of designing interorganisational networks in public management. None of the systems in question can function effectively without well-developed and well-managed networks of relationships among the constituent organisations. But more too often the pattern of relationships and the development of the management capacities needed to make the system function effectively are left to chance. There is something to learn from each of situations about what can be done by deliberate design efforts. But, most important of all the Commission is in a remarkable situation to learn from the wide range of experience of current reforms in European Public Management, if it can reinvent itself to do so.

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