Analyzing Government Governance at different levels:

Developing a normative and analytical framework based on principles, processes, instruments and cycles.

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ABSTRACT

Good governance in the public sector is a rising point of interest for managers, directors, boards and ministers. To achieve optimal governance, reference is often made to the corporate governance in the private sector. However, the transfer or translation of those corporate governance principles and instruments to a public sector with a different structure and different goals, is not straightforward. In this paper, we propose an elaborated framework for ‘government governance’, adapted to the (Flemish) public sector, based on processes, principles, instruments and cycles. Our focus is on the meso-level, because that level is a specific feature of governance in the public sector, different from the private sector. At the end of this paper we discuss briefly the recently started PhD research project (March 2007) which studies some aspects of the governance government framework in the Flemish public sector.1

1. INTRODUCTION

Due to the public management reform, the delivery of public services among the world has changed noticeably over the last decades. Cornforth (2003) observes two related reforms, which are crucial in this trend. First the government creates an increasing number of devolved or (quasi-)autonomous government agencies in order to deliver public services. The second reform is the introduction of market mechanism into the provision of public services with ‘purchasers’ and ‘providers’ splits and the introduction of elements as competition, efficiency and effectiveness. This tendency towards a more private character of public sector management has an influence on the whole governance-system of the public sector. In the private sector good governance is symbolized by corporate governance codes, charters, regulations,…

However, OECD governments launch to an increasing extent initiatives in order to improve good governance in the public sector. A more regular term for good governance in the public sector is ‘government governance’. Rhodes (1999) mentioned that the use of ‘governance’ can have several meanings. The connotation signified in this paper, is ‘governance as corporate governance’ or shorter ‘Government Governance’. It deals with “the processes by which an organization is directed, controlled and held to account” (ANAO, 1999) and it focuses - analogous to corporate governance in the private sector - on principles of trustworthiness and predictability, openness and transparency, efficiency and effectiveness, and integrity. Although the private sector is often referred too as a source of inspiration, problems/challenges arise when it comes to transferring corporate governance principles to the public sector. What distinguishes the public management with management in the

1 The research linked to this paper is funded by the Flemish government as part of ‘Steunpunt Bestuurlijke Organisatie Vlaanderen (2007-2011)’
The private sector is the explicit acknowledgement of the responsibility for dealing with structural problems at the level of a total system (Metcalfe & Richards, 1987).

The aim of this paper is to provide an analytical framework of government governance. A framework that can serve as a base for the PhD research project, which aim is to develop a theory of government governance in the public sector on a meso-level. The first part of this paper starts with the description of the differences between corporate governance and government governance, and the risky task to translate corporate governance into government governance. OECD (2005) argues that the state should act as an owner. But how can we realize this? The meso-level will play an important role. In the second part of the paper, we build a framework for governance in the public sector, integrating levels of governance, principles, processes, instruments and 3 cycles. We summarize some international codes/charters for government governance and wonder if they could be an indicator for the Flemish case? In the last part, we look to the PhD research project (2007-2011) about government governance within the Flemish public sector. How shall we use the constructed framework? Which theories and methodologies will be used? And what will be the research questions?

2. CORPORATE GOVERNANCE VS GOVERNMENT GOVERNANCE

Corporate governance is a hot topic in the private sector. There is a growing consent and belief that “good governance adds value”. The importance of corporate governance has been highlighted in the private sector by the corporate excesses (a number of corporate scandals) (cf. Enron) and the sectors’ need to meet the challenges of global competition, technological progress and increasingly integrated financial markets. The definition of corporate governance is not univocal. A lot of interpretations have been given to this concept.

Corporate governance is a concept, which refers to the use the power in a proper way for the agreed purpose of the organization. It’s about structures and processes, how an organization is directed and controlled. Corporate governance deals with the processes by which organizations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organization (ANAO, 1999). OECD (2004) defined corporate governance as a set of relationships between an organization’s management; its board, its shareholder and other stakeholders. It also provides the structure through which the objectives of the organizations are defined, the means to reach those objectives and how performance is determined.

The descriptive and explanatory scholarly research about corporate governance within the private sector is mainly oriented towards the role of the governing board (e.g. LeBlanc and Gillies, 2004) and the policy relations in the tripod (management, board and stakeholders).
Other aspects, such as the link with the audit process (Cohen et al. 2002) or the issue of measuring quality of corporate governance in general (Van den Bergh et al. 2002), are also addressed in the literature. From a theoretical point of view, these studies are mainly situated within principal agent theory, or stakeholder theory (e.g. Heath and Norman 2004). To a limited extent, there is also literature available regarding the broader applicability or the usability of corporate governance frameworks (Jesover and Kirkpatrick 2005, Dawson 2004). Finally, part of the literature refers to the role of government in enhancing corporate governance (Coglianese et al. 2004) or the experiences of the public sector concerning learning from the private sector (Frey 2003; Heath and Norman 2004). In the private sector several initiatives have been taken to create a collective way of conduct towards corporate governance. In Belgium two corporate governance codes may be considered as examples of this formalisation process, ‘code Lippens’ and ‘code Buysse’. They are both named after the chairs of the commissions which created the codes. The ‘code Lippens’ offers a framework for good governance to listed companies (Commissie Corporate Governance, 2004; Commissie Corporate Governance voor niet-beursgenoteerde ondernemingen, 2005). The ‘code Buysse’ is meant to ensure good governance in non-listed companies.

The corporate governance research and theories, and the compliance of companies to corporate governance charters/codes is much stronger developed in the private sector. However, the public sector doesn't ignore the need of a good governance to achieve the goals on a correct and a more efficient manner. Analogous to the idea of corporate governance in the private sector, government governance has been defined by the Dutch government as ‘guaranteeing the mutual coherence of the way an organization is steered, controlled and monitored, focusing on an efficient and effective realization of the policy goals, as well as an open way of communication and accountability towards the stakeholders (Ministerie van Financiën, 2000a). Standards of government governance are ‘accountability, openness and transparency, efficiency and effectiveness, and integrity’. These values have to be reflected in and guaranteed by (1) organizational structures and processes, (2) reporting structures within the system and towards stakeholders, and (3) behavioural norms (e.g. for governing boards) (Hepworth, 2003). The issue of “good governance” is becoming a priority within the different public sector bodies. But the transfer from corporate governance to a government governance framework is not straightforward. These problems are related to the limitations regarding the applicability of private sector principles to the public sector, the complex (multi-layered) structure of the public sector and the complexity of implementation strategies.

First, there is the problem of general applicability of models and instruments originating from the private sector. Although quite often reference has been made to the experiences and evolutions regarding corporate governance in the private sector, there is little systematic knowledge regarding the appropriateness of these models and instruments in a public sector context. Moreover, there is only limited knowledge concerning similarities and differences between government governance in the public sector and corporate governance
in the private sector (cf. Policy Letter Governmental Issues 2006, Declaration of Intent of the Government Governance Taskforce). After all, the public sector has a number of specific particularities that can have an influence on the effects of these types of models and instruments. Important elements are for instance the particular way of functioning and the position of the governing board of an agency in a public sector context, taking into account its composition with e.g. representatives of interest groups and political parties (Van den Berghe 2006; Verhoest 2003). There are also a lot of different government bodies (e.g. governing board or not; different size; deconcentrated services or subsidiary organizations; commercial, regulatory or service oriented tasks; and a market or network oriented environment). These differences are calling for different governance arrangements. There are more parties involved in governing the public bodies, like parliament, ministers, external regulators, etc. Another fact is that public bodies are supposed to act for the public interest and not for their own good. They should therefore report to the parliament about their functioning. On top of that there is an ongoing discussion to what extent the customers of the bodies should be considered as shareholders of the organization. Ranson and Stewart (1994, derived and developed by Pollitt, 2003) define some specific features of public management, different from private management. Also, Rainey (1997, adapted by Pollitt, 2003) gives us an overview of the distinctive characteristics of public management. He distinguishes between three levels: environmental factors, organization/environment transactions, and organizational roles, structures and processes. In table 1, we summarize them all by giving an outline of the most important differences between the private sector and the public sector. Consequently, this will result in a different framework for corporate governance and government governance. The government governance framework shall have more attention to the multi-layered structure and different relations with each own influence. Although there are a lot of differences, we should also stress common variables for both public and private sector organizations. Many theorists have taken the view that the most important features of organizational life (for example the size of an organization or the degree to which it is specialized) are common variables for both public and private sector organizations (Rainey, 1997: 55-60). Beside the differences and similarities between private and public sector characteristics, we may also consider the existence of mixed forms with features of both (e.g. contracting-out of public services, public-private partnerships, market-type mechanisms for public sector). The impact of these hybrid types of organizations on a framework for government governance is complicated and will not be discussed in this paper.
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<tr>
<th>Private sector (Corporate governance)</th>
<th>Public sector (Government governance)</th>
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<tr>
<td><strong>Environmental factors</strong></td>
<td><strong>Environmental factors</strong></td>
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<td>- Market structure</td>
<td>- Political structure, status, power and influence (interesting groups, elected politicians)</td>
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<td>- Micro structure</td>
<td>- Micro-meso-macro structures</td>
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<td><strong>Organization/environment transactions</strong></td>
<td><strong>Organization/environment transactions</strong></td>
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<td>- Profit motive, performance indicators are clear</td>
<td>- Non-profit motive, public interest, performance is complex and sometimes conflicting</td>
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<td>- Products are not limited in production</td>
<td>- Services or public goods are limited in production</td>
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<td>- Competition with other organizations</td>
<td>- Public services are often monopolistic and/or coercive</td>
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<tr>
<td>- Expectation of costumers is clear (good product)</td>
<td>- Expectation of costumers as citizens, tax payers, voters is more complex (public scrutiny, public pressure, protest)</td>
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<td><strong>Organizational roles, structures and processes</strong></td>
<td><strong>Organizational roles, structures and processes</strong></td>
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<tr>
<td>- Fixed and clear objectives</td>
<td>- qualitative, and sometimes irrational objectives, symbolic influence</td>
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<tr>
<td>- Power and motivation of directors and board members, more autonomy</td>
<td>- Less decision-making autonomy, less authority over subordinates</td>
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<tr>
<td>- Tripod-structure: shareholder, management and board on micro-level</td>
<td>- More complex multi-layered relations and structure (micro-meso-macro)</td>
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<td>- Less influence of external groups in decision-making</td>
<td>- Influence of external groups in decision-making</td>
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<td>- Link between performance and rewards</td>
<td>- Weaker link between performance and rewards</td>
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<td>- Tendency to innovation</td>
<td>- Reluctance to innovation</td>
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<td>- Commercial values, costs vs benefits</td>
<td>- Public sector ethos, community-oriented</td>
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<td>- Formalisation of good governance by codes</td>
<td>- Regulation of governance by different bodies in codes, rules, laws,…</td>
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Secondly, there is the complexity of a multi-layered structure of the public sector with specific characteristics and finalities. The public sector at a specific governmental level (national, regional or local) is a house with several floors, where one can distinguish the following levels:

- **MACRO**: the level of the whole administrative system with the government in charge of it,
- **MESO**: the level of a policy sector (‘beleidsdomein’) with its constituent parts (department, departmental agencies, public law and private law agencies) headed by the minister and with a strategic policy committee in the case of Flanders (‘beleidsraad’),
- **MICRO**: the level of the single public sector organization/agency, headed by senior management and, in some cases, by a governing board.

This high degree of complexity is reflected only to a very limited extent in current corporate governance models. Therefore, a model of government governance has to be adapted to the needs and characteristics of each of these levels. Moreover, it is highly questionable whether the same models and instruments are usable for the different types of organizations (departments, departmental agencies, public law agencies and private law agencies). An additional element being a consequence of this layered structure of the Flemish public sector is the necessity of consolidation - across the different levels – of steering, monitoring and reporting. In the PhD research project we will focus on the MESO-level, because this is a typical level for public management, which lacks in the private sector models of corporate governance. It’s also a level that received much attention in the public management reforms as a strategic level between MICRO and MACRO actors.

Finally, there is the issue of the optimal implementation strategy for these models and instruments. In the private sector, ‘codes’ are the most widely used instrument. However, other instruments are possible as well, such as the insertion of general objectives in the management contract, regulation, agreements, financial incentives, ‘name and shame’ techniques, benchmarking… One challenge in the PhD research project is to study the relative effectiveness of different implementation strategies, as well as the critical success factors involved.

Following from the discussion above, it should be clear that fundamental differences arise in the governance of private sector and public sector entities. The political-administrative context, which focuses on checks and balances, which has value systems emphasising notions of ethics and codes of conduct, and which has complex multi-layered structures, implies quite different accents in government governance frameworks compared to those of a commercially-oriented private sector firm or corporation (Hicks, 2003).
3. ANALYTICAL FRAMEWORK OF GOVERNMENT GOVERNANCE

A simple duplication of corporate governance-rules from the private sector to enhance good governance in the public sector would be too restrictive and maybe even contra-productive. The tripod from the private sector, particularly: shareholders, management and board are not straightforwardly transferable to the public sector. The unique and complex structure of the (Flemish) public sector asks for a more multidimensional framework of government governance. In what follows we suggest a more elaborated framework of government governance (figure 2).

3.1 Processes in Government Governance

In 2000 the Dutch ministry of finances published a manual for government governance (Directie Accountancy Rijksoverheid, 2000). They defined governance as:

“guaranteeing the mutual coherence of the way an organization is steered, controlled and monitored, focusing on an efficient and effective realization of the policy goals, as well as an open way of communication and accountability towards the stakeholders.”

This definition refers strongly to the corporate governance definition stated by the Australian National Audit Office (ANAO, 1999): “corporate governance refers to the processes by which organizations are directed, controlled and held to account.” ANAO (2003: 6) mentioned that the public sector governance has a very broad coverage, including how an organisation is managed, its corporate and other structures, its policies and strategies and the way it deals with its various stakeholders. The concept encompasses the manner in which public sector organizations acquit their responsibilities of stewardship by being open, accountable and prudent in decision-making, in providing policy advice, and in managing and delivery programs. In the definition of the Dutch ministry of finances four processes of governance are distinguished; steering, controlling, monitoring/scrutiny and accountability. These are four essential mechanisms to get a good governance. However, the processes should not be seen as being separate from one another, but rather as being interdependent. Together the four processes should result in the realisation of the policy objectives.

3.1.1 Steering

The Dutch ministry of finances (Directie Accountancy Rijksoverheid, 2000) defines ‘steering’ as giving a strategic direction to policy objectives and to organisations. The concept of ‘steering’, as it is used here, does not entail the production of easily manageable operational plans, but rather the formulation of the organisational strategy. It’s a process with a long-term perspective, done by the directors. The directors are in a position of independency to
the day-to-day management, but are inherently a part of the organization. For that reason we can consider steering as an internal activity at the strategic level.

3.1.2 Controlling

In order to implement the formulated strategy, an organisation needs a control system. Controlling is an internal management activity, which must ensure the short term implementation of the strategy. It involves both the control of organization characteristics and personal functions. Controlling is sometimes formulated as a behaviouristic question: "how to ensure that people in an organization do the right things right?" (Bossert, 2007). We could define control also as an ex-nunc evaluation of the system. Risk management and internal control are crucial components of the process of controlling. Yet, this process may not been an aim in itself, and should not result in a bureaucratisation of the ongoing work process.

3.1.3 Monitoring, audit and scrutiny

For every stakeholder it’s important to check to what extent there is progress regarding the implementation of the postulated objectives and to what extent internal control processes are adequate. This process of monitoring, audit and scrutiny refers to an external ex post perspective (Ministerie van financiën, 2000b). For example, the Court of Audit is a body which scrutinises the different policy sectors on behalf of Parliament. Also internal audit bodies exist. Monitoring and audit can be done by higher superior bodies within the vertical chain of control, but also by other stakeholders, like interest groups, media and clients. In the latter case, monitoring is a horizontal process.

3.1.4 Accountability

The final element of the governance cycle is the process of ‘accounting’ for ones’ behaviour and actions (Mulgan 2003; Verschuere et al. 2006). This is a formal process done through reports and hearings. Accountability is a short-term process by order of external bodies, but also internal reporting can occur, for instance the executive management who justifies the results to the board. Moreover, accountability can just like monitoring occur in two directions, horizontally (towards minister, parliament and citizens) and vertically (towards stakeholders, such as interest groups and customers).

3.1.5 Four coherent processes

As previously quoted, the four processes should optimally be considered as interdependent, mutually consistent elements, which refer to one another. A constant interaction and coordination between processes is needed. The meso-level plays a major role in this. For example, the Dutch Court of Audit (2002) does not accept that horizontal forms of accountability and internal forms of audit and scrutiny should replace the vertical supervision by the minister, but however is an important supplementary process in order to
place the information, produced by the vertical supervision by the minister, in a broader perspective’.

3.2 Levels and cycles for government governance

3.2.1 Three policy levels

As already mentioned, the principles and the codes from the private sector referring to corporate governance, are not suitable for a blind transfer to the public sector. The public sector is characterised by a complex stratified structure with specific characteristics. The Flemish government is a house with several levels. After the decree ‘Beter Bestuurlijk Beleid’ (BBB), its organizational structure is subdivided in 13 homogeneous policy sectors with one-on-one-relationships. Each policy sector is therefore only headed by one minister (at least this is the intention). A policy sector entails a department, departmental agencies, public law and private law agencies, which are involved in different parts of the policy cycle (policy design, implementation and evaluation). The BBB reforms are meant to create more uniformity, transparency, efficiency and effectiveness (Commissie voor Institutionele en Bestuurlijke Hervormingen en Ambtenarenzaken, 2000). A number of principles of good governance are indicated. Within each policy sector Pelgrims et al. (2003) distinguished three levels (see figure 1):
- Political level
- Political-administrative level
- Administrative level

*Figure 1: Visualisation of the organizational structure of a homogeneous policy sector in the Flemish government (Pelgrims et al., 2003)*
The second level is an intermediate level, which provides for a dialogue between the two other levels. The strategic policy committee is represented by both political actors (minister, cabinet) and top civil servants. By this composition we may see the intermediate level as a strategic discussion forum (Pelgrims et al., 2003). Vertical coordination exists, by concerning the primacy of politics. However, the decree ‘Beter Bestuurlijk Beleid’ (BBB) has given a certain autonomy to the agencies. For that reason horizontal coordination is also an important issue with respect to the stakeholders.

3.2.2 Three analytical levels

To put good governance into practice, we need a more analytical scheme of levelling. Operationalisation of good governance is easier in organizational levels, which we can observe within the Flemish public sector, namely micro-meso-macro (see supra, p.7)

Models of Corporate governance in the private sector focus mainly on the effective functioning of the board (independence, remuneration, autonomy, selection...) and more broadly on relations within the tripod of board, management, shareholders. This micro-perspective is typical for the private sector and reflects the individual character of it. Also in the public sector this micro-perspective is crucial. Good governance at this micro-level would be about roles, structures and instruments to optimally steer, control, monitor and account for the behaviour of individuals within a department or agency, in order to achieve the organisational goals in an efficient, effective and transparent way. However, it's not sufficient to realise an overall good governance.

In comparison with the private sector, the public sector seems to have a higher degree of complexity, having several organisational levels. Power relations and interest groups manifest themselves in a different way in the public sector. Typical for the public sector is that single organisations (departments or agencies) are not atomic, self standing units, active on a competitive market, but they are interdependent units of a bigger administrative system. In a parliamentary state, that whole system of public administration is (at least) formally directed by the democratic will of a parliament, where elections help to set long term policy. The cabinet of ministers formulates more precise strategic policy goals and tries to implement them, by directing the administrative system. For each policy sector, ministers operationalise government policy by formulating sector-specific strategic goals, which should be implemented by the combined effort of the department, departmental and other agencies, as well as involved private partners, which are active in that policy sector. The objectives of a single public sector are optimally embedded in and strongly linked to higher ministerial and governmental policy goals. The implementation of the democratic needs at least three interdependent levels of governance (macro, meso and micro): Government governance at the macro level would focus on the good governance of the whole public sector, and the relationships between parliament, cabinet and its administrative apparatus. At the meso-level, focus is on government governance of a policy sector and more specific to what extent the governance systems, present in the policy sector, help the minister to
accomplish his strategic policy goals. The governance arrangements at the level of a single organisation is not as such important in its own right, but is indispensable as constituent element and as critical success factor for a good governance at the level of a policy sector or at the level of the whole government. Likewise, good governance at the level of a single public sector organisation with no clear links to objectives and governance arrangements at the level of the policy sector or at the level of the whole government will be suboptimal, if not to say ineffective.

For these reasons, a model of government governance should take into account, the interdependency, the needs and characteristics of each of the levels and the diversity within each of these levels. Within but also between the levels, processes should be active to ensure a good governance.

In Belgium and Flanders government governance is only discussed at the micro organisational level. However, at the international scene we see already a tendency to broaden the concept of government governance to processes at the meso- and even the macro-level (e.g. UK; New Zealand). For example, in the United Kingdom departments are encouraged to screen and optimize the governance arrangements at the level of policy sectors by the use of public service agreements and landscape reviews.

3.2.3 Three cycles of control and governance

Control within public policy and management occurs through more or less integrated cycles of ex ante planning and guidance, ex-nunc implementation and monitoring, and ex post evaluation and audit. We may discern three such cycles within government:

1. Policy cycle (i.e. policy objectives and target setting, monitoring and evaluation of governmental policy)
2. Contract and management cycle (i.e. organisational objectives and target setting, monitoring and audit of organisational performance)
3. Financial cycle (i.e. the cycle of budgeting, accounting and financial reporting and auditing).

The degree of coordination and integration within and between the three cycles is an important indicator for good governance in the public sector. A number of instruments can provide links between the three cycles in order to maximize the integration and harmonisation between the three cycles (Verhoest and Bouckaert, 2004; Verhoest and Legrain, 2005) and so for a good governance in the public sector.

The government program, the ministerial policy note and policy letter as well as the report on the policy effects are within the policy cycle the main instruments. Optimally, at the contract level the policy objectives, set by government and ministers, are translated in
organisational objectives in a performance contract with the individual agency. Also the business plan, interim reports, the annual report and the final report feature as instruments in the contract cycle and help to guarantee a sound planning, negotiation, follow up and evaluation at the level of the single agency. Also the financial cycle encompasses a number of instruments, such as the long-term budget and the annual budget. In an optimal setting, these instruments are budgetary translations of respectively the policy document and the policy letter. On the other hand, the reporting documents in the policy and contract cycle find their counterpart in the financial cycle by interim financial reports and the annual account at different levels. In a strongly stratified government the interconnection of the three cycles forms an enormous challenge to provide in the necessary openness, integrity and accountability towards a realisation of the policy objectives (Verhoest & Legrain, 2005).

3.3 Normative principles

Central in models of good governance in government are a number of main normative principles. Normative principles guide the processes and the structure of government governance. They help to ensure that the processes take place in an acceptable manner and reach their ultimate goal, the policy objectives. International sources are not univocal in pinpointing the main government governance principles. Mostly, the literature tends to focus on the corporate governance principles in the private sector. Because some principles frequently cover a large pallet of values, which are frequently insufficiently distinguished, we make in this paper a breakdown by main and sub principles.

3.3.1 Core principles

The review of different international sources (Independent Commission for Good Governance in Public Services, 2004; HM Treasury, 2005a; ANAO, 2003; Edwards & Clough, 2005; HKICPA, 2004), pointed at the following normative principles, which figure most prominently within the discussion about government governance.

- **Accountability** means that the organization or specific individuals (members of the board, the CEO of an agency, a minister...) within the organization are responsible for their actions with respect to stakeholders (internally and externally). Accountability must be transparent: It has to be clear which persons carry which responsibilities. On the other side accountability refers also to the availability of reliable information. Accountability is a wide concept, but essential as principle within government governance (see Mulgan 2003; Verschuere et al. 2006).

- According to literature, **transparency** or openness is an essential requirement in the context of government governance. By pursuing a transparent policy, the management or board can win trustworthiness with the stakeholders. Transparency can be realised by a reliable communication policy and reporting. Clarity about the
expectations, the tasks, the objectives,… within each process of the policy (steering, controlling, monitoring, justifying) is crucial in that regard.

- **Efficiency** is another often-mentioned principle within government governance. Efficiency is about maximising results while minimizing resources used. So, it refers to an economic principle which can prove difficult to reconcile with the public interest (see infra: stewardship). Several scholars have pointed at trade-offs between different dimensions of performance in the public sector (like efficiency and quality of services) (see e.g. Pollitt and Bouckaert 2004). Efficiency requires integrity with respect to both the organization objectives and the resources used.

- **Effectiveness** is the degree in which the goal is achieved and to what extent the actions of the organisation have contributed to this achievement. To realize an effective policy, qualitative resources are required, such as a competent staff, which adopts an incorruptible way of handling with respect to the organization. Private goals should be prevented to overrule the formal policy goals.

- **Ethical conduct** refers to behavioural standards which aim to avoid corruption and fraud. Especially, in the public sector where public interest should prevail over individual interests, ethical conduct is perceived to be crucial. Government governance models emphasize that the individuals in the senior functions within the system should dispose of sufficient qualities and should present a certain professionalism. Those in the leading positions should adopt an impeccable and exemplary behaviour, to enhance ethical conduct also on the lower levels. Accordingly, the leading positions are expected to act incorruptibly, honestly, objectively and in a transparent way with regard to the public interest.

3.3.2 Supporting principles

Beside the five core principles, literature points also some supporting principles. We can see them as being derived from the core principles giving the content of government governance a greater specification and mostly refer to normative criteria which are typical for public sector settings. These sub principles are:

- **Legitimacy** or compliance refers to following the regulations. Good governance principles make up an informal normative framework of ‘how it should be, in order to be good’. It’s assumed that one follows the principles, but generally principles are not enforceable legally. Yet, they are subject to social control (Arjoon, 2006). By linking (quasi)-legal instruments to the principles, principles can become legally enforceable (e.g. a regular code or charter).

- **Legal security** guarantees that processes follow fixed procedures and standards. This is a useful principle for all processes
- **Equality before the law.** For example when scrutinizing other actors, the auditors must apply this principle to prevent individual or political interests get priority on his objectivity and independence.

- **Integrity** is related to the principles of objectivity, honesty and devotion. In a certain way it has also a connection with stewardship or serving the public interest. Entrepreneurs within the public sector, who do not handle in a truthful way, may become alleged of subjectivity. Moreover, according to the corporate governance rules the independence of directors is a requirement in delivering good governance (Commissie corporate governance, 2004). Integrity is a component of the core principles ‘ethical conduct’ and ‘accountability’.

- **Stewardship** or serving the public interest is another typical principle mentioned in government governance models. It’s absent in corporate governance models in the private sector. Employees in the public sector are like ‘stewards of the public interest’ and have for that reason access to a lot of power and resources. Handle those resources and power in an acceptable way, is only possible by acquiring a truthful, reliable, efficient, effective and transparent conduct.

- **Leadership** is also an essential principle of government governance to provide in implementation, evaluation and improvement of the strategies. Leaders should promote and support the principles by leadership and example.

### 3.4 Instruments

A government governance model encompasses not only abstract theoretical principles and processes. Models refer to specific instruments, like internal control and audit systems, in order to make the principles and the processes operational. At a general level, instruments for good governance can be clustered in four groups (see table 2): individual standards of behaviour; organisational structures and processes; instruments for risk management and control; and for accountability, reporting and disclosure (CPA 2004, adapted from IFAC 2001). When applied to the public sector, the four clusters of instruments would encompass more instruments, compared to those presented in table 2.
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<td>Leading by example</td>
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<td>Integrity, honesty and objectivity</td>
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<td>Openness and accountability</td>
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<td>Selflessness and dealing with conflicts of interest</td>
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<td>Risk Management and Control</td>
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<td>Accountability, Reporting and Disclosure</td>
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- Regulatory accountability
- Accountability for public monies
- Communication with stakeholders
- Roles and responsibilities
  - Governing board
  - Chairman
  - Non-executive members
  - Executive management
  - Human resources and remuneration policies
  - Staff training
- Internal control
- Risk management
- Internal audit
- Audit committee
- External audit
- Budgeting and financial management
- Internal reporting
- External reporting
- Use of appropriate accounting policies and standards
- Performance measures

Government governance models mostly encompass a multitude of instruments, which leads to four issues:

First, most of the time instruments are very specific and apply only to a certain level, a certain process or a certain period of time. For example, an annual report is written by an agency (micro level), reports the activities of the last year and can be considered as an instrument for accountability. It’s impossible to develop one sole instrument that enhances the complete pallet of government governance principles within each level. To enhance the different principles at different levels in different processes, and so reach a sound governance system, a coherent set of different mutually reinforcing instruments and codes have to be developed.

Second, instruments are means and should not be seen as ends in themselves. However, some scholars warn for re-bureaucratisation or red-tape burdens by an inflation of regulation, meant to enforce good governance (Hood et al. 1999).

Third, not all the principles of good governance are easy to apply through formal instruments. Some principles are by their formal character easy to define and so can be formalized into rules, codes or charters. For instance, the way of reporting, the responsibilities of the directors, the way of monitoring, the way of communication within the organization may be described in regulations and are checkable with regards to compliance. These aspects would refer to the ‘hard attributes of governance’ (Edwards & Clough 2005), which are necessary for a good governance, but not sufficient. Edwards & Clough (2005)
argue that ‘soft attributes of governance’ also matter. These soft attributes refer to less formal and less measurable principles of governance, like relations between board and management, incorrupt and truthful behaviour of the directors, stewardship in their actions,… These principles are difficult to measure (in a quantitative way) and must therefore been perceived as a value instead of a rule. Government governance can only be accomplished if there is both attention for objective measurable principles of governance and for less measurable, subjective values of governance. For this reason a combination is necessary of both quantitative and qualitative techniques to evaluate a policy, which expose proactively the lacks or successes of the policy.

Four, all four different clusters of instruments, presented in table 2, can be used at all three governance levels (micro, meso, macro) within the public sector. Table 3 gives some examples of instruments related to control, audit and accountability at the three governance levels. The examples are inspired by existing practices in the Flemish or foreign public administration.

Table 3: Examples of government governance instruments at the macro, meso and micro-level

<table>
<thead>
<tr>
<th>MICRO</th>
<th>Meso</th>
<th>MACRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of individual public organizations and agencies</td>
<td>Policy sector level</td>
<td>Level of government and parliament</td>
</tr>
<tr>
<td><strong>Roles and responsibilities</strong></td>
<td><strong>Steering, internal control and reporting</strong></td>
<td><strong>Internal audit</strong></td>
</tr>
<tr>
<td>Head of agency</td>
<td>Head of agency</td>
<td>Head of agency</td>
</tr>
<tr>
<td>Governing Board</td>
<td>Governing Board</td>
<td>Governing Board</td>
</tr>
<tr>
<td>Minister</td>
<td>Minister</td>
<td>Minister</td>
</tr>
<tr>
<td><strong>Steering, internal control and reporting</strong></td>
<td>• Management contract and annual business plans</td>
<td>• Internal audit and risk management</td>
</tr>
<tr>
<td></td>
<td>• Organization specific budget and accounts</td>
<td>• Audit Office of the Flemish Government</td>
</tr>
<tr>
<td></td>
<td>• Management reporting</td>
<td>• Landscape review (UK)</td>
</tr>
<tr>
<td></td>
<td>• Specific internal control systems (like quality management systems)</td>
<td>• Risk analysis and management for policy sector (UK)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Policy effects monitoring and evaluation by department</td>
</tr>
<tr>
<td></td>
<td>• 5-Year Policy note and yearly policy letter of minister</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Outcome based control schemes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consolidated budget and accounts at the level of the policy sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Report on policy effects in specific sectors to government</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internal audit</strong></td>
<td>• Audit Office of the Flemish Government</td>
<td>• Inspection and scrutiny by sector specific regulators</td>
</tr>
<tr>
<td></td>
<td>• ‘Commissionnaire de Gouvernement’</td>
<td>• Policy sector oriented audits by Court of Audit</td>
</tr>
<tr>
<td></td>
<td>• Reviser in case of public law agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• ‘Organization-specific audits by Court of Audit’</td>
<td>• Audits and comparative country studies by OECD and other international bodies</td>
</tr>
</tbody>
</table>

Auditor’s office
3.5 A normative and analytical framework for government governance

Figure 2 visualized an integrative framework of government governance. It’s based on the described levels, processes and principles and is completed with existing instruments from the Flemish public sector (marked in red). This framework will be used in future research at the Public Management Institute.

Figure 2: Framework of Government Governance
3.6 Formalisation of government governance into codes/charters

For a formal validation of the different principles in standards, codes or charters are a possible vehicle. In the private sector one code seems to be enough to cover the cargo (e.g. ‘code Lippens’ for listed companies and ‘code Buysse’ for non-listed companies) (Commissie Corporate Governance, 2004; Commissie Corporate Governance voor niet-beursgenoteerde ondernemingen, 2005). It is questionable to what extent it is possible and advisable to develop one government governance code for a huge and complex body as the public sector. The overview of existing codes, discussed below, shows that no correct code encompasses all aspects which we defined in the integrative framework. In our opinion, the huge diversity of bodies in the public sector prevents this. Hence, the development of a variety of government governance codes, tailor-made for different organisational types, seems recommendable. Secondly, we can also raise the question to what extent it’s possible to enforce a legal code in an environment where informal power structures still play a major role. A collectively shared identity, based on informal standards of government governance is perhaps more effective, then enforcing formal rules or laws.

Belgium codes or charters to achieve a government governance in the public sector are absent at this moment. However, the debate has been started by several academic institutions (the Belgian Governance Institute, as well as the Public Management Institute) and also by a specific taskforce within the Flemish government itself. Internationally, however, several government codes have been developed recently. In table 4, we compare a number of important codes to our composed framework (figure 2). By doing this we can analyse the focus as well as the gaps of the several codes and our proposed framework. In annex A, you’ll find a more detailed description of the different codes.
Table 4: Comparison of different international government governance codes with the proposed framework (see fig 2)

<table>
<thead>
<tr>
<th></th>
<th>Level</th>
<th>Principles</th>
<th>Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>MICRO</td>
<td>CIPFA (1995) [&lt;br&gt;Organisational structures and processes&lt;br&gt;Financial reporting and controls&lt;br&gt;Standards of directors’ behaviour]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td>2.</td>
<td>MICRO (local)</td>
<td>Audit Commission (2003) [&lt;br&gt;Accountability&lt;br&gt;Leadership&lt;br&gt;Openness &amp; honesty&lt;br&gt;Trust]</td>
<td>Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td>3.</td>
<td>MICRO</td>
<td>Independent Commission for Good Governance (2004) [&lt;br&gt;Accountability&lt;br&gt;Effectiveness&lt;br&gt;Efficiency&lt;br&gt;Openness, honesty&lt;br&gt;Integrity, objectivity&lt;br&gt;Selflessness&lt;br&gt;Leadership]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td>4.</td>
<td>MICRO</td>
<td>Barker (2004) [&lt;br&gt;Effectiveness&lt;br&gt;Efficiency&lt;br&gt;Leadership&lt;br&gt;Openness&lt;br&gt;Integrity&lt;br&gt;Accountability]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability</td>
</tr>
<tr>
<td>5.</td>
<td>MICRO</td>
<td>HM Treasury (2005a) [&lt;br&gt;Accountability&lt;br&gt;Stewardship&lt;br&gt;Leadership&lt;br&gt;Effectiveness&lt;br&gt;Efficiency&lt;br&gt;Integrity, objectivity&lt;br&gt;Openness, transparency]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>MICRO</td>
<td>Ministry of the premier and cabinet (1999) [&lt;br&gt;Accountability&lt;br&gt;Integrity&lt;br&gt;Effectiveness&lt;br&gt;Efficiency&lt;br&gt;Openness, transparency]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td>2.</td>
<td>MICRO (MESO) (MACRO)</td>
<td>ANAO (2003) [&lt;br&gt;Accountability&lt;br&gt;Transparency/Openness&lt;br&gt;Integrity&lt;br&gt;Stewardship&lt;br&gt;Leadership&lt;br&gt;Efficiency]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability&lt;br&gt;Monitoring, audit, scrutiny</td>
</tr>
<tr>
<td>3.</td>
<td>MICRO</td>
<td>CPA Australia (2005) [&lt;br&gt;Accountability&lt;br&gt;Openness&lt;br&gt;Integrity]</td>
<td>Steering&lt;br&gt;Controlling&lt;br&gt;Accountability</td>
</tr>
<tr>
<td>Country</td>
<td>Code Authors</td>
<td>Level</td>
<td>Values</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------------</td>
<td>--------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>HKICPA (2004)</td>
<td>MICRO</td>
<td>Selflessness, Integrity, objectivity, Accountability, Openness, honesty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MESO</td>
<td>Efficiency, Effectiveness, Integrity, Openness, Legitimacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MACRO</td>
<td>Accountability, Leadership, Integrity, Legitimacy, Efficiency, Effectiveness, Openness, Stewardship</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MESO</td>
<td>Efficiency, Effectiveness, Integrity, Openness, Legitimacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MACRO</td>
<td>Accountability, Leadership, Integrity, Legitimacy, Efficiency, Effectiveness, Openness, Stewardship</td>
</tr>
<tr>
<td>Denmark</td>
<td>Forum for Top Executive Management (2005)</td>
<td>MICRO</td>
<td>Accountability, Leadership, Integrity, Legitimacy, Efficiency, Effectiveness, Openness, Stewardship</td>
</tr>
<tr>
<td>OECD (2005)</td>
<td></td>
<td>MICRO</td>
<td>Accountability, Transparency, Effectiveness, Equitability, Integrity</td>
</tr>
<tr>
<td>IFAC (2001)</td>
<td></td>
<td>MICRO</td>
<td>Accountability, Leadership, Integrity, objectivity, honesty, Transparency, Selflessness</td>
</tr>
</tbody>
</table>

It’s obvious that most of the codes focus purely on governance issues at the micro-level, as they are inspired by private corporate governance codes. If we consider the target groups of the codes, we see another strong similarity with private sector corporate governance. The focus is almost always on one of the actors in the tripod (CEO-manager, board, shareholder). As mentioned before, we emphasise strongly the need to acknowledge the interdependency of governance arrangements at the different levels and the relations within and between the levels. Another remark is that most codes cover all the processes, principles presented in the framework we have developed in this paper. But the three cycles (financial, contract and policy) aren’t always mentioned. As said before, this should not come as a surprise, because it seems an impossible task to grasp the whole framework of government governance in one code. Some countries as the UK take an initiative to specific governance codes for specific types of public sector organisations, for example a code for central government departments. OECD (2005) and IFAC (2001) have done an effort to set up an internationally applicable government governance code. Although both codes have their merits, they are limited in the way they tackle government governance at the different level (e.g. a view from meso-level). Considering the complexity and the need for diversity for
governance arrangements within one specific government, constructing internationally shared codes, which transcend the mere statement of general principles, seems to be an almost impossible task.

4. PhD RESEARCH PROJECT

4.1 Objectives, research questions and methodology

Within the Flemish public sector, good governance is an important political priority (Bourgeois, Policy Letter ‘Governmental issues’ 2006). Several academic institutions took the initiative to answer that question of the government and set up a research programme about government governance in the Belgian/Flemish public sector (e.g. Public Management Institute and Belgian Governance Institute). Partly due to the ‘Beter bestuursbeleid’ reform initiative with the large scale agencification of policy implementation tasks, there is a huge interest for processes and structures of steering, monitoring and accountability (e.g. coupling of policy, management, contract and financial cycle). The broader research project to which the Ph.D. project is linked wants to support the Flemish government in analysing the current governance framework and in developing a more integrative government governance framework. In this process, we will pay particular attention to governance at the meso-level. In our framework, the meso-level is an essential level in the governance-process of a public sector. We consider that meso-level to be a mediator for several power structures, as a go-between for problems about autonomy, delegation and trust, as a negotiator in the whole process to achieve a good governance in the public sector.

The policy oriented research questions leading the whole study are:

- **Which models and instruments of government governance are currently present and used at the different levels within the Flemish administration? What actors and resources are involved (descriptive)?**

- **What are the experiences with these instruments; to what extent are they considered to be effective (evaluative)?**

- **How can the current instruments be optimally integrated in the government governance framework that has to be developed? What other instruments are lacking? What should be the guidelines for the micro-, meso- and macro-level to achieve a government governance? Through which instruments and governance structures can the Flemish government guarantee that each organization of the different levels fulfils its duties focusing on high performance and respecting the legal**
framework, with the necessary degree of openness, integrity and the duty of being accountable in such a way that its policy goals will be achieved? (normative)?

- Implementation strategy: What is the best way to implement government governance principles (through codes, guidelines, voluntary agreements, coercive regulation, and general goal setting in management contracts) (normative)?

However, this study has also a fundamental focus on government governance models and instruments. More specifically, we focus on how governance models and instruments influence existing power structures and division between actors in the public sector, and the other way around. Principal agent theories, stakeholder theory and more general sociological theories on power allocation will provide the theoretical lenses to look to the empirical data:

- To what extent and in what way do existing and new government governance models and instruments affect and change division and structures of powers between crucial actors within the public sector? To what extent affects the division of power the implementation and effectiveness of government governance instruments?
- How do crucial actors (chief executives and politicians) in the public sector use government governance models and instruments to strengthen their power position within the (changing) power politics?
- What theories are relevant in explaining this interaction between government governance models and power?

We distinguish three types of relations: horizontal (administration vs. administration), vertical (politics vs. administration) and diagonal (administration vs. external supervisors). In each of these relations power plays occur, and newly introduced government governance models and instruments will interact with the power distribution in each of these three relationships.

The research-project will be done through a combination of fundamental research and action oriented support. Throughout we aim to support the Flemish government with the development of models and practice-oriented instruments in reference to government governance. The formulation of a unique government governance code is not a priority, considering the multi-dimensionality and complexity of government governance. We will focus in particular at the micro- and meso-level of governance and how both interact. The research project will be conducted in several steps.

First, based on a literature review on governance in the private and public sectors, as well as on a screening of existing private and public sector codes for good governance, we make a multi-dimensional theoretical framework on government governance. That framework is a basis for the further research project and is already in a preliminary way elaborated in this
paper. Experts, such as public management scholars, public managers from agencies and departments, and also political staff, will give their input in order to make the framework complete. By the end of 2007, this framework must be finished. The valorisation will be done among others through a special issue of ‘Vlaams Tijdschrift voor OverheidsManagement’ (VTOM) about ‘government governance in the Flemish public sector’ (expected November 2007). As guest editors of that special issue, we aim to present an (non-exhaustive) overview of the state of the art of government governance in literature, in international practice, and in the Belgian/Flemish public sector through contributions of international and national academics as well as practitioners. The research questions for this part are:

- **What does good governance in the public sector mean? What elements does it constitute of?**
- **Which dimensions should be incorporated by an applied government governance framework for the public sector?**
- **Which dimensions have to be analysed when one studies government governance systems in the public sector?**

In the second part, we combine fundamental research with the action research. When applying action research, the scientific study of a system is combined with close collaboration with the members of this system, in order to orient the system towards a specified, desired direction. The researcher interferes with the system he is studying, but this interference is based on theoretical and scholarly insights, which he continuously fine-tunes in consecutive cycles of observation, reflection, planning and action (Boog et al. 1996; Winter 1989). This methodology seems suitable to achieve our research objectives, because we believe that for the greater part of the governance aspects pertinent questions can be asked only in the light of the practice area. The involvement of the civil servants and politicians in the development of knowledge seems us essential. Too frequently, many studies answer the questions from an existing knowledge (private corporate governance). Moreover, this methodology is useful because of our supporting role in developing a new government governance system for the Flemish public sector.

Using the developed government governance framework as an analytical tool, we start with a general mapping of the currently used governance instruments and the analysis of the experiences therewith within the Flemish public sector, by means of document analysis, interviews or focus groups with the most important representatives of the Flemish government. Therefore, both high level officials from the ministerial political staff, administrations, departments and agencies are the target group of this analysis. This analysis continues throughout the doctoral research project. In the first three years the mapping and evaluative study is done. In the last two years it’s the intention to work towards solutions and possible implementations of government governance instruments in the public sector.
In a third part, which is undertaken simultaneously with the second part, we focus more in depth on two more specific issues with government governance, as cases within our broader research. The issues that we suggest to study more closely are marked in grey in table 5.

**Table 5: Themes**

<table>
<thead>
<tr>
<th>MESO Governance of the policy sector</th>
<th>MICRO Governance of the individual public organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational structures and processes</strong> Clear delineation of responsibilities, mutual relations of actors and behavioural standards of actors, including pay structures for top level functions</td>
<td>Role, functioning and relation of the strategic policy committee (beleidsraad) and the management group within the context of the relation between minister, departmental heads and agency heads (including relation management between department-agency-periphery)</td>
</tr>
<tr>
<td><strong>Risk management and control</strong> Risk control systems concerning governance and integration with control systems</td>
<td>Instruments for risk management, control and scrutiny at the level of the policy sector</td>
</tr>
<tr>
<td><strong>Accountability, reporting and disclosure</strong> Consolidation of information and accountability</td>
<td>Consolidated reporting of the results of the policy sector, financial and non financial results of the agencies</td>
</tr>
</tbody>
</table>

First, we will focus on (internal/external) audit and risk management in the public sector. It is about both the interaction between instruments within two distinct processes of government governance (controlling and monitoring/audit/scrutiny), as well as about the interaction between such instruments at micro and meso-level. As in other public sectors, the whole system of internal control and external audit in the Flemish government can be seen as a control pyramid, involving a myriad of control actors (internal control, internal audit cells, audit office of the government, ‘commissaires de gouvernement’, Inspection of Finances, private revisors, court of audit…), with poorly aligned and coordinated remits and tools. All these actors strongly focus on the micro level. Recently some new actors and instruments (like organisation-specific audits cells and audit committees, audit office of the Flemish government) have been introduced in this control pyramid, as part of the initiatives to increase good governance. *The fundamental question is to what extent the introduction of these new functions and bodies have affected the power distribution between the main actors (like ministers, senior managers, governing boards, other control agents in horizontal, vertical and diagonal relationships), and vice versa.* By surveying and interviewing a well-defined sample of auditors and civil servants involved in audit or risk management as well as the other actors in the control pyramid, we want to obtain information on concerning the role, functioning, coordination and effects of internal/external audit and risk management.
within the public sector\(^2\). But as we mentioned before, the micro-level is only a part of the whole system in the public sector. So to observe the audit and risk management on a meso-level we have to look further. In Belgium or Flanders, we lack instruments for meso-level governance. To be able in making recommendations for the Flemish public sector, we consider to study a case abroad. At this moment we think of the UK, because there is experience with audit and risk analysis at the level of a policy sector (e.g. DEFRA, 2002; HM Treasury, 2005b). One methodology used for this is called 'landscape review'. Landscape reviews are designed to help the departments (meso-level) in understanding the interdependencies between all involved actors in a policy sector and their governance arrangements in achieving the ministers' strategic policy goals (HM Treasury, 2005b). Also in the UK audit bodies have experienced with auditing and evaluating the joined-up working of policy sector actors.

A second issue we want to study of the study we will discuss the different roles and responsibilities of top civil servants, politicians and supervisors and the relations between the different levels in the Flemish public sector. Again, recently, because of the BBB reforms, roles and responsibilities have formally changed, and new structures have been introduced. For example the strategic policy committee ('beleidsraad') and the management group have been introduced as collective decision making bodies at the level of the policy sector. Moreover the hierarchical relation between department and agencies have been abolished and replaced by a relation between formally equal partners. Accordingly, roles and responsibilities of ministers and senior managers have been affected, but in what way? The information will be gathered by document analysis and interviews.

A last question in our research is about the effectiveness of implementation strategies for government governance models. At an international level, there is a tendency to validate principles of 'government governance' more explicit in procedures and codes, which are issued by international organizations (cf. OECD), governments (cf. Australia, UK, The Netherlands,...) and audit organizations (cf. IFAC, Audit Commission). We have discussed some of these codes before. During the research project we will study which validation instrument is the most appropriate method to help in generating a government governance in the Flemish public sector, based on the analysis of the experiences of existing government governance instruments. There are several implementation strategies. We may put the practice of government governance in laws, with a possibility to control and punish the deviants. Otherwise we may aim for social regulation, a term from Durkheim, where norms are internalized as natural; they become a part of the social identity en they are based on social discipline.

\(^2\) For the study of the internal audit process and risk management, we cooperate with IIA Belgium (Institute of internal Auditors Belgium). They have a great experience of internal audit in the private sector on micro-level. The questionnaire we will use, is partly derived from earlier studies they have done in the private sector. The COSO-model will be used to map the process of control and audit. We will compare our results with their results of the private sector and other countries.
4.2 Theoretical framework

From a more fundamental point of view, we focus on the reciprocal influence of governance instruments on the one hand and the structures and the division of power between different actors within the public sector on the other hand.

We question to what extent the management- and steering concepts/-theories that are developed for the private sector are transferable to the public sector. Certain strands of management literature claim that management theories and techniques are generically applicable to all organizations (both public and private) (Simon, 1964). At the same time, there are at least as many scholars asserting that the difference between the public and private sector is so substantial that techniques are not simply interchangeable and applicable (Ferlie et al. 2005). Moreover, within one sector (public and private sector) there are so many organizational differences that even within this sector, the question has to be asked whether techniques can be introduced universally. Contingency factors such as size, goals, tasks, political environment, target group and legal status of a public organization potentially play a role.

As regards the development of a theoretical framework, again, the question remains valid whether there is universal validity of central theoretical frameworks for corporate governance, namely the principal agent theory and the stakeholder theory. Applied to government governance in the public sector, it is for instance debatable that the principal agent model in its original form would be valid. It is a fact that there are a number of elements, which makes the application of the principal agent framework less straightforward than in the private sector. These elements include the lack of a univocal criterion for performance, multiple goal setting, multiple steering lines originating in different ministries and lack of financial incentives. Furthermore, there is scholarly literature that underlines the importance of networks, relations, trust and culture in the public sector (e.g. Kickert et al. 1997).

When building a theory on government governance, for these reasons we suggest to take into account the following theoretical frameworks: principal agent theory, stakeholder theory, power theory. We end this paper, by giving a small outline of these theories in relation with our proposed research.

4.2.1. Principal agent theory

The principal-agent theory is the dominant theory underpinning private corporate governance models. In general, the simplest principal-agent model refers to a situation in which two actors co-operate with each other and one party, designed as the agent (managers), makes decisions on behalf of the other actor, called the principal (shareholders). The central dilemma investigated by principal agent theorists is how to get
the agent to act in the best interests of the principal when the agent has an informational advantage over the principal and has different interests from the principal (Jensen & Meckling, 1976). But applying the principle-agent model to the public sector is not easy, because there is much more ambiguity over who the principals or owners are (Cornforth, 2003). The perspective of a dual relationship seems not so suitable for the context of the public sector. First, there is a chain of principal-agent relationships (civil servants – senior manager, senior manager – minister, minister – parliament, parliament – citizen). Second, usually a single organisation is controlled by multiple principals, being the involved minister, other horizontal ministers (e.g. minister of Finances), other regulatory bodies within government, interest groups). And what about trust, networks and changing power relations out of the contract between the principle and the agent? And what is the role of the stakeholder in the governance processes? Nevertheless, the principle-agent theory is a model that could be useful to understand some aspects and relations in the process to achieve government governance. For instance the bilateral relation between an autonomous agency with executive tasks and the involved line minister (and his department).

As such principal agent theory may help us to understand to what extent governance instruments may enhance control in the relationship between a single unit and its superior body (through the use of monitoring, bonding and risk-turnover). To what extent do governance instruments reduce the information asymmetry and goal incongruence between two actors?

4.2.2. Stakeholder theory

If we broaden managerial responsibility, in order to include extensive social responsibilities to various other stakeholder groups, we may seriously exacerbate these agency problems, making it even more difficult to impose effective discipline upon managers. Shareholders are only one of a number of important stakeholder groups. In the stakeholder theory, organizations are responsible to a range of groups and not only the organizations’ owners’. The board is the most important body in the stakeholder theory. By incorporating different stakeholders in the board, it’s possible to negotiate and resolve the potentially conflicting interests of all these stakeholders (Cornforth, 2003). The experiences with state owned enterprises where the obligation for managers to perform with respect to multiple and partially conflicting objectives shows that the reconciliation of social responsibility with effective corporate governance may however not be so simple (Heath & Norman, 2004). Stiglitz (1989, cit. in Heath & Norman, 2004) argues:

“The ambiguity of objectives provides the managers further discretion to pursue their own interests. In the private sector, there is one over-riding concern: profits. In the public sector, there may be a multiplicity of objectives – economic (such as employment) as well as non-economic (national security). Managers can always claim that the reason they are losing money is not that they are inefficient or incompetent, but that they have been pursuing other goals. And it is virtually impossible for an outsider to judge the validity of those claims” (1989: 32).
Beyond this we must consider that stakeholders significantly can influence the policy of a government and through that the process to government governance.

As such stakeholder theory may help us to understand to what extent governance instruments may change power division between different actors in the public sector? Does the use of governance instruments and the involvement of stakeholders change the power structures between minister, senior managers and stakeholders and in what way?

4.2.3. Power theories

By the changes in public management the power of the different independent levels is increasingly called into question by a complex interplay of micro, meso and macro constraints. Actors in the public sector are interested in power as a means to make both themselves and their organizations more effective and successful. To attain a good governance, there will be tension between loci of authority (minister, head of agency, board, department, parliament). In the private sector is governance in hands of manager, board and shareholders. There is an idea that the government is actually not the cockpit from which society is governed and that policy making processes rather are an interplay among various actors (Kooiman, 1993). Is power a dispersed instrument in a public sector, with several networks as framework?

Locke et al. (2003) argue that while the formal authority may be with the governing body, control over some or even all decisions may be located elsewhere. The power of the governing bodies should been reduced by both informal networks and processes and by the information and options presented by chief executives or other staff. Even within the governing body, power is not equally disturbed. Hofstede (2001) said that power distance can be an important issue in a governance-process. It’s defined as the difference between the extent to which a boss can determine the behaviour of a subordinate and the extent to which a subordinate can determine the behaviour of the boss. A high power distance implies a high tolerance for inequality. Sometimes the professional staff becomes an expert and has the time, skills and resources to form alliances with other organizations and politicians, with the consequence that members and their elected governing body lose oversight and control. Networks are important in a public sector. They can generate more power to obtain certain goals. Stakeholders are often the creators of a network to receive attention from the government or other policy members. The networks are controlled by members, not by centralized sources of power. The power in networks is also informal and horizontal (Mandell, 2001). However, Klijn & Koppenjan (2000) argue that also within the networks a battle of power can occur. The differences in the distribution of resources can matter. For instance, a director can sometimes have more influence over a project, because he has the knowledge and the organizational capacity to provide important input. He can also have a veto power. Power differences influence the way in which policy processes evolve. Nevertheless, it's possible that networks are required to achieve results in particular problem areas.
Many sociologists have embedded the concept of power in their theories. Max Weber was one of the main sociologists with a particular view on power and the state. With regard to the possibility one person has to exercise influence over another person, Weber distinguishes between power, authority and discipline. He defined them on an individual level, where power means the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance. Authority is the possibility that a command with a given specific content will be obeyed by a given group of persons. Finally, discipline is the probability that by a virtue of habitation a command will receive prompt and automatic obedience in stereotyped forms, on the part of a given group of persons (Weber, 1978: 53). Weber (1978) defines a political organization as an authoritative organization whose order is continuously guaranteed by the threat or the use of force by the administrative staff. In this way, the state becomes a political institution whose administrative staff, within a given geographical region, successfully maintains the right to a monopoly on legitimate physical compulsion in order to maintain a certain social order. The classic view of Weber is important for a public sector.

Foucault rejects the idea that power is synonymous with specific institutions. He believes that power precedes institutions. Institutions integrate and reproduce existing power relationships. In this view we can see the government as such an institution. Foucault also said that power and knowledge imply and presuppose each other and in every social situation we find a dynamic interplay between these two aspects. Thus Foucault’s presentation differs from the power that usually takes shape in the area of political theory (see table 4) (Sawicki, 1991).

Table 6: Distinction in the analysis of power by Political theories and Foucault’s theory (Sawicki, 1991:20-21)

<table>
<thead>
<tr>
<th>The juridico-discursive model</th>
<th>Foucault’s model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power is possessed</td>
<td>Power is exercised rather than possessed</td>
</tr>
<tr>
<td>Power flows from a centralized source from top to bottom</td>
<td>Power is analyzed as coming from the bottom up</td>
</tr>
<tr>
<td>Power is primarily repressive in its exercise</td>
<td>Power is not primarily repressive, but productive</td>
</tr>
</tbody>
</table>

Lukes (2005) defined power in relation to interests and whose interests were served in relation to the outcomes of power. This was one attempt to shift the discussion of power away from an individualist account and emphasize the social embedding of power relations. So is being at the right place more important then individual attributes as sources of power? Pfeffer’s (1994) view is that being in the right place is more essential. A good place or position is one that provides with: (1) control over resources such as budgets, physical facilities, and positions that can be used to cultivate allies and supporters; (2) control over or
extensive access to information about the organization’s activities, about the preferences and judgements of others, about what’s going on and who is doing it; and (3) formal authority (Pfeffer, 1994: 69).

To conclude, we want to mention Pfeffer's idea about managing power (Pfeffer, 1994). It means recognizing the varying interests and the political landscape. Next it also means figuring out what the point of view the various power units have on issues of concern to us and why they have that perspective. So, to achieve a good governance in the public sector, we have to recognize the interests in that issue by the different power-actors. Managing power means also paying attention for power dynamics. Power dynamics can be productive or unproductive for the organization and especially for the good governance of the organization. When the structures of an organization are changing, for instance the Flemish public sector after the decree ‘Beter Bestuurlijk Beleid’, you have to look also to the changing power allocations and their influence on the government governance processes.

All the quoted theories have their significance for the study of government governance in the public sector and are complementary in their focus.

5. CONCLUSION

Many initiatives to achieve a good governance in the public sector are rising internationally. The private sector is often referred as a source of inspiration, nevertheless a lot of problems with the transfer of the principles to the public sector could be indicated. The specific structure of the public sector, with his three levels (micro-meso-macro), was one of the most important arguments for us to develop a separate framework for government governance. With the framework proposed in this paper (figure 2) we want to analyze in the next 4 years some aspects linked with governance and the effectiveness of some (existing) instruments to achieve that good governance in the public sector. Based on principal agent, stakeholder and power theories we aim to study: To what extent and in what way do existing and new government governance models and instruments affect and change division and structures of powers between crucial actors within the public sector? To what extent affects the division of power the implementation and effectiveness of government governance instruments? What theories are relevant in explaining this interaction between government governance models and power?

The exercise we plan to do in the coming years is not a simple one. Government governance is a very complex concept. We hope that the developed framework in this paper helps to some extent to have a more encompassing view on good governance, which is more suited for the public sector.
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ANNEX A. Description of international government governance codes

UNITED KINGDOM

- The British Chartered Institute of Public Finance and Accountancy (CIPFA, 1995) created the first public sector corporate governance framework, based on the Cadbury Report (1992), a framework to address the financial aspects of private sector corporate governance. The Cadbury Report identified three fundamental principles of corporate governance: openness, integrity and accountability. These concepts were utilised by the CIPFA for developing a framework for public sector corporate governance. The CIPFA applied these three principles of better practice to the public sector in terms of: organizational structures and processes (e.g. accountability, roles and responsibilities, the board,…); financial reporting and controls (e.g. annual reporting, risk management, internal/external audit, internal control,…); and standards of directors’ behaviour (e.g. leadership, code of conduct, objectivity,…). One of the additional features of the CIPFA framework is the emphasis on the diversity of the objectives of public sector organizations, and the need to include performance information in any corporate governance framework. If we compare the CIPFA framework with our proposed framework (figure 2), we can observe that the focus of the CIPFA framework is predominantly on the micro-level. Consequences for the meso- or macro-level or interrelations aren’t drawn in the CIPFA framework. The three principles in the CIPFA framework encompass our four processes (steering, monitoring, controlling and justifying). However, few instruments are mentioned, and most of these instruments are on the level of individuals.

- The Audit Commission published in 2003 a report that brings together elements of Audit Commission and others’ work. The report aims to show how good governance can benefit public services as they seek to strengthen themselves and regulators in order to ensure that regulation is proportionate to risk. It looks to the role of regulation, audit and inspection. The importance of these processes to achieve a good governance are emphasized. If we consider the report in our framework, the report lacks information about the process of steering and the three cycles (policy, management/contract and financial).

- The Independent Commission for Good Governance in public Services drew in 2004 on the views of a wide range of individuals with experience of governance, and of service users and citizens, to produce the code ‘The good governance standard for public services’. The code presents six core principles with other supporting principles of good governance for all public service organizations. This standard distinguishes the responsibilities of executives and non-executives, so it goes beyond the micro-level with a regard to the tasks of the macro-level. By doing this, the report mentioned the
collective responsibility of a governing body with a complex structure. The report is covering the four processes (steering, controlling, monitoring and scrutiny, accountability) well. Moreover, the report comprises of two lists of questions which can serve as instruments to achieve a good governance and as a self-assessment tool.

- In 2004, the HM Treasury published a framework for the evaluation of board performance by providing an objective standard (Barker, 2004). It's focused on executive non-departmental public bodies across the UK, and more specifically on their boards. So the scope is very limited, the board at micro-level for a specific set of public bodies. It's also much focused on the accountability, the roles and the effectiveness of the board. Although the meso- or macro-perspective is missing, this document provides an encompassing governance framework for boards of non-departmental public bodies.

- The HM Treasury published in 2005 (HM Treasury, 2005a) another code, but now focused central government departments and their interrelations with other bodies. It provides an overview of the processes and responsibilities within departments, but it discusses the interrelations between the minister, the head of the department, the board, and the arm’s length bodies in the policy sector concerned. In that sense, this code is intended to fill the gap of other current codes by dealing with governance issues at meso-level. All the processes and principles mentioned in our framework are covered in this code. Also some instruments from the three different cycles are mentioned. This code is also intended to be a living document.

AUSTRALIA

- The Ministry of the Premier and Cabinet of the government of Western Australia published in 1999 a guideline for Western Australian public sector CEOs, focusing on their accountability, ethical behaviour, effectiveness, efficiency and transparent relations with their minister. So, the focus is on micro-level and how the manager can contribute to a good governance in the development of autonomy in the agencies. The guideline provides a series of prompts which can be used as a basis for self assessment.

- The Australian National Audit Office (ANAO) published in 2003 a quite encompassing guideline for public sector governance. Although the micro-meso-macro-structure is not explicitly described, the complex structural relations between different levels are outlined in schemes, which provide information about who has to follow which principles. Also the different processes are covered. However, the starting point of analysis is still the single agency, their chief executives and board members.

- Also for Australian local governments, frameworks of good public governance are created. A good example is the manual of ‘Certified Practising Accountant Australia’ (CPA Australia, 2005). This one is designed to help mayors, councillors and senior
management to assess quickly their governance performance and management practices. The document is mainly focused on accountability, openness and integrity. Although it encompasses most of the principles of our framework and most of the processes, the interrelation of local government with regional or national governments seems to be lacking.

**HONG KONG**

- In 2004 the Hong Kong Institute of Certified Public Accountants (HKICPA) published a new guide that contains key principles and recommendations on best practices for the boards of all public sector organizations. The target group is at micro-level, but encompasses a wide range of organizations with a public goal (NGOs, charities,…). With respect to the described principles in the report, the similarities with our framework are considerably.

**THE NETHERLANDS**

- In 2000, the 'Directie Accountancy Rijksoverheid' wrote a manual as instrument to achieve a sound government governance in the national government. Recently, Bossert (2003) made an update of the manual, inspired by the international trends in the literature. Central are the four processes. Both documents describe the processes of steering, controlling, monitoring and accountability at all levels by linking them to each other. But they do not elaborate on how the three cycles (policy, contract and finances) are mutually integrated in that framework. Also a discussion of involved instruments and the effectiveness of them are lacking.

**DENMARK**

- The Forum for Top Executive Management has published in 2005 a well prepared code for chief executive excellence. The Forum considered excellence in executive management as a prerequisite for meeting the current and future challenges faced by the public sector. So it’s a specific code on micro level, meant for individual top executives to reflect upon and to develop their managerial behaviour in their daily work. It’s about leadership, roles and responsibilities of the chief executives. The possible problems of the interrelations between micro (executive management) and macro (political level) are mentioned, but always with the point of view to the executive managers. Not all the processes from our framework are treated in this code. There is much information about the steering and controlling capacities of the managers. Also the accountability of the managers is included, but little is told about the monitoring capacities of external bodies.
**OECD (international)**

- The Organisation for Economic Co-operation and Development (OECD) has published in 2005 a public governance guideline for state-owned companies. The guideline is primarily intended to cover commercial enterprises under central government ownership and federal ownership. It takes the perspective of the state as an owner with responsibilities towards shareholders and stakeholders. So, we remark also in this guideline the focus on micro-level. The guideline could be viewed as a complement to the OECD principles of corporate governance (2004). The four processes aren’t explicitly treated in this code, but are covered in the proposed guidelines. Also the most important processes are included.

**IFAC (international)**

- The study of the International Federation of Accountants (IFAC) about governance in the public sector (2001) has the intention to “contribute to good governance and accountability in the public sector throughout the world”. The principles in this study apply to all public sector entities. It seems that this study comprises the two levels (micro and macro). They report the different roles and responsibilities between them. The meso-level as an important strategic intermediary level in the public sector is not dealt with. The report covers all the processes from our framework and also a lot of principles. The report concludes with some checklists that could be used as instruments to assist governing bodies to assess potential strengths and weaknesses in governance arrangements.