TOWARDS GOVERNANCE THEORY:  
In search for a common ground

Peder G. Björk and Hans S. H. Johansson
Department of Business and Public Administration
Mid Sweden University
851 70 Sundsvall, Sweden
E-mail: Peder.Bjork@fof.mh.se
Hans.Johansson@fof.mh.se

Many researchers have pointed out the considerable change of society, which to a large extent has been the point of departure for research in governance. Governance is a very dispersed area of research, such as the minimal state, corporate governance, new public management, good governance, socio-cybernetic system and self-organising network. This article aims at suggesting a common ground for a governance theory. We believe that a common ground can be found in that governance is a non-normative macro level theory, where the state has ambitions to govern and is therefore a more or less important actor. The state governs the society with new means and methods, which also results in new prerequisites for organising societal actors. The organised actors are not co-ordinated through hierarchies. Governance theory focuses on processes in a more or less static political system, and not primarily on the outcome of these processes.

INTRODUCTION

The fact that society has changed considerably during the last century, from agricultural to industrial and moving towards a post-modern society is nothing but an obvious development. The most obvious, however, can sometimes be a perfect point of departure for research. A continuous change gives researchers inexhaustible sources for analysis of how society is governed and organised. In the political science field theories are constantly launched about the way political systems are governed and organised. These theories have been accused of lacking strength during the last years. Focus is no longer on hierarchical governing and formal organisations, and the critics are starting to move away from traditional central concepts, such as ‘government’. The term government has usually included formal institutions of the state, and their monopoly of legitimate violence. Formal and institutional processes at central level are used in order to maintain common order and to facilitate collective actions. (Stoker, 1998a) As a contrast to these traditional views of government, political systems and processes
are increasingly discussed in terms of ‘governance’ (Rhodes, 1996, 1997) and sometimes even in terms of ‘modern governance’ (Kooiman, 1994). One major problem of these new theoretical frameworks is that there are almost as many ideas of governance as there are researchers in the field. There is, therefore, a need for a common ground of governance, so that a governance theory can be developed in order to become a helpful tool to understand and analyse the society of today. This paper aims at describing different approaches of governance, to discuss their weaknesses and to present one step on the way towards a common ground of governance from our point of view. There are much research going on in the field, but how can we do research about governance if we cannot define or agree on a common view of governance?

FROM GOVERNMENT TO GOVERNANCE

The changes mentioned above have mainly been about decentralisation. During the 80’s we could witness decentralisation taking place in many western countries. The purpose of decentralisation is to change, usually to decrease, the role of the state. This is related to what is called ‘hollowing out the state’ (Rhodes, 1996, 1997; also Peters, 1993). Rhodes argues that “The process of hollowing out…is central to understand the shift from a unitary state to a differentiated polity” (Rhodes, 1997:19). The shift is about the transfer of state functions to the European level, to specialised institutions and other actors primarily within the state. It is also about the transfer of decision-making and implementation capacities to lower levels, i.e. municipalities or state authorities. Rhodes (1997) also argues that the shifts are about a limitation of scope and form of public intervention, the limitation of civil servants’ discretion and of an even more distinct line between politics and public administration. The result is a more fragmentated public sector. Decentralisation and ‘hollowing out the state’ have changed
the conditions to govern society. New processes and methods of governing has opened up for and at the same time challenging the role of the state by creating new conditions for organising society.

In general one could say that these changes have taken place in such a way that we have moved from government to governance. The term governance is used, generally speaking, to reflect that the conditions for governing society have changed. (Rhodes, 1997; Stoker, 1998a) How then can society be governed if traditional forms of governing, to some extent, are not valid anymore? Three analytical distinctions can be made: the state either has to (i) drastically reduce or (ii) abandon its ambitions to govern the society, or (iii) the state has to find new forms to govern. The first ambition could be achieved through deregulation and decentralisation, and the second through privatisation. The third ambition, finally, could be achieved through, e.g. the creation of new prerequisites for governing depending on new forms of co-ordination. These new forms are discussed in terms of governance.

**DIFFERENT GOVERNANCE PERSPECTIVES**

The use of governance as a perspective and a theoretical concept in our view is relatively new. We agree with Jessop when he writes that “...governance theory tends to remain at the pre-theoretical stage of critique: it is much clearer what the notion of governance is against than what it is for” (Jessop, 1995:318). To be able to argue that the governance perspective is a theory or not, it is of great importance that there is a clear definition of theory. As is well known there is no such definition and therefore even the concept of governance can be seen as a theory. Especially so if one agrees with Stoker (1998b) who argues that a definition of theory should be broader than the old positivistic one and include models as well as
conceptual frameworks or perspectives. There is, however, one more reason not to call governance a theory. The term governance is used in many disciplines, as institutional economy, international relations, organisational studies, development studies, political science and policy analysis, which has made a coherent definition impossible so far. It is possible to find some common themes among the different definitions of governance, but they still differ more than just in details.

One that, in a comprehensive way, has presented different governance perspectives is Rhodes (1996). The categories defined by him will be used here as a point of reference and a framework in the presentation of our understanding of governance. Rhodes has defined the following six categories:

- The minimal state
- Corporate governance
- New public management
- ‘Good governance’
- Socio-cybernetic system
- Self-organising network

The minimal state

What Bowornwathana (1997) calls ‘the new democratic governance paradigm’ is a good example of how the concept of governance is used to advocate the minimal state. The argument is that the socio-economic, political and technical changes that we will meet in the 21st century will make the public bureaucracies of today obsolete. The public bureaucracies have become too large and too expensive, therefore there are not enough resources left for
other activities. Public bureaucracies are also shown to be inefficient in providing public services and reforms are therefore necessary, suggesting a new governance paradigm. Four principles are very important for the paradigm:

a) A smaller government that handles less issues

b) The government has to have a global vision and flexibility

c) The government must be accountable

d) The government must be fair

Another argument for the minimal state is the idea that the private sector can do better in providing public services with high quality. The private market is seen to be more efficient since market mechanisms create competition, which the public sector does not meet. The world economy has also become global with free trade and market principles, which has led to a situation in which the business sector is the driving force for economic development. In such a situation the state should create and support a deregulated market economy. (Bowornwathana, 1997)

Corporate governance

Corporate governance can briefly be said to be a common name for a large number of theories and studies about the governing and management of companies (Tricker, 1994). For some it represents “…the system by which organizations are directed and controlled” (The Cadbury Report, 1992. Cited in Rhodes, 1996:654) or “…the structures and processes associated with the decision-making and control within an organization” (Starkey, 1995:838). Others argue that “Corporate governance is an umbrella term that includes specific issues arising from interactions among senior management, shareholders, boards of directors, and other
corporate stakeholders” (Cochran, Wartrick, 1988. Cited in Tricker, 1994). Studies have focused on the way different shareholders are using their powers. More specifically on how different institutions have used their powers for replacement of a dominating management, for changes in the board of a company and how they are able to influence strategic decisions. Others (Tricker, 1994; Pettigrew, McNulty, 1995) focus on how the board of a company is constituted and is functioning in practical work. Corporate governance can also be discussed in term of the social responsibility companies must show for employees, customers, lenders, producers and the society as a whole and those that usually are the most important interests, the shareholders. (Tricker, 1994) Corporate governance therefore, in general terms, can be said to be about accountability, supervision, evaluation and control of a company’s leading persons to make sure that they act in accordance with the interests of shareholders and others interested in a company (Starkey, 1995). Or put slightly different: “Ultimately, of course, corporate governance is about the exercise of power over the modern corporation” (Tricker, 1994:405).

New public management

New public management (NPM) could, in terms of steering (Osborne, Gabler, 1992), also be seen as a form of governance (Rhodes, 1996). According to Peters and Pierre (1998) both NPM and governance were brought to the fore at almost the same time. They argue that there are several similarities between the perspectives. One thing is the changed view on politicians, since both perspectives argue that a politician’s work is not about direct steering, but about the formulation of goals. Second, the perspectives have problems of accountability in common. The governance perspective highlights that problems of accountability have been solved through the replacement of traditional channels with ‘brokers’ and consumer choice. NPM, on the other hand, focuses on the market, which will show what the people prefer.
Therefore people do not have to make use of elected representatives to have their opinions considered. Third, both play down and refuse to see the dichotomy between the public and private sector, though for different reasons. The governance perspective puts forward that public and private actors are working together. The NPM perspective, on the other hand, puts forward that the government and its bureaucracy has become obsolete and has to improve efficiency. This could be possible through the use of ideas from the private sector. Fourth, there is also a similarity between the perspectives in that they emphasise control of output instead of input. Both perspectives have governing as a central concept (Rhodes, 1996). Even though there are some resemblances between NPM and governance (Rhodes, 1996; Peters, Pierre, 1998), it can be argued that NPM is something different from governance. Rhodes (1996) identifies four weaknesses with NPM: a) it is based on an intra-organisational focus; b) it is about goals instead of focusing on established relations; c) it is focused on results and d) it points out that competition and steering are not compatible. NPM does also have an ideological background and the public sector is the reason for all bad things. From this one could conclude that “…governance is essentially a political theory – insofar as it describes a certain type of exchange between the state and society – whereas NPM is an organizational theory” (Peters, Pierre, 1998:232). Despite all the similarities Peters and Pierre (1998) argue that the differences are so significant that the perspectives have to be treated separately. “The similarities seem to be primarily at the operative level of administrative reform, whereas the differences are located at a theoretical level” (Peters, Pierre, 1998:231).

‘Good governance’

This governance perspective is used in discussions about governing structures in developing countries. Rhodes (1996) refers to the World Bank, which uses the concept of good governance in its lending policy for third world countries. In this context good governance is
about what the World Bank requires from the recipient countries when it comes to the change of government, such demands as democracy and forms of new public management. Rhodes argues that good governance has become married with NPM to advocate liberal democracies. Minogue, Polidano and Hulme (1998) argue that the discussion about how the public sector in third world countries can be developed is a starting point for governance. The fulfilment of economic goals and efficiency in co-operation between the state and the market are stressed. Minogue, Polidano and Hulme argue further that we have to realise that a modern form of governing is about more than just efficiency, that governing is about accountability between the state and its citizens. It is about “...people who are treated not merely as consumers or customers (as in the new public management approach) but as citizens, who have the right to hold their governments to account for the actions they take, or fail to take” (Minogue, Polidano, Hulme, 1998:5). Even though there might be demands for efficiency in the public sector, this should not be allowed to lead to bad service. The way for citizens to protest against such a development is to hold politicians accountable, but services through NPM can take some of that possibility away. “Issues of accountability, control, responsiveness, transparency and participation are, therefore, at least as important as issues of economy and efficiency” (Minogue, Polidano, Hulme, 1998:5). The term governance is, according to Minogue, Polidano and Hulme, created as a reflection of these ideas, but argue that there is no given definition of governance.

Socio-cybernetic system

Kooiman (1994) argues that as a consequence of the changing society several new forms of interactions have developed between the state and the society. Kooiman writes that “…recent changes in patterns of interaction between the public and private sector may have to do with the growing realisation of the complex, dynamic and diverse nature of the world we live in”
(Kooiman, 1994:35). Therefore, structures that handle social problems in a democratic and efficient way have to be of a complex, dynamic and diverse nature. The lack of understanding of these developments contributed to the malfunction of the old structures and the consequences were looked upon as unpleasant side effects that did not really fit and were therefore not taken seriously. Kooiman stresses that a dynamic, complex and diverted socio-political system is dependent on socio-political governance for solving societal problems. The development of socio-political governance has been facilitated by the failure of existing and traditional power structures, methods and tools. (Kooiman, 1994)

The theory about socio-political governance is founded on three connected basic concepts: governing, governance and governability. It is argued that a society that is characterised by increasing complexity, dynamic and diversity will lead to processes which include a high degree of interaction between public actors, target groups and individuals. The meaning of governing has therefore changed towards co-ordination, guidance, influence and balancing of interactions. As a consequence the traditional form of governing has somewhat lost its attraction. This is, however, not to say that the state in such a society has lost all its possibilities to steer, but rather that it has changed the way to do so. (Kooiman, 1994)

“Governing in an interactive perspective is directed to ‘balancing’ social forces and social interests and to ‘enabling’ social actors and systems to organize themselves” (Kooiman, 1994:256).

Socio-political governance is relying on a certain degree of mutual trust and/or mutual understanding, some acceptance of a common responsibility and a certain degree of political involvement and support from society. Crucial for socio-political governance is interdependence between formal and/or relatively autonomous political and societal actors.
No single actor can solve a problem or make the best of an opportunity on its own. Further, no single actor can be so dominant that it can force someone else to act in a certain way or bear the costs for a social problem from which the actor can profit.

One single actor cannot create the pattern and the structure that develops, but it is a result of the actions of all actors. “Governance can be seen as the pattern or structure that emerges in a social-political system as ‘common’ result or outcome of the interacting intervention efforts of all involved actors” (Kooiman, 1994:258). Governing and governance interacts all the time. The pattern and the structure affect those who govern, but can at the same time change them. Governability combines the qualities of governing and governance. Therefore governability is about “…the total quality of a social-political system to govern itself within the context of broader systems of which it is a part” (Kooiman, 1994:259).

Self-organising networks
Rhodes (1996) argues that governance is about co-ordination of self-organising networks. A change from governing to governance has facilitated the emergence of these networks, which are a complex mix of public, private and voluntary organisations. As a consequence the borders between public, private and voluntary sectors have been dissolved. Networks emerge since there are need for resources between actors and are maintained by exchanges of these resources. By exchange of resources within the networks the participating actors are able to realise their goals, maximise their influence and avoid being dependent on other actors. The interactions between the members of a network are game-like and there is a degree of autonomy from the state, but the state can indirectly and in an imperfect way steer networks.
Networks should be seen as an alternative to markets and hierarchies in terms of co-ordination mechanisms. “If it is price competition that is the central co-ordinating mechanism of the market and administrative orders that of hierarchy, then it is trust and co-operation that centrally articulates networks” (Thompson et al., 1991:15). Even more important, according to Rhodes, is that networks are self-organising, that is networks are autonomous and self-governing. “In short, integrated networks resist government steering, develop their own policies and mould their environments” (Rhodes, 1996:659). Governance, in terms of Rhodes, is about “…self-organising, inter-organisational networks” (Rhodes, 1996:660). “Governance as self-organizing networks is a distinct a governing structure as markets and hierarchies. A key challenge for government is to enable these networks and to seek out new forms of co-operation” (Rhodes, 1996:666).

Similar ideas about self-organising networks have been put forward by Kickert (1997) in what he calls ‘public governance’. It is a strong criticism of what is advocated by New public management (NPM). To use techniques within the public sector that are developed for the private sector is not seen as possible, since the tasks and the environment of the public sector are very much different from the private sector (see Kickert, Koppenjan, 1997). Kickert argues that public governance, as an alternative to NPM, is about more than increased efficiency of an organisation. It is also about securing lawfulness, legitimacy, norms and values.

The state and society were earlier seen as separate entities, where the state was governing and the society was governed. According to public governance all actors are participating within the same system. Therefore the state should not focus on planned governing of the system, but instead focus on the role to mediate. Kickert argues that “Public governance is the
‘management’ of complex networks, consisting of many different actors…” (Kickert, 1997:735). The actors are from different sectors at different levels and do not necessarily have the same goals. They can even be contrary to each other. These actors interact in different networks and are more or less dependent on each other, but the state will have a certain position in comparison to the other actors. The state is not in such a position to single handed force its view upon any other actor. All actors are therefore not horizontally equal, and there is not really any hierarchical order. Kickert argues that this is not a normative stand, but an empirical observation. Kickert asks how such networks can be governed and in what way self-organising networks can be influenced to develop in a certain direction? This taken together gives a picture of network governance as being in a grey area in between hierarchy and market. (Kickert, 1997)

A COMMON GROUND?

After this presentation it is easy to feel resigned and believe that it is impossible to find a common ground for a governance theory. We insist, with the persistency of a fool, that it is possible. All these governance perspectives have more or less the focus on a change of society in common, especially socio-cybernetic system and self-organising network. The latter points out the empirical facts underlying the theories, while e.g. the minimal state and new public management is more of a normative character. We argue however that governance is not about values, therefore it cannot be normative. To us governance theory is based on empirical observations and do not have a hidden agenda driven by normative beliefs. This is one reason to question if the minimal state, new public management and good governance really could be seen as different governance perspectives. Still, these perspectives do have certain parts, which are not normative. According to Rhodes (1996) governance is used as an alibi to
advocate a decrease of and/or to privatise the public sector. It is more about political rhetoric than something else is (Stoker, 1998a). New public management has also a clear ideological background and compared with other governance perspectives NPM is not building on a long tradition. Good governance has some parts in common with NPM, and is certainly of normative character in advocating NPM in third world countries, especially when used by the World Bank.

Earlier in this article we made an analytical distinction in what way the state may react to a changed society. The state can either drastically reduce or abandon its ambitions to govern, or the state can retain its ambitions to govern, but with other forms or methods. We believe that governance is about the state having ambitions to govern. Therefore, the minimal state is not about governance, since the state does not have ambitions to govern. As a result of the above, the state must have a more or less important role in a governance theory. The state is not an actor in corporate governance, and therefore corporate governance is not about governance. The state has ambitions to govern, but by the use of new means or methods. All perspectives presented in this article are different examples of means or methods to govern. New public management is perhaps the most distinct example. These new means or methods do also create new prerequisites for organising societal actors. All examples also point out that the actors are co-ordinated in other ways than through hierarchies, such as self-organising networks.

A general observation is that governance is a macro level concept with the exception of the use in corporate governance and to a certain degree in NPM. In the presentation above it could be seen that corporate governance is a very specific use of the term governance in the
context of companies. Further governance is not primarily about the outcome, but the outcome may be different than before depending on other forms of organisation.

Governance is to us about different ways of governing, and as a result also organising, and therefore governance is about changed political processes taking place in a more or less static political system. The following notions, finally, could constitute a common ground for a governance theory that:

• is a macro level theory and not normative;
• is about the state having ambitions to govern and thereby the state is a more or less important actor;
• is about the state governing the society with new means and methods, which create new prerequisites for organising societal actors;
• points out that actors are co-ordinated in other ways than through traditional hierarchies and
• is not primarily about the outcome, but about processes in a more or less static political system.

If researchers are going to conduct research in and about governance, we do need a common ground to start from. We believe that such a discussion can depart from the points above, so that we in the future can understand and analyse the changing society through appropriate theoretical lenses. The question still remains: How can we do research about governance if we cannot define or agree on a common view of governance?
REFERENCES


15

