

Agencification of National Museums in Japan

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1. Introduction

Separation of policy and execution functions is an integral part of the new public management (NPM) which has been spreading around the world (OECD, 1995). The hiving-off of government functions is called agencification. The process for changing organisational structure and improving performance involves allowing greater autonomy in resource management in order to achieve the agreed targets. The Independent Administrative Corporations (IACs) established by the Japanese government will be legally independent of the central government and responsible for the execution functions beginning in 2001.

The spread of NPM has been investigated by many scholars (Hood, 1995). Agencification is not exceptional (Greer, 1994 ; Horton and Jones, 1996). In this connection, scholars have focused on the factors influencing innovation. For instance, government accounting researchers (Lüder, 1994 ; Godfrey et al., 1999) have analysed the trend to accrual accounting as a subsystem of NPM. In other words, the focus is on either the innovation of government as a whole or on the specific issues of NPM or

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agencification. However, when public sector reforms are analysed collectively, it ignores the important issue that organisational structure and management control system should and actually do differ among services (Ouchi, 1979, 1980). In addition, the “subsystems” such as financial, personnel and performance systems within NPM are interrelated and may be complementary to one another (Pollitt, 1993).

In this regard, we will entirely examine agencification of the national museums in Japan. Concentration of cultural services has another advantage; it makes clear how the original model in the UK could be accepted and incorporated into the revised system in Japan. Most diffusions of innovation in the public sector are however harmonised with the national culture or institutions in the adopted systems because of different political and administrative practices. In practice, since the museums in the UK’s public sector operate in non-departmental public bodies, not executive agencies, Japanese government has to develop a new organisational management structure for its museum under agencification.

This article investigates how agencification for the national museums has progressed in terms of the development of financial, performance and personnel systems. The second section firstly describes the characteristics of museum activities and develops an innovative stage model in which an organisation interacts with the external actors in each of the processes of initiation, design and implementation. Then the initiation process for agencification and outlines of IACs are discussed and compared to the UK. The third section analyses responses of museum managers to agencification. The fourth section discusses the management issues presented by the new organisational structure. Finally, the fifth section is

dedicated to some conclusions and future works.

2. Process of Agencification

Characteristics of Museum Activities

Before analysing agencification, it is appropriate to classify public services. While NPM presumes that organisational performance is able to measure in quantitative terms, it is nevertheless difficult to measure performance of public services. Sometimes they are provided in combination of several activities such as education and research in universities. Public services are therefore divided into four types in terms of interdependency between organisational activities and objectivity of performance measurement (see Figure 1). In other words, we may understand that the objectivity of performance measurement is a surrogate indicator of the service characteristics and the interdependency reflects the organisational structure because the interrelation between activities is changed by organisational design.

Museum activities are generally composed of collection, exhibition, research and education. The functions of the national museums in Japan are also similarly described in the Organisational Ordinance for Ministry of Education as follows :

“The National Museum shall collect and preserve cultural assets, exhibit them, in addition research and implement education programmes”

Figure 1. Classification of Public Services

		Objectivity in Performance Measurement	
		<i>High</i>	<i>Low</i>
Interdependency between Activities	<i>High</i>	I	II
	<i>Low</i>	III	IV

(Article 110).

Thus museum activities are interrelated each other, and there is some difficulty in measuring performance collectively. Accordingly, services provided by museum activities are basically classified as II in Figure 1.

Model

Agencification, as previously indicated, is an organisational transformation in the public sector. Therefore the transition into IACs may be considered a diffusion process. Partly modifying the innovation model by Roberts and King (1996) and the diffusion model by Rogers (1995), we can divide the transforming process into initiation, design and implementation stages. First, in the initiation stage, an organisation reform is proposed with reference theoretical or practical model. Second, the adoption of the model is determined by decision makers. Third, in the design organisation structure and management are formed. Finally the organisation transformation is put into practice. The transition is regarded as an interactive process (see Figure 2). In contrast to the reviewed models, our model not only considers the characteristics of services which the organisation provides, but also presumes that a different set of primary actors interact in each stage⁽¹⁾. It is assumed that there are interactions between politicians and ministers in charge of the organisation in the initiation stage, senior officials and chief executive of the organisation in the design stage, and oversight bodies and chief executives in the implementation stage respectively (see Figure 3). Here it is relevant to note that organisational reform in the public sector is unable to be initiated by the organisation itself, in contrast to private

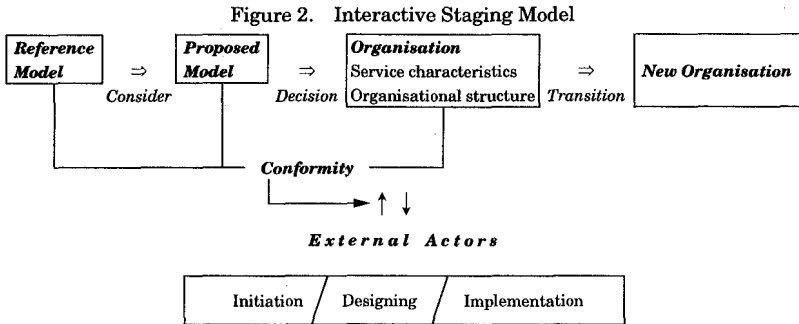


Figure 3. Primary Actors

Stage	External Actors	Internal Actors
<i>Initiation</i>	Politicians	Minister in charge
<i>Designing</i>	Bureaucrats	Chief executive
<i>Implementation</i>	Oversight Bodies	Chief executive, managers

companies which can initiate their own reforms. Public sector reforms in democracy involve decision making or approval by external actors such as

- (1) This model differs from the innovation model by Roberts and King (1996) in four respects. First, external actors involve opponents or neutral persons other than entrepreneurs who represent a driving force for innovation. Second, our model considers the organisational change process an interaction between internal actors of the organisation and external actors. In contrast, they define the change process as two interrelated processes of innovation and entrepreneurship, and also regard the entrepreneurial process as a pushing process of introducing an innovative idea from outside the organisation. Third, we investigate the transformation process of an individual organisation in the public sector as the unit of analysis separate from legislative or oversight bodies, though they do not definitely divide the government into organisations. Finally, the most important difference is the consideration of causal influencing factors. Although an interested group might have a significant influence in the initiation and design stages, in the case of agencification of the national museums the influence of opposition power was weak. In addition, the public did not have a strong interest in arts and museums. Consequently primary opponents were just internal actors, i. e. the museums themselves, though some organisations such as the Japanese Association for Arts History made a critical comment on agencification.

politicians.

In the public sector, especially in a parliamentary system, while fundamental decision making on organisational reform is initiated in the political arena (parliament), rules for operating the reformed organisation are basically designed in a technocratic manner between related senior bureaucrats. In the implementation stage, though street level bureaucrats (Lipsky, 1980) to some extent have discretionary power over their operations, the organisation still interacts with external oversight bodies (principals) responsible for seeing that its activities are implemented in accordance with the relevant organisational guidelines or framework.

Further, the extent that the basic idea of reference or proposed model is in conformity with the characteristics of the service is assumed to affect the interactions. The conformity would influence the innovative process as a stimulus or an obstacle. The more objective in measurement and the less interdependent among activities, the faster and better agencification would develop and work, because agencification operates in result-oriented management through a performance agreement between the chief executive and the minister or department.

In this regard, the interactive staging model improves the limitation that policy process model is not really a causal theory (Sabatier, 1991). Thus the model considers the influence factors in addition to the policy process.

Background and Outlines of Agencification : Initiation Stage

Agencification of execution functions first appeared in the campaign pledge of the ruling party, the Liberal Democratic Party (LDP), for the

general election in 1996. The policy appeared to be modeled on the Executive Agencies in the UK. After winning the election, the Hashimoto Administration set up the Council for Public Sector Reforms, chaired by the Prime Minister himself. At the sixth meeting in February 1997, agencification was for the first time discussed as a means of downsizing. The Council then held hearings on agencification from all Ministries and Agencies. There was hearing on national museums from the Ministry of Education (MOE) in May 1997. At the hearing, MOE replied to the Council as follows :

“Though four national museums at present operate independently, financial support from the central government ensures the independent operation. The pending problem for agencification lies in finance.” (Proceedings of the Council).

Further discussion promoting agencification followed the hearing. According to the minutes of the subcommittee on planning, institution and organisational issues in the Council, MOE already thought it possible to transform the national museums into IACs. The MOE's reaction to agencification at the stage was exceptional compared to other Ministries. All Ministries other than MOE opposed agencification in the belief that separation of execution functions would not only cause deterioration of policy functions but would also be impractical. Of course their oppositions surely reflected the bureaucratic preference to maximise budgets (Niskanen, 1971) and the number of personnel. Therefore some people might wonder at the MOE's reaction. This contrasted reaction however can be understood by two factors according to the model.

First, in the case of national museums, the political power for opposition to agencification was significantly weaker than other

Ministries. National museums belong to the external organ of MOE, the Agency for Cultural Affairs. The budget amount of the Agency occupies a small part of MOE's total budget, just 1.4 per cent in 1998. In fact, there are few politicians supporting cultural activities, in contrast to the influential power of political groups (*zoku*) in other activities such as public works and social welfare who, in cooperation with bureaucrats, promote and support specific activities in return votes from the beneficiaries for the activities.

Second, national museums were made a scapegoat for national universities. In the process of discussion on agencification, national universities were candidates for IACs. However, the budget for national universities amounts to 26.5 per cent of MOE in 1998. In addition, the staff is much larger than that of museums. The number of academic and clerical staff is 124,784 in 1998 while the national museums' staff amounted to 342. Besides, the former president of University of Tokyo, Dr. Arima (now Minister of Education) joined the Council as a member. By contrast to museums, he spoke for national universities. Consequently, the Council did not reach a conclusion as to whether national universities should be transformed into IACs. Final determination on agencification was postponed until 2003.

In the public sector, since politicians as external actors have a mandate of determining the organisational reform, the organisation has little influence on the decision except for influencing external actors and the principal. However, no external actors definitely opposed agencification of national museums in the initiation stage. The primary internal actor, MOE and its representative member rather promoted the agencification. Receiving the final report of the Council, the Government

decided that 89 institutions including the national museums should be transformed into IACs. The Fundamental Law for Reorganisation of Central Ministries and Agencies in 1998 describes the objectives and legal status of IACs. The Basic Law for Independent Administrative Corporations followed in July 1999. The latter provides the framework for operating and controlling IACs.

Firstly, financial management in IACs operates on a modified accrual basis through two types of fund: the grant for operating costs and the capital expenditures from the central government. IACs have full discretion to use the grant for operating activities. In addition, the grant remaining unspent at year end may carry over to the following year. Further IACs may retain the operating surplus under a certain condition. On the other hand, full accrual accounting is adopted in financial accounting; IACs prepare balance sheet, profit and loss statement, and cash flow statement that are audited by external auditors.

Secondly, personnel management significantly differs from the central government. Although employees in IACs other than four institutions remain civil servants, their wages are linked to their performance. In other words, the performance related pay (PRP) system will apply to all employees in IACs. The chief executive does not enjoy the life-long status but term status in a kind of contractual form between the Minister in charge.

Thirdly, performance management will operate on the basis of results. The chief executive sets the middle-range strategic plan covering three to five years which contains the period, targets of efficiency and quality of service, financial forecasts and so forth. The plan has to be approved by the Minister after assessment by the evaluating committee.

At the end of the period, the performance must be reviewed by the evaluation committee in accordance with the plan. The committee may recommend the abolition or privatisation of the organisation to the Minister based on the evaluation.

3. Response to Agencification

From initiation to designing

The detailed operating rules are left in the individual IAC law that will follow the Basic Law for IACs. In practice the Basic Law just provides the principles. For example, it provides that the Minister in charge shall set the accounting rule on accrual basis. Accordingly, agencification of national museums is now at the design stage. By contrast to the initiation stage, through the MOE or directly, the national museums are able to work and consult with external actors such as senior bureaucrats in the Head Office for Promoting Public Sector Reforms and the Ministry of Finance. The current operating system in national museums has several practical shortcomings. They have felt the necessity to reform the system.

Limitations of Current System

According to the ordinance, the national museums are defined as cultural organisations, not research organs. As a result, it does not allow the museums to receive scholarships or research funds from the outside. Owing to the fiscal stress in the central government, the budget for research activities is basically fixed in contrast to the national universities where scientific research grants received have increased the amount by 2.4 times in this decade. Consequently, the national museums

deal with a donation proposal for research in an indirect way, bypassing direct donations. The donor first purchases the collection(s) which the national museum identifies, then donates it (them) to the museum. However, this complicated method can not contribute to increase research funds, because the budget for collections saved by this donation is not allowed to be transferred to research activities under the current system.

The national museums are also operated in the General Account Budget while the national universities operate in the Special Account Budget where more flexible management is allowed. In national universities, the operating surplus in the end of fiscal year might be reserved as a fund (Article 12 of the Special Account Law for National Schools). Therefore the museums sometimes lose the opportunity to acquire appropriate collections because they have no funds other than the approved budget for collections.

The national museums also have no mandate to assist other museums. Most Japanese museums lack professional staff with special management and collection skills, while recently many local governments built museums and purchased the printings by famous artists such as Van Gogh in the bubble economy. In order to deal with these constraints, staff in the national museums have to take a leave to go or be sent to other museums.

Expectancy and Fear

Accordingly, professional staff and managers in the national museums do not always resist agencification. Since the Government decided that national museums will be transformed into the Specific Independent Administrative Corporations (SIACs) whose employees are

civil servants, they have mixed feelings about agencification : expectancy and fear.

First, newly established SIACs will be able directly to receive research grants or funds outside the central government budget. SIACs may also retain the grant funds remaining unspent at the year end. Therefore, they expect that transformation might increase the amount for research and facilitate acquisition for collections. On the other hand, they fear that payment received from the central government would be cut, accompanied by cost reduction measures or generating revenues from other external sources and commercial activities. It is partly caused by the obscure description in finance of the Basic Law for Independent Administrative Corporations as follows :

“The government may grant a part or whole of necessary fund for operating activities to the Independent Administrative Corporations within the budget” (Article 46).

Second, SIACs will have significant discretion in allocating their resources among functions or activities in accordance with the middle-range plan. Although more flexibility in management is welcomed by staff, in return they have to set the performance targets in the plan and measure the results. After this, the performance shall be examined by the evaluation committee. Though, as mentioned earlier, museum activities are interrelated and complementary to each other, public interest might be concentrated in specific activities : exhibition and education. A manager in the national museum has said that :

“Exhibition and education are more visible to the public and easier for measurement of performance than collection and research activities. Accordingly, we fear that the former activities are given priority to the

Figure 4. Employees by function in British Museum

Function	1998	1997
Care, research and authorship	446	456
Conservation	90	95
Exhibition	156	164
Education	32	30
Visitor Services	184	180
Fund raising and publicity	18	19
Merchandising	92	94
Management and administration of the Museum	120	119
	<u>1,138</u>	<u>1,157</u>

Source : British Museum Account 1997-98, HC 1092.

latter in evaluating the performance. Surely research activity is central to understanding of collections and supports other activities.”

Third, staff in the SIACs will be able to give instruction or advice to other museums if these functions will be defined in the specific law. On the other hand, managers indicate difficulty in introducing PRP. The national museums are organised by field or item than organised in accordance with main functions, while the British Museum is to some extent organised by function or activity (see Figure 4). For example, in case of exhibition, an exhibition is usually implemented in a team that consists of staff in related fields and general departments. In addition, many projects including exhibitions spread over three to five years. This causes difficulty in evaluating the chief executive of the IAC, whose term will basically correspond to the period of the middle-range plan. The actual exhibition would not be attributed to the current chief executive, because some exhibitions in the middle-range plan might be planned and prepared in the term of the previous chief executive, and reflected in the current term.

4. Discussions

At present, operating rules are under discussion and consideration among the Head Office of Promoting Public Sector Reforms, MOE and the national museums. Even though the individual IAC's law for museums is enacted, details of operation and management could not be defined ; management matters are left to the individual organisations because of their semi-autonomous character. Accordingly, it is valuable to discuss and investigate the management issues presented prior to implementation.

Financial Management System

First, under the proposed policy, capital expenditures will be granted from the Minister in charge through the government bonds. This may limit the autonomy in providing services because management of fixed assets (capital) depends upon the will or fiscal condition of the central government. In fact, an assistant director of the museum indicated :

“We could not implement an exhibition for two years, since the budget for large improvements to the building was too small to complete the improvement in a year.”

In addition, while all fixed assets other than land are depreciated and operating costs are measured on accrual basis in the financial statements, the amount for depreciation is not granted every year. It basically leads to a negative operating surplus in the profit and loss statement because of the fixed assets having no grants from the governments, even though grants for acquisition of fixed assets are credited to deferred capital grants and expenditure accounts over the useful economic life of the

assets. Hence, the financial statement might be misleading. Of course, the government seeks to achieve its public spending objective by planning and controlling the public borrowing through issuing bonds. In this controlling perspective, it makes sense that the central government has funding discretion on capital expenditures for IACs. Thus there is a trade-off between ensuring autonomy and controlling in management of IACs.

Further, measurement problems have appeared in establishing IACs. According to the proposed policy, fixed assets should be capitalised and be included in the opening balance sheet at current cost. While it is not easy to value buildings and facilities at current cost because corporate accounting in Japan employs a historical based principle, valuation of art collections in museums is by far difficult. Though all collections including donations are booked at acquisition or estimated cost in compliance with the Commodity Administrative Law, it is inappropriate that the current cost is measured at price indexed or replacement cost.

In order to cope with the measurement problem, national museums have proposed the practice that all collections remain owned by the government and rented at no charge. In this case, the collections purchased would be donated to the government and then trusted to the organisation (museum). This resolution may escape the valuation problem. However, the organisation which does not own its primary operating assets is not only unnatural but also somewhat contrary to the intended objective of ensuring autonomy in management, i. e. it could be viewed that the organisation just acts in behalf of the central government, not independently. Accordingly, so far there is no solution for harmonising autonomy and operational flexibility.

Performance Management System

Performance measurement and evaluation are less developed in museums. There are no agreed or established standards for evaluating performance, though performance or project evaluation in the public sector has recently been mandated by the regulation of the Fundamental Law of Reorganisation of Central Ministries and Agencies in 1998. However, as indicated earlier, the Basic Law of IACs asks them to set targets for efficiency in operation, quality of services, and improvement of financial management. Accordingly IACs have to develop their performance management systems. The adoption of accrual-based accounting could help them to evaluate the results in efficiency and financial management, since accrual-based accounting could produce more reliable cost data and comprehensive view of fiscal conditions than cash-based accounting.

Therefore the remaining issue is how to measure and evaluate the quality of combined service. Exhibition and education seem to be measured by the number of visitors for exhibitions and lectures respectively. But many high quality exhibitions and lectures do not always attract a high volume of visitors. On the other hand, the qualities of collection and research activities are hard to evaluate objectively. This does not mean that museum activities are unable to be evaluated in quantitative terms, but just that the quantitative measurements may be only a part of the overall evaluation. A director of national museum stated that :

“Owing to the integrated nature of collection, exhibition, research and education activities in addition to non-commercial character inherent in art, measurement and evaluation of the performance is very difficult.

Consequently we would like to employ a qualitative measure to evaluate the museum's performance, especially professional judgement on activities. In this regard, we hope that the professionals in art and the persons having experiences in museums will join the evaluating committee."

The above belief⁽²⁾ unfortunately does not bring forth a counter-argument against the mandatory requirement for evaluation. Firstly, peer evaluation is a closed control system within professionals; professional accountability is just a necessary condition for public accountability. Secondly, professional judgements are not always consistent⁽³⁾. Thus there exists a tradeoff between performance evaluation and governance or accountability.

Organisational and Personnel Management Systems

By contrast to large-scale museums like British Museum, the national museums are operated with limited resources. This character naturally leads to the organisational structure in which staff or employees basically have responsibility for multiple functions (see Table 1 and Figure 5). Many researchers implement exhibition, preservation and education activities other than research and authorship. It makes it difficult to operate the individual performance related pay (PRP); the performance by function is the integrated result of many staff efforts and

(2) This belief is also found in the Scotland's National Museums and Galleries in the UK. See National Audit Office (1995).

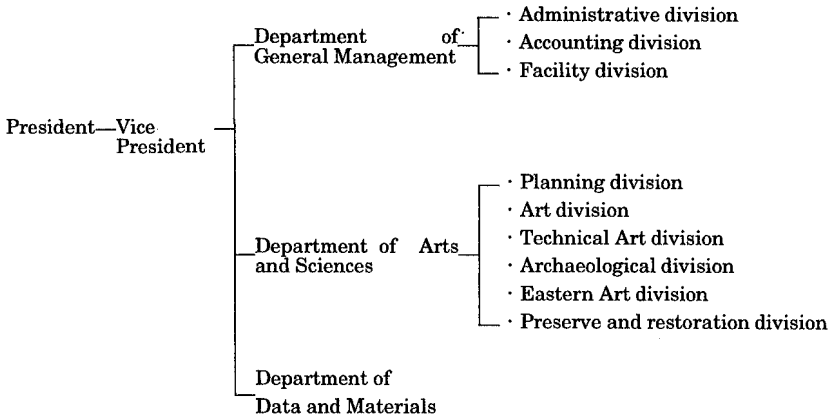
(3) For example, though five art commentators respectively were asked to select the five best exhibitions in 1998 in the Asahi Newspaper (2 December, 1998), the exhibitions which were selected from more than two commentators were just five among twenty five exhibitions chosen.

Table 1. Comparison between Tokyo National Museum and British Museum

Item	Tokyo National Museum	British Museum
Establishment	1872	1753
Budget	\$ 47,444,000	\$ 117,777,000
(Staff costs)	(\$9,264,000)	(\$43,670,000)
Staff	136	1,138
Visitors	0.873 million	3 million
Legal status	department of MOE	non-departmental public body

Sources : Tokyo National Museum (1998), Annual Report 1997–98 ; British Museum (1998), British Museum Account 1997–98, HC 1092.

Figure 5. Organisation Structure of Tokyo National Museum



it is impossible to compare the staff's individual performance among the same function. In practice, when an employee has multi-task, it could be argued that the incentive for the task whose performance is difficult to measure should be weaker than other tasks (Holmstrom and Milgrom, 1991).

Moreover, since the fund for PRP in museums shall be financed through the efficiency savings or increased visitor fees, this might conflict with improving the quality of services. Accordingly, performance-based organisational and personnel management has a risk of demotivating

employees and deteriorating performance.

5. Conclusions

We have investigated the changing process in which the national museums are being transformed into the Independent Administrative Corporations (IACs), adopting the transition model developed. As a result, it was shown that the characteristics in which the performance is difficult to measure objectively and the activities are much interdependent have produced some conflicts as the obstacle factor in the innovative process, especially in the design and implementation stages. Although the decision making for transition to IACs, i. e. agencification, was done outside the museums, external and internal actors have interacted at the design stage. The museum staff have mixed feelings about agencification: expectancy in increasing autonomy on one side and fear in decreasing financial assistance on the other side.

The complicated belief among staff has not yet turned to clear understanding or acceptance of agencification. Instead three conflicting issues have appeared at this stage. First, there is a conflict between financial control by the central government and financial autonomy from the government in granting funds for capital expenditures. Second, performance evaluation by peer reviews might not be compatible with public accountability through democratic control, because of the closed system and inconsistency of evaluation. Third, performance-based organisational and personnel management such as PRP does not necessarily lead to improved performance. Although aims of museums are to collect, preserve, exhibit, research and educate, it is unable to perfectly

measure any activities in quantitative terms.

The above problems are common to other countries where public sector reforms have been developed in accordance with NPM, while it should be noteworthy that agencification for national museums in Japan was created to prevent privatisation or agencification of national universities. NPM has some deficiencies, as many commentators (Hood, 1991; Lynn, 1998; Frederickson and Johnston, 1999) have noted. In particular, its customer-oriented principle could weaken the social capital (Putnam, 1993). Despite the limitations, we can not ignore the idea that public services are provided for members of the public as customers. Museums funded by public money have to inspire and excite visitors to the fullest extent through integrated activities. It is therefore necessary to harmonise strengthening public accountability and autonomy, developing the performance management system for museums whose character is a combined public service by professionals in art. Also we have to refine the interactive staging model by applying to agencification in other services.

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AGENCIFICATION OF NATIONAL MUSEUMS IN JAPAN

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The new public management (NPM) has spread around the world. Agencification, which is a separation of government into policy and execution functions, is not exceptional. While the process of organisation change differs among countries and services, many studies for innovation in the public sector have considered the transition collectively, i. e. a change from traditional administration to public management. This paper develops a new interactive staging model for organisational transition. The model divides the public services into four types in terms of interdependency and measurement objectivity of the composed activities, and also it considers interactions between internal and external actors of the organisation in the initiation, design and implementation stages. The new model is applied to agencification of the national museums in Japan, which is the transformation of cultural organisations providing a service composed of multiple activities.