

# **SUCCESS NONETHELESS**

**Making public utilities work in small-scale  
democracies despite difficult social capital conditions.**

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## ABSTRACT

A large part of the study of politics is dedicated to identifying the circumstances under which democracy will flourish. Putnam made a major contribution to this field through his concept of social capital as developed in *Making Democracy Work*. Putnam found that communities with a high number of civic associations –i.e. social capital- had a better chance of developing an effective style of democratic government.

This definition of social capital sparked much subsequent research and policy activity. It is argued here, however, that this work ignored the immediate needs of societies which do not have the required stock of social capital. There is still little guidance available on how effective government can be achieved even if the right societal circumstances are absent.

This thesis hopes to find inspiration from government agencies that were successful despite their challenging social capital conditions. It specifically looks at sixteen public utilities on the Caribbean islands of Aruba, Curacao and St. Kitts between 2005 and 2009. The thesis then systematically investigates the relationship between the performance of the agencies and the behaviour of their senior officials.

It emerges that in the absence of social capital, governance is in these cases mainly hampered by a deluge of irrelevant data. Successful utilities overcame this flood by constantly upgrading the quality of information, implementing a strict yet inclusive style of governance, and allowing strong leaders the space to translate words into actions. These outcomes suggest that social capital forms an important tool for ordering information, and that, in its absence, there are still alternative strategies available to secure success nonetheless.



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# 1. INTRODUCTION: SCOPE FOR PERFORMANCE

## 1.1 INTRODUCTION

The fate of societies and their governments intertwined. Academics and policy makers have long sought to understand how the attributes of a people translate to the form of government that arises and survives. In particular, they have explored which key social levers can increase the success rates of democracies.<sup>1</sup>

One branch of this research focussed on which societal conditions are conducive to the flourishing of democracy. Prominent scholars such as Huntington, Fukuyama and Sen explored whether formerly authoritarian societies could be remade into democratic communities, and how democracy could be maintained in societies where it was already established.<sup>2</sup> This concern also extended to countries that have been longstanding members of the club of democracies, and asked whether on-going societal changes would have an impact on the endurance and effectiveness of democratic government.

These efforts generated a long list of conditions that are deemed essential to the prosperity of democracy; ranging from social cohesion and civic traditions to stocks of interpersonal trust and active civil societies.<sup>3</sup>

This thesis does not aim to identify further conditions for democratic success. Rather it wants to document how democratic governments can perform well even if

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<sup>1</sup> B. Gilley, 'Democratic Triumph, Scholarly pessimism', *Journal of democracy*, vol. 21, no. 1, January 2010, p. 160-167.

<sup>2</sup> S. Huntington, *The third wave: Democratization at the end of the twentieth century*, (University of Oklahoma Press, Norman, 1991). F. Fukuyama, *The end of history and the last man*, (Free Press, New York, 1992). A. Sen, 'Democracy as a universal value', *Journal of Democracy*, 10.3, 1999, p. 3-17.

<sup>3</sup> G. Goertz and H. Starr eds., *Necessary conditions: theory, methodology and applications*, (Rowman and Little Field Publisher, Lanham, 2002), p. 7.

their societies do not meet the ideal requirements. Specifically, it investigates how democratic governments can be effective in delivering public services, even if the socio-cultural circumstances are adverse to democracy itself.

The thesis hereby responds to one of the most influential modern theories of democracy; social capital theory as developed by Robert Putnam in *Making Democracy Work*.<sup>4</sup> Based on a comparison of regional governments in Italy, Putnam found that a high number of civic associations, or a stock of social capital, correlated with the good performance of the regional government in question.<sup>5</sup> He argued that the interactions of citizens in the civil sphere go on to shape the relations with the government. Put simply, the egalitarian associations of Florence nurtured an effective style of democracy, whereas the hierarchical relations of Sicily leave the community prey to damaging forms of political patronage.

Putnam's work sparked much activity amongst scholars and policy makers alike, prompting both frantic study of the effect of social capital and work to bolster civic associations. However, most of this activity focussed on how social capital can be built over long periods of time, and not on how democratic governments can be made to perform even if social capital is absent. As a result, the social capital literature provides little guidance for societies that need good government today, and do not have the luxury of waiting for social dynamics to change.

This thesis takes three societies, the Caribbean islands of Aruba, Curacao and St. Kitts, that arguably lack this important asset of extensive social capital. And indeed, many parts of their governments were struggling to perform in such challenging socio-

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<sup>4</sup> B. Gilley, 'Democratic Triumph, Scholarly pessimism', *Journal of democracy*, vol. 21, no. 1, January 2010, p. 160-167.

<sup>5</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993).



cultural circumstances. However, some parts of their administrations were able to achieve success nonetheless. These exceptions serve as the inspiration for this research.

The thesis evaluates the performance of sixteen local government-owned utilities. It employs a range of analytical tools to identify the successful agencies and dissect the roots of their exceptional performance. The thesis specifically looks at the behaviour of the senior officials responsible for the governance of these utilities.

### *Overview of chapter*

This chapter presents an overview of the entire thesis. All of the elements discussed here will be revisited later in more detail. The theory of social capital is introduced briefly, and its limitations are examined. The research question on how democracies can be effective service providers in the absence of social capital is generated from this lacuna in the literature, followed by a short discussion of the key terms in this question. The subsequent paragraphs cover the scope and relevance of the project. Lastly, the structure of the thesis as a whole is outlined.

## **1.2 SOCIAL CAPITAL AND ITS UNANSWERED QUESTIONS**

The main tenets of Putnam's concept of social capital will be introduced here, as his work marks the departure point of this thesis. A full literature review will be presented in chapter 2. In *Making Democracy Work*, Robert Putnam presents the results of a twenty year study of regional governments in Italy. He and his co-researchers compared the performance of the regions and concluded that, on average, the Northern regions outperformed their Southern counterparts. Putnam then compared the regions on various dimensions which could potentially explain this performance gap. Putnam found that the pattern of social associations within a region is the most important determinant of

government performance. This effect was even more significant than the economic circumstances.<sup>6</sup>

In Putnam's definition, social capital evolves around the structure, nature and expectations of relations within society. From a structural point of view, social capital is made up of the civic associations connecting the different factions and groups within society. These associations bind together the different groups of the community, but also make up the bridges between them.<sup>7</sup> However, associations are only counted as civic if they have the right nature, i.e. egalitarian and geared towards the common interest.<sup>8</sup> These relations will then foster positive expectations of cooperation amongst citizens. On the whole, positive experiences gained in civic associations generate trust in collective action, which eases the work of government. Negative experiences gained in 'uncivic' associations undermine trust in collective decisions.<sup>9</sup>

The strength of Putnam's concept of social capital is that it accumulates the individual experiences of citizens into a society-wide account of government success. This makes it both a micro- and macro-theory of democratic performance. It allows us to connect a neighbourhood conflict about a garbage dump in Naples to a wider narrative about the failures of governance in Southern Italy. Moreover, by finding a link between the number of civic associations and government performance, social capital can be measured relatively easily. A simple count of the civic associations within a community would give an indication of its social capital.

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<sup>6</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 173-176.

<sup>7</sup> D. Narayan, *Bonds and Bridges: Social Capital and Poverty*, (World Bank, Washington, 1999).

<sup>8</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 173-176.

<sup>9</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 167.

Putnam's theory was therefore engaged in much subsequent research, meeting with both high praise and heavy criticism in the process.<sup>10</sup> Prominent institutions including the World Bank and the European Union extended their research scope to include surveys on social capital in a wide range of communities.<sup>11</sup> Putnam's concept of social capital has been the dominant paradigm on the socio-cultural conditions for democracy in the last two decades; either as research agenda to pursue, or as the orthodoxy to attack.<sup>12</sup>

However, this thesis arises from the conviction that, in spite of all of this activity, a question already raised in *Making Democracy Work* has still not been addressed satisfactorily. At the end of the book, Putnam relates how one ambitious regional leader from the South was exasperated by the research results, exclaiming: 'This is a counsel of despair! You're telling me that nothing I can do will improve our prospects for success. The fate of the reform was sealed centuries ago.'<sup>13</sup>

The core of Putnam's concept is that a community's history shapes the structure and nature of the relationships between its members, which will in turn determine the performance of its government. Moreover, as the introduction of the government bodies in Italy demonstrated, new organisations will usually be absorbed into the old mould. In this argument, the better performance of the North can be traced to the legacy of the Renaissance city republics, while the problems of the South relate to the medieval feudal practices. This strong emphasis on historical determinism, means that

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<sup>10</sup> Empirical work: C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693. H. Flap and B. Volker, *Creation and returns of social capital: A new research program*, (Routledge, London, 2004). Collection of criticisms and responses: R. Putnam, 'Robert Putnam Responds', *The American Prospect*, no. 25, March-April 1996, p. 26-28.

<sup>11</sup> World Bank, *Overview: Social capital*, <http://go.worldbank.org/C0QTRW4QF0>, (retrieved 23 March 2011).

<sup>12</sup> B. Gilley, 'Democratic Triumph, Scholarly pessimism', *Journal of democracy*, vol. 21, no. 1, January 2010, p. 160-167.

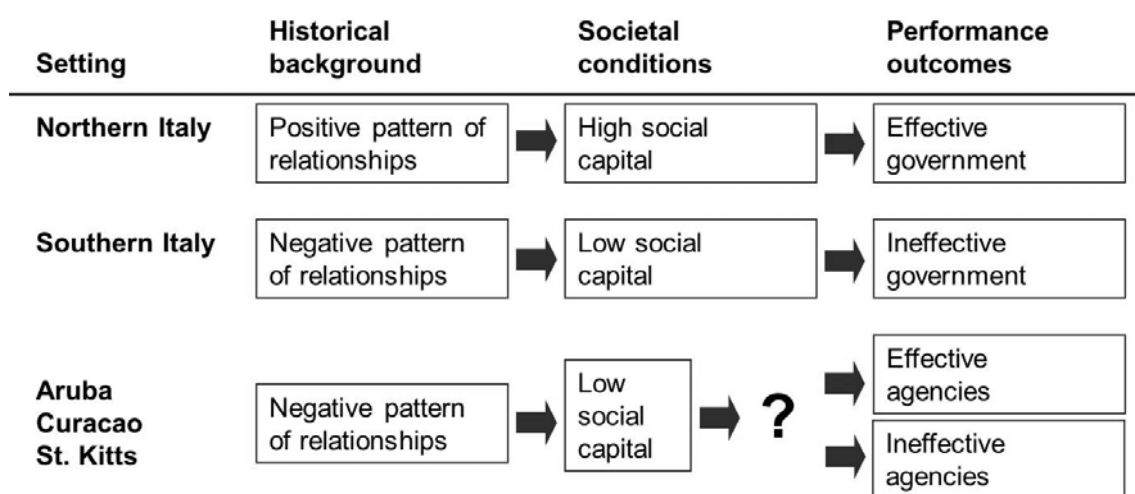
<sup>13</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p.183.

communities without social capital are left with little else than the heavy hand of history weighing them down.

Putnam was aware of this limitation, but merely advises that ‘[t]hose concerned with democracy and development in the South should be building a more civic community, but they should lift their sights beyond instant results.’<sup>14</sup> This change could then take several decades to be effected. However, several decades is a long time in the life of a citizen waiting for adequate government services, let alone in the life of a politician hoping for re-election.

This is where this thesis starts. It explores how societies without a strong social fabric, can achieve effective service delivery today, rather than wait for decades of slow societal change. It looks at societies that would be destined for ineffective government, as their prevalent pattern of relationships does not correspond to the social capital conditions as detailed by Putnam. The aim of thesis is then to identify clusters of public service provision within these societies that are creating value for their citizens nonetheless. The research design then aims to identify the mechanisms that made the difference between success and failure. This is summarized in the figure below.

**Figure 1 Research question framework**



<sup>14</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 190.

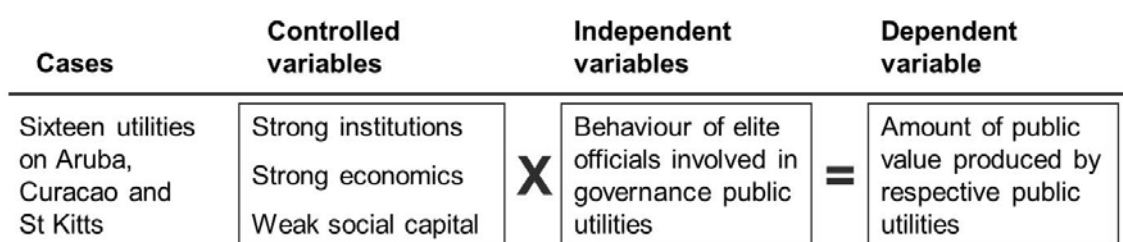
### 1.3 RESEARCH QUESTION AND DEFINITION OF TERMS

The central research question reads as follows: *How do the senior officials responsible for government-owned public utilities on Aruba, Curacao and St. Kitts in some cases manage to create public value despite apparently adverse social capital conditions?*

The units of analysis are formed by sixteen public utilities on the small Caribbean islands of Aruba, Curacao and St. Kitts. These government organisations are responsible for public services vital to the community, such as the disposal of waste, generation of electricity and maintenance of the airport. They are set in societies which, due to their size and history, apparently do not conform to the prescribed social capital conditions. Still, there is evidence that at least some of these sixteen organisations were still performing effectively, and the question is how they achieved this success.

The dependent variable in this research design is the amount of public value the utilities produced. The controlled variables are the institutional, economic and social circumstances of the public utilities. This entails that the social capital circumstances should be difficult, whereas the institutional and economic circumstances may not be so poor that the government failure could be ascribed to these two factors alone. The independent variables, which will hopefully explain the variation in performance, are the actions of the elite officials responsible for the utilities. This configuration of variables is summarized in the figure below.

**Figure 2 Variables studied**



The more detailed questions that arise from this research design -Which officials? Which public utilities are successful? - will be explored and defined in later chapters.

For now, the discussion will address the more fundamental issues underlying this research question: What is government success? Why study small-scale democracies? Why evaluate public utilities?

### **1.3.1 Defining government success**

It is notoriously hard to define and measure success in democratic government. Indeed much debate remains surrounding the definition of democracy itself. However, as Dahl observes, the general form of democracy has acquired distinguishing features.<sup>15</sup> Free and competitive elections are considered the defining element of democracy, although depending on the scholar, further requirements such as rule of law, division of power, free media or civil society may be added to the mix. The important question here, however, is not when a government can be called a democracy, but when a government can be called a successful service providing democracy.

The challenge for defining success in this context is the duality of citizen's demands. Individual citizens could be argued to have two conflicting desires: Efficiency and fairness. On one hand, people expect the government to deliver its services quickly and cheaply. For example, citizens do not want an ineffective police service or to pay excessively high taxes. On the other hand, they have expectations of how these services are delivered. They do not want the police to unnecessarily intrude and they do want the government curb tax evasion.<sup>16</sup>

The problem is that there is a tension between these efficient outcome and fair process demands. Strongly put, a citizen will try keeping the state out of his or her house and wallet as much as possible, but will also demand an effective service from 'cradle to grave'. Government success has thus become a function of both outcomes and

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<sup>15</sup> R. Dahl, *On Democracy*, (Yale University Press, London, 2002), p. 7.

<sup>16</sup> M. Moore, *Creating public value: Strategic management in government*, (Harvard University Press, Boston, 1995).

process. To qualify as successful democracies, governments have to provide certain services, but also have to follow certain procedures. This requires a careful balancing act when assessing the degree of success of governments, as Putnam had to do as well when making his assessments of the regional governments of Italy.

For public utilities, the subject of the thesis, one of the ways of dealing with this conundrum was to separate government service delivery into autonomous public enterprises. These organisations could supposedly focus solely on the task at hand as they were isolated from political turbulence. This idea has recurred in different forms since the late nineteenth century; Whettenthal, for example, traces it back to the way the Australian railways were managed around the 1880s.<sup>17</sup> The central idea of ‘creating managerial space’ also emerged in the turn-of-the-century Progressive era in the United States.<sup>18</sup> This era introduced a dichotomy between the political and administrative sphere. And still more recently, the World Bank concluded that in such state-owned enterprises, the government should set the strategic objectives, whilst the management should have managerial control.<sup>19</sup>

Next to autonomous service delivery, the concept of a successful service providing democracy has also been influenced by comparisons to the private sector. Several movements, most recently New Public Management, have argued that the delivery of public services would be improved by adopting practices based on those used in commercial organisations, or what were thought to be private sector practices.<sup>20</sup> In this paradigm, public enterprises were deemed successful into the extent they were able to mimic commercial organisations, i.e. create satisfied customers and deliver high

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<sup>17</sup> C. Hood, ‘New Public management’, *International dictionary of social science*, (Elsevier, London, 2001), p. 12553-12556.

<sup>18</sup> E. Overman, ‘Public management’, *Public Administration Review*, vol. 44, 1985, p. 275–278.

<sup>19</sup> R. Ramamurti, ‘Controlling state-owned enterprise’, in R. Ramamurti and R. Vernon, *Privatisation of states owned enterprises*, (World Bank, Washington, 1991).

<sup>20</sup> C. Hood, ‘Public service managerialism: onwards and upwards, or "Trobriand cricket" again?’, *The political quarterly*, vol. 72, no. 3, 2001, p. 300-309.

returns to shareholders. This led to thinking about citizens as clients or even customers of the state, moving public administration closer to the realm of business and efficiency.<sup>21</sup>

However, such a focus on output and bottom-line results clashes with the fair process demands also placed on governments. A tax agency is not supposed to make all of its customers happy and the police service will be criticized if it is seen to maximise returns by handing out more fines. Although the public utilities examined in this thesis have often aimed to mimic private organisations, their performance will still be measured in terms of both efficiency and fairness.

This is why Putnam himself looked at both outcome and process when measuring the success of the Italian regional governments. He aimed to capture diverse aspects of government success, looking at such diverse indicators as the legislative process, economic policy and quality of childcare centres. Problematically though, his specific indicators are difficult to translate to the Caribbean public utilities examined in this thesis.<sup>22</sup>

This provides scope for introducing a further concept of government success that was introduced in the mid-1990s as an answer to the narrow perspectives of New Public Management; The concept of public value as developed by Moore. This measurement framework places the tension between outcome and process at its very core. The public value method calculates the success of a government by measuring the benefits provided by the government and then subtracting the sum of liberty and private gains forsaken.<sup>23</sup>

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<sup>21</sup> C. Hood, 'The New Public Management in the 1980s', *Accounting, Organisations and Society*, vol. 20, no. 3, 1995, p. 93-109.

<sup>22</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993)

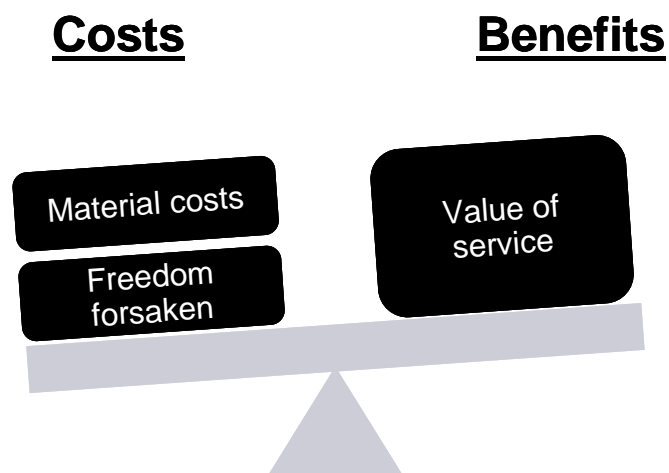
<sup>23</sup> M. Moore, *Creating public value: Strategic management in government*, (Harvard University Press, Boston, 1995).



For example, a citizen sacrifices part of his income to pay the police in the form of taxes and forsakes his right to retaliate against an enemy directly. In return, however, the police will prevent acts of violence against him. If the costs of this protection are lower than the gains of the subsequent security, the police system could be said to add public value.

Success in Moore's model is thus measured on two axes; costs versus gains. The costs are the material sacrifices (taxes, tariffs, loans taken on by the community) plus the restraints accepted (appointing someone else to choose the best for the collective). The gains are measured in terms of the value of the services (utilities, protection, welfare) provided. The figure below captures this weighing of costs and gains.

**Figure 3 Weighing public value**



This conceptualization of government success is not without its critics. The main criticism is directed towards its supposedly utilitarian nature. Public value could be held to come down to 'the greatest good for the greatest number' in the spirit of Bentham, where the few suffer for the benefit of the many. For example, 60% of the island might get excellent electricity supply while the rest is cut off. In this view, the suffering of those left out cannot be compared or weighed against those benefitting.

This criticism is fair and should be remembered when reviewing the public value of the different utilities. However, it should also be emphasized that public value is

measured from the perspective of the average individual citizen. The production of public value is not a matter of simple maximisation of utility. Providing a great service to only a share of the population will not be counted as a high score in terms of public value. Even if only a minority suffers high costs, their losses will discount the benefits experienced by the rest, resulting in an overall low value.

Public value could also be criticized for being too prescriptive in terms of the procedural indicators of success it measures. According to Metzger its emphasis on involvement and information introduces an undue cultural bias on how government should work.<sup>24</sup> Yet denying any similarities in people's preferences across cultures is also not without controversy.<sup>25</sup> It is probably true that different societies have different definitions of what involvement and representation means. However, it is also likely that the costs of a poor water supply or benefits of long term planning of infrastructure are more universal in nature. This might be also a good reason to opt for the study of such concrete services as public utilities when creating a research design.

### **1.3.2 Small-scale democracies and social capital**

The reason for choosing small-scale democracies as the research setting also needs to be explained. Dahl and Tufte argue that small size could actually be beneficial to the survival of democracy.<sup>26</sup> However, small size does not necessary mean that the small Caribbean islands examined here are effective democracies. Moreover as will be demonstrated in Chapter 4, Aruba, Curacao and St. Kitts failed the basic prescriptions of Putnam's social capital theory supposedly required for effective government.

The core of Putnam's definition of social capital is that the right type of structure, nature and expectations of relations need to occur within a community in order for its

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<sup>24</sup> T. Metzger, *The Western concept of civil society in the context of Chinese history*, (Hoover Institution of War, Revolution and Peace, Stanford, 1998).

<sup>25</sup> B. Barry, *Culture and Equality: An Egalitarian Critique of Multiculturalism*, (Harvard University Press, Cambridge, 2001).

<sup>26</sup> R. Dahl and E. Tufte, *Size and democracy*, (Stanford University Press, Stanford, 1973).

democracy to prosper. The three islands did not conform to these standards. Firstly, the structure of the relations on the islands is severely limited by the size of the community, ruling out the singular, objective connections envisaged by Putnam. With populations between 35,000 and 138,000 people, these countries are considered small even within the family of micro-countries, which the Commonwealth considers to be all polities with less than 1.5 million inhabitants.<sup>27</sup>

In these islands, the communities are so small that everyone is related to everyone in several ways; your next door neighbour could simultaneously be your cousin, tax inspector and business competitor. The literature and respondents covered in this thesis report that these convoluted connections were detrimental to performance.<sup>28</sup> This would mean that the type of relations deemed necessary by social capital theory are not present.

The nature of the relations is also subject to a certain claim by the history and culture of these islands. If the Norman feudalism engendered associations with a strongly hierarchical nature in Southern Italy, centuries of colonialism, slavery and institutionalized racism may have done the same in the Caribbean. Primary and secondary sources discussed in this thesis do indeed point to worrying behaviour of leaders and an overall high incidence of patronage.<sup>29</sup>

Apart from their poor social capital circumstances, these islands are also good testing grounds because the other environmental factors were relatively benign to democracy. Although this research design focuses on the socio-cultural conditions of

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<sup>27</sup> World Bank and Commonwealth Secretariat, *Small States: Meeting challenges in the global economy*, (Commonwealth Secretariat, London, 2000).

<sup>28</sup> S. De Smith, *Microstates and Micronesia: Problems of America's Pacific Islands and Other Minute Territories*, (London, University of London Press, 1970). G. Baldacchino, 'Human Resource Management Strategies for Small Territories: An Alternative Proposition', *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>29</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006). V. Stolcke, 'The Slavery Period and its Influence on Household Structure and the Family in Jamaica, Cuba, and Brazil', *Family Systems and Cultural Change*, 1992, p. 248–261.

democratic government, it does not ignore the effects of institutional or economic realities. It would not be surprising if a very poor country was unable to deliver high-quality services or a state without an effective justice system was swamped with corruption. By investigating states that struggle on all fronts, the influence of the socio-cultural circumstances is not isolated and cannot be satisfactorily assessed. It is important to realize that the research design does not look for failed states, but democracies failing to perform. As will be explored in chapter 4, Aruba, Curacao and St. Kitts all have relatively strong institutional systems and benign economic circumstances.

There also disadvantages to selecting these three islands polities. There are some differences between them that might trouble the comparison of the utilities. For example; both Aruba and Curacao are still countries within the Dutch Kingdom, whereas St. Kitts is independent. The Arubans by majority consider themselves descendants of indigenous Indians or Europeans, whereas the inhabitants of Curacao by majority self-identify as black. These differences and their impact on the comparison will be addressed specifically in the methodology and description of the islands.

However, what matters most is that these countries shared the characteristics most significant for this research design. They combined poor social capital conditions with strong institutional and economic circumstances. Most importantly, they were comparable at the level of analysis employed here; the delivery of public utilities.

### **1.3.3 Public utilities and public value**

The basic unit of analysis is formed by sixteen government-owned public utilities. These were the organisations responsible for managing the airport, collecting waste or providing electricity, etc. All of them were in government hands, be it as a department

within the civil service, or as nominally private corporations owned by the government.

The different utilities are listed in table below.

**Table 1 Lists of cases**

Aruba	Curacao	St Kitts
Airport	Airport	Air- & seaport
Seaport	Seaport	Electricity
Bus transport	Bus transport	Water
Electricity & water	Electricity & water	Waste management
Electricity distribution	Oil distribution	
Waste management	Waste management	

There are three reasons why the delivery of public utilities is of special relevance to this research question. Firstly, the governance of utilities demands a lot of any democratic government: good policy relies on long-term decision making an integration of political desires with technical expertise, respecting the rules of good governance and constantly appeasing a demanding public.<sup>30</sup> This is a challenge for any political system and a reasonable performance could credibly be presented as a success.

Secondly, there are reasons to assume that the wider social dynamics associated with poor social capital will appear with increased intensity in these public utilities. For a start, even though the public utilities were often nominally separated from the government, they were still part of the wider societal dynamics. As Mutch et al have shown, ‘organisations do not somehow float in a neutral “environment” but [...] their actions produce and reproduce the world that they inhabit.’<sup>31</sup>

Moreover, these public utilities possessed several key resources that made them the main prize in the political game on the islands. The research focuses on the interaction between the responsible minister, the civil servant in charge of the utility and the intermediary officials, such as directors of the board, auditors, etc. If one of the

<sup>30</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009), p. 21.

<sup>31</sup> A. Mutch, R. Delbridge and M. Ventresca, ‘Situating Organisational Action: The Relational Sociology of Organisations’, *Organisation*, vol. 13, no. 07, September 2006, p. 607-625.

actors seized control of the utility, they could also access the organisation's considerable revenues, labour force or policy instruments.

From the viewpoint of the political actors, the utilities could be excellent tools for vote-winning strategies, be it through genuine policy improvement or servicing of specific individuals and constituencies. The executive agencies might also become patrons, dedicating large parts of their resources to continuous rent-seeking in order to safeguard their exceptional position in the utility market.<sup>32</sup> Actors would thus be expected to invest heavily in controlling these utilities. Accordingly, the patterns of patronage and political infighting could be expected to show up with increased intensity.

Thirdly, comparing public utilities offers some clear methodological advantages. Due to their separation from the rest of government and the concrete nature of their services, it is to some extent more feasible to give a measurement of their performance than other types of government services. The nominally more distinct separation between the political and executive sphere found at the utilities should also make it easier to observe the interaction between the different actors.

Naturally, measuring and comparing different utilities also comes with its own problems. Differences between the types of product might influence the outcome, and one can never be sure to observe all the relevant variables. These concerns and their impact on the relevance and scope of this project will be addressed more specifically in the methodology chapter.

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<sup>32</sup> A.O. Krueger, 'The Political Economy of the Rent-Seeking Society', *American Economic Review*, no. 64, 1974. M. Khan, and K. Jomo eds., *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*, (Cambridge University Press, Cambridge, 2000).

## 1.4 RELEVANCE AND SCOPE

### *Relevance*

According to the advice of King, Keohane and Verba, any research exercise should pose a question important to the real world and make a contribution to an identifiable scholarly literature.<sup>33</sup> The real world ambition of this thesis is mainly to identify the pathways for a struggling society to create public value. Rather than looking overseas at what changes would be theoretically required to improve the system, this thesis will explore what practical solutions have been developed locally. The thesis focuses on making the system work, rather than proposing a continuous cycle of change.

One local respondent framed the potential added value of this thesis as such: ‘*A relatively suitable system of governance has now been put in place and seems to look alright. [...] It is now the challenge to move beyond the formal structures. What we need is strategies for the politicians to exert their rightful influence over these utilities in a way which is both effective and proper.*’<sup>34</sup>

From a scholarly point of view, this thesis is quite modest in its ambitions. It does not claim to overthrow existing theories, but rather hopes to bring forward new information by systematically applying a range of analytical tools. In sum, the thesis aims to make three types of contributions:

- Systematically analyze the conditions for success in public enterprise performance, aiming to move beyond the older public administration literature on public enterprises both in the theoretical framework employed and the analytical method used.

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<sup>33</sup> G. King, R. Keohane, et al., *Designing social inquiry: scientific inference in qualitative research*, (Princeton University Press, Princeton, 1994), p. 15.

<sup>34</sup> External actor 16

- Help to fill a key gap in social capital theory, by adding new information to the literature on the performance and behaviour of bureaucrats in supposedly poor social capital environments.
- Link the literature on social capital with that of public management, aiming to connect the grander social theory to the practical realities in a comparative small-island setting.

### *Scope*

Strictly speaking, any research project should contribute through either testing existing hypotheses or generating more theorems on the basis of empirical observations. Yet as Gerring argues, ‘there is no obvious point of entry for a work of social science, no easy way to navigate between what we know (or think we know) and what we would like to know out there in the empirical world.’<sup>35</sup> This thesis could indeed be said to stem from a dual core, responding both to a literature and an empirical anomaly. However, it ultimately opts to generate new thoughts rather than testing theories.

Potentially, the thesis could also have formulated a few narrow hypotheses from social capital theory and then tested them on the sixteen cases. However, this would have meant that that existing theories would have been used in an attempt to explain events these same theories did not anticipate. It would be using social capital theory to explain a manifestation of government success which social capital theory would not have predicted.

Therefore this research project is a theory-extending exercise. The empirical anomaly is investigated while absorbing as many of the behaviours as possible and then reconnect the conclusions to the theory. This should generate the richest amount of data. If this project was set up as a theory-testing exercise, simply checking boxes, the

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<sup>35</sup> J. Gerring, *Social science methodology: A critical framework*, (Cambridge University Press, Cambridge, 2001), p. 22.



insights would have been seriously limited by the theoretical framework chosen beforehand. In order to still remain connected to the scholarship, the thesis begins with an in-depth analysis of the social capital literature. This also provides a proper disclosure of the concepts that may have influenced the research design. Moreover, the observations will be compared and linked to ideas within the literature at various points in the analysis.

The scope so selected still places several limitations on the research design and its possible relevance. As this thesis limits its scope explicitly to small-scale democracies, an obvious caveat would be that the outcomes might not apply to larger communities.

Moreover, this thesis does not analyse the performance of democracy as a whole, instead it measures the success of sixteen specific organisations within the public sphere. The nature of these organisations, all public utilities, might also be distinctly different from government activities such as tax collection, education or policing.

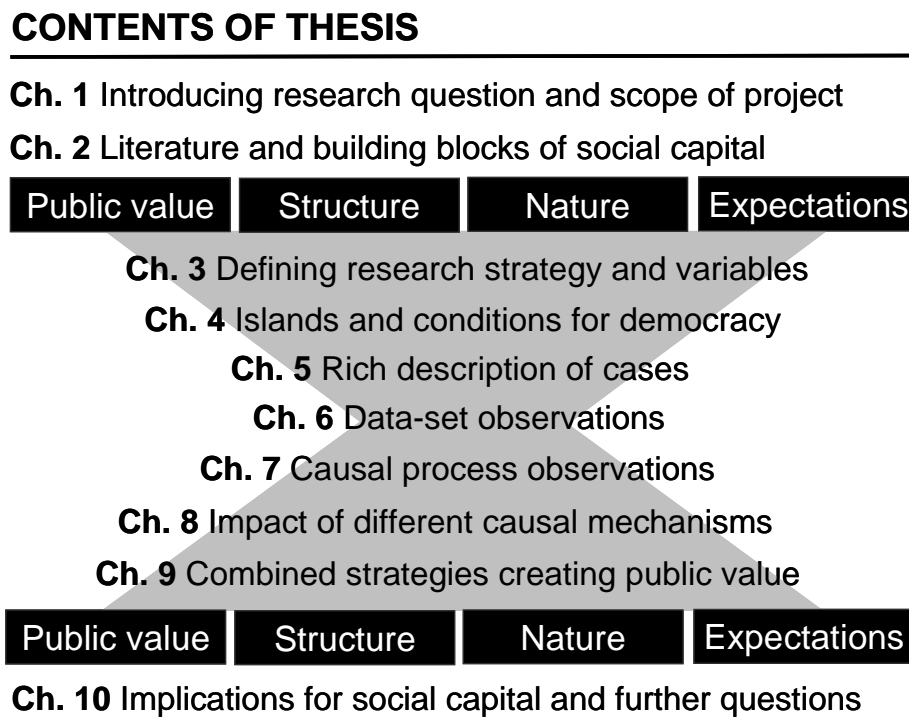
A final limitation is that the research focuses on the elite interactions, rather than the whole organisation. The actions of these officials may be influenced by larger movements at the shop floor level or within the other circles of society, yet those spheres are outside the scope of this thesis. Although the thesis does respond to a theory with universal implications, the outcomes of this research project will have to be considered in a more modest light.

## **1.5 STRUCTURE OF THESIS**

The thesis is structured like an hourglass. Although it consistently tracks the same key components of social capital, the analysis first narrows and then widens as it progresses through the thesis. The exercise starts from a broad discussion of the relevant literature and then narrows down towards the specific situation studies, first zooming in on the islands and then the selected utilities. After the data is presented, the analytical scope

widens again to consider the dynamics at these utilities within the political field, and is completed by a broad discussion on the possible implications of the research outcomes for the literature. The structure is presented in the figure below and briefly discussed in the following paragraphs.

**Figure 4 Structure of thesis**



The literature review (Chapter 2) further explores the concept of social capital. It dissects its mechanism into three chief components: the structure, nature and expectations of relations within a community. Putnam makes specific prescriptions for how each of these three elements should be filled in if a community is to be awarded a high social capital status. The chapter also surveys some strategies that have already been suggested in the literature for the best management of public agencies in challenging circumstances.

The methodology chapter (Chapter 3) details the research strategy to first identify and then understand the success stories amongst the sixteen utilities. The method is principally based on a comparison of the sixteen cases, measuring their performances

and identifying key differences between the high and poor performing utilities. The data is mainly drawn from 107 interviews, and supplemented through the use of a wide variety of data sources. The final part of the chapter deals with the definition of the variables, and scrutinises the components of structure, nature and expectations of relations from different angles. This approach is then applied throughout the thesis.

The empirical exploration begins with a consideration of the conditions of democracy on Aruba, Curacao and St. Kitts (Chapter 4). On the basis of existing sources, it is argued that the institutional and economic conditions are relatively positive for democracy. However, these same communities miss the cross-cutting and egalitarian ties as prescribed by social capital. Social capital theory can therefore explain many of the shortcomings of the local governments, but not their successes.

The sixteen case studies are first introduced through a rich description outlining their general dynamics (Chapter 5). It is argued that apart from the difficulties faced by all public utilities the world over, these organisations face specific challenges that may well make their mission impossible.

Narrowing the scope of analysis considerably, the data-set observations (Chapter 6) examine the countable characteristics of the utilities. Most importantly, this chapter measures which of the utilities were adding public value and which were not. In addition, it looks at various characteristics of the structure, nature and expectations of relations. Interestingly, it emerges that the best and worst performers look very much alike, bearing more similarities to each other than to the mediocre utilities. This suggests that the key to success is not a simple linear relationship of increasing one variable, but on a more complex interaction.

Chapter 7 deals with this complexity by widens the scope again and looking at the most important mechanisms at work in the governance of the utilities. It explores the

processes that jointly exhaust the significant differences whilst remaining mutually distinct from each other. This chapter identifies six such key processes. These include, different ways of sharing knowledge between the actors, the influence of the dominant player, the degree to which rules are observed and certain management mentalities prevail.

The fuzzy-set Qualitative Case Analysis (Chapter 8) assesses whether any of these mechanisms, or a combination of mechanisms, actually have a positive effect on performance. Dividing the sixteen cases amongst different sets, it aims to find the characteristics shared by the successful utilities.

The discussion (Chapter 9) takes a final look at the important mechanisms, aiming to find the critical differences between benign and malign behaviours. This scrutiny brings out the important differences between the best and worst performers, two sets of cases which otherwise, misleadingly, can appear alike. The successful utilities use the strict governance rules as a tool for actor inclusion, rather than exclusion, and constantly work to upgrade the information available. By contrast, the failing utilities would use the governance rules to exclude actors and aimed to stifle the flow of information.

The concluding chapter returns to the social capital literature and summarises the contribution this study makes to that body of work (Chapter 10). It argues that in the absence of social capital, policy formation is mainly hampered by a combined deluge of information and misinformation. However, this chapter will summarise how, in spite of challenges, actors generated strategies to make democracy work nonetheless. This may pose some questions to the current understanding of trust as used in social capital theory. These conclusions are then translated to some specific questions for further research.

## 1.6 CONCLUSION

This research project does not aim to completely undermine social capital theory. Rather it aims to provide new evidence on how democracy can function even if the societal circumstances are challenging. This study aims to so shed new light on the mechanisms of democracy and social capital.

The data presented here mainly suggests that social capital plays a pivotal role in the structuring of the flow of information. In an ideal world, societal connections work like a system of channels bringing together a large pool of information. A strong dam of rules lets through only the relevant facts, which then power the policy process.

These channels and restraints seem to be missing when social capital is absent. As a consequence, a flood of information and disinformation washed over the policy fields. This hampers decision-making and progress. Technocratic conceptions of governance have ignored this data deluge and alternative forms of governance have been sought and found. Some public officials managed to create a governance style which combined both the high aspiration of the ideal world with the realities of their local circumstances. They combined an inclusive style of governance which involved as many people as possible, while still rigidly adhering to the formal rules of the game. They continually upgraded the knowledge available to all the actors, without ignoring the flood of gossip. To achieve this, strong and well-equipped individuals are essential, yet their impact is only beneficial when surrounded by a strong system.

Together, these various behaviours created an alternative arrangement of government, not mirroring a well-built dam, but rather a delta of connections. This style may sometimes look messy and unstable. Yet by addressing the inherent tensions within these societies they were still able to generate success nonetheless.

## **2. SOCIAL CAPITAL THEORY: FAILURE TO EXPLAIN SUCCESS**

### **2.1 INTRODUCTION**

#### *Purpose of chapter*

This chapter will present an overview of the concept of social capital as it is understood today. It will then dissect social capital theory, exploring its ideas about the structure of relationships in a society, the nature of these connections and the positive expectation about cooperation that could be produced. Despite the great scholarly activity on social capital, it is argued here that the current literature has two faults.

Firstly, by positioning social capital as a necessary condition of government success, the literature fails to explain why some governments do manage to perform in spite of dire circumstances for social capital. Secondly, as Putnam himself conceded, by emphasising the historical determination of social capital, the concept becomes merely an instrument to diagnose the health of a democracy, rather than a potential tool to cure it. The first fault makes the concept theoretically vulnerable, the latter fault practically inadequate.

#### *Content of chapter*

The chapter opens with a detailed discussion of the concept of social capital. Its composite elements of expectations, structure and nature of relationships are discussed

separately. This is followed by a discussion of the lacuna in the current literature, and asks how pervasive negative patterns of relationships can still allow for effective government performance to occur. Finally, the review discusses some connected research work which might be of relevance to this project.

## **2.2 EXPLAINING PERFORMANCE THROUGH SOCIAL RELATIONSHIPS**

At the beginning of *Making Democracy Work*, Putnam asserts that in the study of politics, government success can be approached from three perspectives. Firstly, through exploring the institutional design that orders the different powers within a polity; an approach most famously championed by Montesquieu. Secondly, in describing the socio-economic mechanisms governing the distribution of wealth; an analytical perspective exemplified by the work of Marx. And finally, by charting the socio-cultural pattern of relations and beliefs within society; as explored by the likes of Tocqueville.<sup>36</sup>

Social capital is the latest reincarnation of an age-old concern with the nature of relationships in society. Tocqueville describes the cultural stock of U.S. American communities that allowed its democracy to flourish. Hume demonstrates the need for a commonly held trust to stimulate farmers to cooperate in collective action situations.<sup>37</sup> Bourdieu describes how the nobility of France used network connections to maintain their privileges.<sup>38</sup> Coleman suggests that this resource could also be used by the less privileged, and has found that coalition opportunities are made possible through effective social capital management.<sup>39</sup>

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<sup>36</sup> R. D. Putnam, R. Leonardi, and R. Y. Nanetti, *Making Democracy Work* (Princeton University Press Princeton, NJ, 1993).

<sup>37</sup> D. Hume, *A treatise on human nature*, (Clarendon Press, 1978).

<sup>38</sup> P. Bourdieu, 'The Forms of Capital', in J. Richardson, *Handbook of theory of research of the sociology of education*, (Greendwold Press, 1986), p. 241-158.

<sup>39</sup> J.S. Coleman, 'Social capital in the creation of human capital', *The American Journal of Sociology*, vol. 4, 1988.

Putnam's contribution is to frame social capital as the collective property of society. In his definition, social capital refers to 'the collective value of all "social networks" and the inclinations that arise from these networks to do things for each other.'<sup>40</sup> Putnam benchmarks high or low stocks of social capital by comparing the quantity of civic associations, such as trade unions, football clubs or environmental groups. He finds a positive correlation between the number of civic associations and governmental performance in the different regions of Italy. Subsequent research across other national settings confirms that social capital does indeed play an important role in the success of government agencies.<sup>41</sup>

Putnam points to strategic interactions to explain the mechanics of social capital. At the end of *Making Democracy Work*, he discusses social capital in reference to the 'Tragedy of the Commons' – a scenario whereby commonly held grazing land is overused as no farmer can control the other players' flocks; they all fear losing income if they restrain their own flocks and as a result, the land is overgrazed and everyone suffers.<sup>42</sup> Putnam argues that if the shepherds had enough interpersonal trust built up through previous positive interactions with each other, i.e. social capital, they would have been able to resolve this dilemma.

Boix captures this strategic element by stating that 'social capital is, at its core, a set of institutionalized expectations that other social actors will reciprocate a cooperative overture. This expectation generates cooperation by convincing otherwise uncooperative actors to undertake those overtures in the first place.'<sup>43</sup>

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<sup>40</sup> R. Putnam, *Bowling alone*, (Simon & Schuster, New York, 2000).

<sup>41</sup> S. Kähkönen, *Does Social Capital Matter in Water and Sanitation Delivery?: A Review of Literature*, (World Bank, Washington, 1999).

<sup>42</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993).

<sup>43</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.



These expectations are shaped by the prior positive experiences of the actor within other relationships. The likelihood of cooperative overtures will only increase, however, if these experiences stem from positive relationships, a point frequently overlooked in the literature. While the amount of connections is usually used to measure social capital, it is the nature of relations which determines whether they contribute to a stock of interpersonal trust. Bad experiences will not translate to positive expectations.

The mechanics of social capital can therefore be divided into three components: The first element is the structure of connections across society, the number and spread of the web of associations connecting people together. The second element considers what kind of connections these are, detailing whether these associations are of a hierarchical or equal nature. The third element is degree of positive expectations which are produced by participation in these connections.

### **2.2.1 Structure of relations**

Putnam's contribution lies in his causal claim about the link between government performance and the amount of connections present in a society. At first glance, one would think that the more connections present, the better. However, social capital theory as understood by Putnam is specific to the structure of connections it finds valuable.

The literature distinguishes between bonding and bridging social connections.<sup>44</sup> Bonding capital refers to the relationships inside a group that creates cohesiveness within pockets of society. For example, a network of Turkish immigrants in the Netherlands based around a mosque. The latter refers to connections spanning across different factions in society. For example, a school board bringing together parents from both Turkish and Dutch origins.

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<sup>44</sup> D. Narayan, *Bonds and Bridges: Social Capital and Poverty*, (World Bank, Washington, 1999).

This emphasis on bridges links to the seminal article by Granovetter on the effects of ‘weak versus strong ties.’ Granovetter juxtaposes close and strong connections, like family ties and factional membership, with more distant or weak associations like professional associations or sport clubs. An overdose of strong ties within a polity will stifle cooperation as actors will try to please only their own factions. If there is also an abundance of ‘weak ties’, people would also have ways of dealing with relative strangers and the outcomes would be more beneficial on the whole.<sup>45</sup>

This means that so-called factionist connections are not considered civic. This stipulation rules out bonding connections that tightly bind together family groups, like the *Cosa Nostra* in southern Italy. In game theory terms, these groups can form a cartel in game situations and deploy zero-sum strategies that harm the overall collective.

Both bridging and bonding capital are therefore necessary for a functioning democracy, although they do have a slightly different role. In short; bonding capital is what everyone needs to get by in everyday life, but it takes bridging capital to exert influence in a democratic government.<sup>46</sup>

### **2.2.2 Nature of relations**

Beyond the structure of these relationships, Putnam emphasizes to an even greater extent the importance of the *nature* of civic associations. According to him, a relationship can be only qualified as conducive to democracy if it is based on an equal footing. Rather than a vertical relationship between a powerful patron and a dependent client, it needs to be a horizontal relationship between two equals. This is the essential difference between the histories of the North and South of Italy; the distinction between

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<sup>45</sup> M. S. Granovetter, ‘The strength of weak ties’, *The American Journal of Sociology*, vol. 78, no. 6, 1973, p. 1360-1380.

<sup>46</sup> D. Narayan, *Bonds and Bridges: Social Capital and Poverty*, (World Bank, Washington, 1999).

a king handing out favours in Naples and an elected senate held accountable by its citizens in Florence.

Putnam stresses the nature of the relationships because he goes on to argue that the nature of the dominant relationships in a society acts as a blueprint for its associations. If the experience of relationships is positive, as it was for the citizens of northern Italy, people will begin associations with a favourable view of cooperation. This increases the chances of successful cooperation and decreases the need for costly control measures.

Unequal relations negatively influence the expectations citizens bring to collective action problems, increasing the occurrence of counter-productive strategies and heavy controls. This explains why vertical relationships have a negative impact on the performance of democracies, whereas those associations that draw upon horizontal designs go on to help governments perform.

These theorems were later substantiated through several empirical reports. Pattioni, for example, shows how abundant vertical relationships in a polity undermine the fairness in the distribution of wealth. Patrons only reward the obedient, while simultaneously striving to keep all their clients dependent on them.<sup>47</sup>

This means that unequal relationships are not considered to be part of the social capital stock because of their hierarchic nature. In this category, ties like owner-slave and patron-client are dismissed as 'uncivic'. More controversially, this also discounts Roman Catholic connections, as Putnam deems their network asymmetric and distinctly unequal. The layman is totally reliant on the elevated priest, whereas Protestant communities are more egalitarian. Before Putnam, Huntington also theorized that liberalization from the Catholic Church was a powerful engine of the third wave of

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<sup>47</sup> S. Piattoni, 'Clientelism, interests, and democratic representation', in S. Piattoni ed. *Clientelism, interests, and democratic representation: The European experience in historical and comparative perspective*. (Cambridge University Press, Cambridge, 2001).

democratization.<sup>48</sup> However, this discounting of Roman Catholic relations is not without its opponents, especially when considering its contributions made in terms of schooling or further exploring whether all Protestant arrangements are in fact egalitarian. This question will therefore be revisited in Chapter 5 when assessing the relations on the different islands.

Overall, the importance of the nature of the connections means that measuring social capital is not merely a matter of counting the lines between the members of the community. One must also assess the nature of the relations to determine whether they constitute a civic connection conducive to democratic decision-making.

### **2.2.3 Expectations of relations**

According to the theory of social capital, the positive experiences in civic associations create a reservoir of positive expectations about cooperation, or trust, which benefits the effectiveness of democracy. As Przeworski observes, the outcome of democratic processes is inherently uncertain, which means that players need to have some faith that the result of cooperation will be better for all.<sup>49</sup> Positive expectations mean that people are likely to agree to collective decisions and this reduces the need for costly controls.<sup>50</sup> According to Fukuyama, social capital thus helps governments to perform by significantly reducing the transaction costs of societal interactions.

For example, in the case of delegating policy execution, as is done by a minister to public servants, social capital helps to solve the principal-agent problem. The minister, the principal, has the mandate from the electorate to manage the administration. However, due to a lack of time and expertise, the daily running of the government is handed over to civil servants, the agents. A high stock of social capital

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<sup>48</sup> B. Gilley, 'Democratic Triumph, Scholarly pessimism', *Journal of democracy*, Vol. 21, No. 1, 2010.

<sup>49</sup> A. Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*, (Cambridge University Press, Cambridge, 1991).

<sup>50</sup> F. Fukuyama, *Trust*, (Free Press, New York, 1995).

means the minister delegates from a position of trust and will see less need to constantly check on the civil servant, allowing the civil servant to work more efficiently. Moreover, as the society is well connected, the information on the civil servant's performance is more likely to flow back to the minister, allowing for the correction of any mishaps.

On the whole, when comparing the role of social capital in a democracy versus the role of institutions and economics, it emerges that social capital plays a pivotal role in determining whether collective action problems are resolved. One could argue that whilst institutional design and socio-economic factors structure procedures and the nature of problems, social capital determines whether actors will choose to work together to solve the problems.

## **2.3 FAILURE TO EXPLAIN SUCCESS**

### **2.3.1 Reception of social capital**

The launch of this concept of social capital, and its subsequent application to the USA in *Bowling Alone*, sparked a great amount of scholarly and policy activity.<sup>51</sup> Putnam's arguments have been tested in many research projects, and indeed, many reviews of polities around the world confirmed his ideas. However, the concept also encountered a range of critiques.

Initial reactions by scholars like Boix and Posner focused on the missing links in the causal model, arguing that social capital gave too little insight into how exactly high social capital translated into government performance at a macro-level.<sup>52</sup> However, this was mainly friendly criticism, aimed towards strengthening the concept. The idea that civic associations were important to good government was rarely challenged explicitly.

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<sup>51</sup> R. Putnam, *Bowling alone*, (Simon & Schuster, New York, 2000).

<sup>52</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

However, a more fundamental critique of social capital argued that it discounted possible negative effects of strong networks. Portes argued that strong social norms and networks could also enforce inefficient or malign social practices, such as oppression or dangerous behaviours. It could be argued that organised crime was also a form of social capital. Part of this strand of criticism focuses on the supposed conservative nature of social capital. George W. Bush, for example, took the lament about community decline in *Bowling Alone* as a cue for the restoration of old-fashioned values and Compassionate Conservatism. This fed the image that a resurrection of social capital meant a return to a nostalgic view of the 1950s.<sup>53</sup>

These thoughts on the tyranny of social capital have some legitimate foundation. However, some of these critiques were based on too readily labelling all connections within society as civic associations. As discussed, Putnam is quite specific about which forms of relationships are helpful and which not. For example, because of its hierarchical and factionist nature, an organised crime family would not be considered to be part of social capital

This loose application does point to a wider problem caused by the popularity of social capital theory. Woolcock concludes that social capital has become a victim of its own success. Its uptake across disciplines and areas meant that many people have distorted or removed essential features from the concept. As a result ‘the collective panoply of micro and macro measures of ‘social capital’ - and their correspondingly eclectic theoretical moorings - has led many critics to accuse social capital theory (or the concept of social capital) of having become all things to all people, and hence nothing to anyone.’<sup>54</sup>

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<sup>53</sup> The Economist, ‘Preparing America for compassionate conservatism’, *The Economist*, 27 June 2000.

<sup>54</sup> M. Woolcock, *The place of social capital in understanding social and economic outcomes*, (World Bank, Washington, 2007), p. 11.

In conclusion, it could be argued that almost twenty years after the publication of *Making Democracy Work*, the concept of social capital may not have taken over the whole stage, but at least forms the part of the backdrop to many studies into the effectiveness of government. Some of these scholars will take up the concept wholly, whilst others criticize vehemently, but all have at least referred to it.

### **2.3.2 An unaddressed question**

Social capital arguably became famous because its emergence as a popular concept coincided with the tidings of its demise as a societal characteristic. After developing the concept in *Making Democracy Work*, Putnam went on to conclude that social capital was on the wane in the United States in his subsequent book called *Bowling Alone*. This suggested that the social fabric holding society together was disintegrating. The warning was later connected to an increasing concern with a perceived erosion of trust in democracy amongst citizens.<sup>55</sup>

This disappearance of trust is so problematic because Putnam argues that there is no alternative to social capital in order to achieve success. When Putnam first reported his findings back to local government leaders in Italy, one official from a Southern region therefore called Putnam's findings 'a counsel of despair'. What can a polity with negative relationship patterns and subsequent low social capital do to still achieve good government?

The current concept condemns societies with low social capital to the stranglehold of history. Putnam does not show any route to quickly change the nature of the relationship patterns, as he contends that social capital stocks are rooted in centuries of civic experiences. This means that the differences between northern and southern Italy are caused by pre-1000 AD divergences in social organisation and are not likely to

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<sup>55</sup> P. Blind, *Building trust in the government in the twenty-first century: Review of literature and emerging issues*, (UNDESA, Vienna, November 2006).

change overnight. This provides little guidance for policy makers interested in good government performance in the short term, rather than waiting for history to alter its course.

In the follow-up work on social capital, *Democracies in Flux*, Putnam does include the account of Perez-Diaz on the creation of social capital in late-Franco Spain. Perez-Diaz details how civil society was able to emerge by fostering a web of positive relationships at the micro-level.<sup>56</sup> This shows how over the course of decades negative relationships can be turned into positive ones and subsequently create social capital. However, this details how social capital can be generated if it is absent, not how government effectiveness can be secured when social capital is absent. In the mean time, the citizens are stuck with an underperforming government.

This problem has two aspects: It raises the question of whether social capital can be generated more quickly, and whether good performance is possible despite a lack of social capital. Much research has been done to address the former question. However, this research project focuses on the latter and seeks to find out if societies can sidestep history and find a short-cut to government success.<sup>57</sup>

### **2.3.3 Empirical exceptions**

The three islands of Aruba, Curacao and St Kitts studied in this research project had, as will be demonstrated in Chapter 4, an excess of negative relationships. Their small communities fostered an overabundance of ‘strong ties’, and were often segregated along racial or political lines. Moreover, the islands have a history of strongly unequal forms of social relationships, such as slavery, colonialism and racism.

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<sup>56</sup> R. Putnam, *Democracies in flux: The evolution of social capital in contemporary society*, (Oxford University Press, Oxford, 2002).

<sup>57</sup> For research into creating social capital see, for example: J. Onyx and P. Bullen ‘Measuring Social Capital in Five Communities’, *The Journal of Applied Behavioral Science*, vol. 36, no. 1, 2000. R. Rose, ‘Getting things done in an antimodern society: social capital networks in Russia’, in P. Dasgupta and I. Selgadin, *Social Capital: A Multifaceted Perspective*, (World Bank, Washington, 2000).

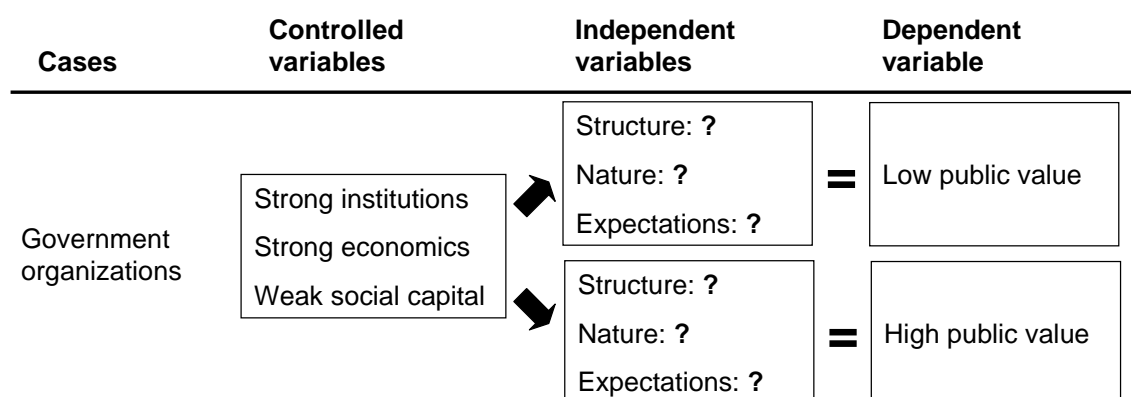


Indeed, as predicted correctly by Putnam’s theory, most political interactions replicated the entangled and hierarchical style of associations from the past. As will be discussed, the islands arguably possessed relatively strong institutions and economies. However, organisations such as UNICEF, World Health Organisation and Transparency International all pointed to specific fields where the governments were failing to deliver the services expected of such otherwise stable and affluent democracies.

However, as will be shown in later chapters, some policy fields did seem to be performing. Looking at the public utilities, several of the organisations achieved recognition for their operational excellence through ISO-certification. Some operated with considerable success in the fiercely competitive Caribbean tourist market. How did these policy fields escape the curse of negative relationships? How did they achieve success nonetheless?

The current concept of social capital is useful for describing how positive circumstances lead to successful government performance and how negative circumstances lead to government failure. However, the standing theory is not able to explain satisfactorily the ways in which government success can be created *despite* challenging social circumstances. There is no insight in how the structure, nature and expectations of relations can be handled differently in these circumstances in order to achieve success. This summarized in the figure below.

**Figure 5 Missing steps to success**



The lack of a narrative for success in poor social capital conditions represents both a theoretical challenge for academics and a practical hole for policy makers. This study of how some senior officials bridge the gap between low social capital and high performance, aims to locate and reveal lessons that can be integrated in the concept of social capital and possibly replicated across other settings.

## **2.4 POINTERS FOR PERFORMANCE IN LITERATURE**

Much has been written on public management, but little on management in these specific circumstances. A brief review of the most important literature highlights which doctrines currently describe the connection between social relations and performance. However, few seem to fill this gap in social capital theory.

### **2.4.1 Structure of relations**

Much has been written on the different positions actors should take within society and its government. Aristotle described a division of labour between the demos, aristocrats and monarch. Montesquieu followed with a further separation of power between the legislator, judicator and executive. Given the focus on public utilities in this research project, the focus is here on the structure of relationships close to service delivery on the executive side of government, rather than the design of the entire democratic state. This is also where Putnam centres his research on when working with social capital.

#### *Dictate of distance*

As was discussed when looking at the definition of government success, the question of whether service delivery organisations should be put at arm's length of politics has been visited frequently in the public management literature, especially when looking at public enterprises. In its latest reincarnation, these thoughts are captured in the ideas of Osborne and Gaebler, who argue that government officials should focus on steering the

ship of state, rather than rowing down in the galleys.<sup>58</sup> For example, a minister should simply set the goals for an energy policy, but leave the management to implement it. This puts the politician at arm's length of the actual business of public administration. This functional split between politicians and civil servants remains a powerful ideal, whether cast as a split between strategy and operations, leadership or management or any other juxtaposition.<sup>59</sup>

This idea of arm's length control could also be combined with the practices of the private sector and in the power and wisdom of the market. For example, Downs and Larkey observes an application use of private sector practices under city managers in the late nineteenth century United States.<sup>60</sup> In a more recent incarnation during the 1990s, New Public Management, public service organisations were likened to businesses. The central government was merely to act as the shareholder or the market regulator and leave the execution to other parties. The board of directors would act as a buffer between this shareholder and the management, thereby creating the desired distance.

Ultimately, the dictate of distance relies on a rather simplistic representation of public administration as a chain of singular principal-agent relationships. This ignores the political reality in favour of business analogy. Firstly, in the case of many poor social capital environments, a lack of distance is exactly the problem. As discussed, Granovetter argues that it is the overdose of strong ties that make policy fields malfunction. Putnam adds that it will take generations to break such patterns. Politicians are likely to want to be more involved if all social pressures are heightened. Preaching an ideal does not equate to providing a solution.

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<sup>58</sup> D. Osborne and T. Gaebler, *Reinventing government: how the entrepreneurial spirit is transforming the public sector*, (Adison-Wesley, Reading, 1992).

<sup>59</sup> R. Ramamurti, 'Controlling state-owned enterprise', in R. Ramamurti and R. Vernon, *Privatisation of states owned enterprises*, (World Bank, Washington, 1991).

<sup>60</sup> G. Downs and P. Larkey, *The search for government efficiency*, (Temple University Press, Philadelphia, 1986).

Secondly, a simplification of government consisting of a chain of principal-agent relations does not do justice to the rich and densely populated field of modern policy-making. Building on the work of Boscken, Talbot argues that these systems should be more properly defined as a multi-principal-agent relationship.<sup>61</sup> For example, a government-owned airport, is not only controlled by the political shareholders, but also supervised by commercial airlines, traveller representatives and international aviation authorities. Just because the governance arrangements are not simple, does not mean they are ineffective. Talbot describes them as a governance regime, rather than a singular command structure, where different parties add up to a safeguard of the diverse interests at stake.

### *Good governance*

The concept of regime points to the other powerful paradigm on the structure of relationships, namely that of good governance. Stemming from a concern for effective supervision, good governance relates to the correct positioning of the relevant governance actors and ensuring that they all play their part in governing the agencies.

Grindler, a prominent author in the field, declares that good governance is mainly about improving the ‘rules of the game’ for effective government performance.<sup>62</sup> This has given rise to detailed descriptions of the roles and responsibilities of the different actors in a policy field, including the owners, board of directors, auditors, customers, community groups, etc.

The problem with this concept of good governance is that it tends to amount to a set of normative rules, rather than effective instruments rooted in reality. It reasons from

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<sup>61</sup> H. Boscken, ‘Organisational performance and multiple constituencies’, *Public Administration Review*, vo. 54, no. 3, 1994., p. 308. C. Talbot, *Theories of performance*, (Oxford University Press, 2010).

<sup>62</sup> M. Grindler et al., *Challenging the state: Crisis and innovation in Latin America and Africa*, (Cambridge University Press, Cambridge, 1996).

a very sterile view of the political arena. Many states nominally comply with all the good governance rules on paper, yet their day-to-day behaviour is very different. Just because a community group is entitled to a voice by the rules of the game, does not mean it has influence. The problem is that good governance describes the formal world and does not take into account the gritty reality of power relations.

Rodrik argues that this gap between theory and reality is even larger when transplanting good governance across cultural settings. ‘Effective institutions [...] emerge through local political processes of bargaining, experimentation and interaction between state and society, public and private actors, and formal and informal institutions. Attempts to leapfrog this process by transferring Western institutional models from rich to poor countries often fail because these institutions operate in an entirely different social and political context.’<sup>63</sup>

O’Donnell tries to reintroduce a sense of realism through his concept of horizontal accountability. He too focuses on the positioning of actors in governance, yet points out that it is the friction, rather than the smooth cooperation, that keeps the system in check. This calls for constant vigilance to guard against informal effects like corruption and encroachment to keep the system healthy.<sup>64</sup>

#### **2.4.2 Nature of relations**

Beyond the structure of connections of society, the existing literature on the nature of these connections must also be assessed. In this respect, the current literature can add insight into the content of the relationship and the special role for leaders.

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<sup>63</sup> S. Unsworth and M. Moore, ‘Upside-down governance’, *Global Insight*, first quarter 2011, p. 27.

<sup>64</sup> G. O’Donnell, ‘Horizontal accountability’, in A. Schedler et al., *The self-restraining state: power and accountability in new democracies*. (Colorado, Lynne Rieder, 1999).

### *Types of relations*

Rather than a more sociological view on relationships, a competing view looks mainly at the connection in terms of the equality of resources. Borrowing from economics, it is the field of game theory perspectives which have done much to probe the nature and consequence of relationship patterns.

Herreros, for example, creates an interesting application of the principal-agent concept in low trust environments. He shows how the exchange of resources from the agent to the principal for information can be the driving force in building cooperation.<sup>65</sup> For example, a relationship between a civil servant and his minister is in this view about the minister signing off on the budget for policy and salaries in return for progress reports from his civil servants. This closely relates to Miller's work on credible commitment, whereby a smooth cooperation between principal and agent is secured through good information exchange.<sup>66</sup>

In this focus on the content of the exchange, style may matter as much as substance. One approach would be to look at the form of accountability that is being created. Talbot cites the inquest into the Challenger disaster, which reveals the competing forms of accountability that were present between officials and departments.<sup>67</sup> Accountability can be of a bureaucratic, professional, political or legal nature, the specific form may influence what kind of outcomes result. Not all of these forms are beneficial to the development of trust and sharing information. A strictly legal form of accountability can limit the scope of information that agents dare to share about the successes and mistakes.

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<sup>65</sup> F. Herreros, *The problem of forming social capital: Why trust?*, (Palgrave Macmillan, London, 2004).

<sup>66</sup> G. Miller, 'Above Politics: Credible Commitment and Efficiency in the Design of Public Agencies', *Journal of Public Administration Research and Theory*, vol. 10, no. 2, 2002, p. 289-328.

<sup>67</sup> C. Talbot, *Theories of performance*, (Oxford University Press, 2010).

*Dominant parties: Leaders and elites*

Although unequal relationships are deemed to have a negative effect on society, the role of dominant individuals may also be positive. Some research illuminates how certain actors, be it leaders or change agents, can make a political system work despite low trust.

Rose, for example, describes how a few key individuals facilitated cooperation between the veto-players in post-Soviet Russia to ensure the realisation of government performance.<sup>68</sup> This would connect to Peter's famous study from *Good to Great* into selfless 'level 5' leaders who really make the difference. Klijn sums up this view on the overarching importance of senior leaders with the title of his inaugural lecture; *It is the management, Stupid!*<sup>69</sup>

Elites could have a transformative impact on society as a whole. While trying to explain the democratic turn-around of Spain after Franco, Perez-Dias shows how grass-roots action by elites during Franco's final years provided a head start in the social capital endowment.<sup>70</sup> They formed new associations creating pockets of social capital.

Friedrich Hayek also hints that the rise of an extended order, a collection of individuals across society supporting certain rules, could lead towards a new era of trust and equality.<sup>71</sup> Boix also attaches value to this explanation and points to the role elites go on to play in governing the social structure of the state. He suggests that elites could function instead as a third party arbitrator in conflicts, thereby building the resilience of the democratic system.<sup>72</sup>

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<sup>68</sup> R. Rose, 'Getting things done in an antimodern society: social capital networks in Russia', in P. Dasgupta and I. Selgadin, *Social Capital: A Multifaceted Perspective*, (World Bank, Washington, 2000).

<sup>69</sup> E.H. Klijn, *Inaugural lecture*, (The Hague, Lemma, 2008).

<sup>70</sup> R. Putnam, *Democracies in flux: The evolution of social capital in contemporary society*, (Oxford University Press, Oxford, 2002).

<sup>71</sup> F.A. Hayek, *Individualism and economic order*, (University of Chicago Press, Chicago, 1948).

<sup>72</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

However, elites do not have a flawless track record in maintaining democratic governance. O'Donnell shows that the 'praetorian elites' of Latin America provided powerful backing to military regimes at the expense of democracy.<sup>73</sup> Looking at organised groups of citizens, Hirschman notes that too much input from a vocal minority in society can actually hamper performance: too many chiefs never did a tribe much good.<sup>74</sup>

Either way, good leaders do not materialise out of thin air; they need to be found, groomed and supported. Although one great leader may do a lot of good work, it will take clusters and generations of good leaders to guarantee effective policy-making in such a long-term game as utility management.

### **2.4.3 Expectations of relations**

Positive expectations of cooperation, or stocks of trust, are the final element of social capital. It should be carefully examined before looking for the consequences of its absence. It is possible to conceive of either a substitute for trust or finding another route to cooperation.

#### *Transparency*

A possible alternative for positive expectations might be transparency, whereby governments fully disclose how they arrive at their decisions and deliver their services. Moore pleads for such 'public deliberation', arguing that government officials will be able to forge broad coalitions within society if they inform and motivate the public.<sup>75</sup> However, Heald and Hood conclude that good decisions and great transparency are not necessarily interdependent.

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<sup>73</sup> N. G. Bermeo, *Ordinary people in extraordinary times: The citizenry and the breakdown of democracy*, (Princeton University Press, Princeton, 2003).

<sup>74</sup> A. O. Hirschmann, *Exit, voice and loyalty*, (Harvard University Press, 1970).

<sup>75</sup> M. Moore, *Creating public value: Strategic management in government*, (Harvard University Press, Boston, 1995)



This echoes other critiques of transparency, such as Fung, Graham and Weill who have demonstrated the negative consequences of full disclosure in the public sector.<sup>76</sup> When looking at several case studies in the United Kingdom and United States, Tsoakas actually finds that '[m]ore information may lead to less understanding; more information may undermine trust; and more information may make society less rationally governable.'<sup>77</sup> Roberts goes on to argue that the more information is published, the more its correctness will be disputed and its contents distrusted.<sup>78</sup> This suggests that earning trust is not simply a matter of providing full transparency. It seems that for extra information to be useful, it requires some additional support and treatment.

#### *Different forms of trust*

It also not completely accepted that positive expectations are always a good thing. When people put too much faith in the rules of society, inefficiency may also occur. Bohnet argues that policy systems do well under either excellent or absent laws. When rules are present, but not really functioning, the partial trust they receive only hampers quick decision making.<sup>79</sup> Similarly, the Olson effect argues that public provision will actually benefit from distrust within segregated societies. In this effect, competing elites will jealously guard the fair distribution of the goods between the different camps.

This raises the question of whether the type or locus of trust can change. In Lijphart's consociational societies, people trust each other within their own religious, ethnic or political subgroup and the respective leaders of the segments. There is little

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<sup>76</sup> A. Fung, M. Graham and D. Weil, *Full Disclosure: The Perils and Promise of Transparency*, (Cambridge University Press, Cambridge, 2007).

<sup>77</sup> H. Tsoukas, 'The tyranny of light : The temptations and the paradoxes of the information society', *Futures*, vol. 29, no. 9, November 1997, p. 827-843.

<sup>78</sup> C. Hood and D. Heald (eds.). *Transparency, the key to good governance?*, (Oxford University Press, Oxford, 2006).

<sup>79</sup> Bohnet, Frey and Huck, 'More order with less law', *Faculty research paper series*, (Harvard University 2006).

trust outside their own groups they anxiously watch each other.<sup>80</sup> In a different spread of trust, Hayek notes that people can decide to put their trust in rules, such as fair procedures, or in ends, like receiving a good share of the value.<sup>81</sup> He argued that in tight-knit networks, the trust would be in ends. This raises the question whether trust may work in a different way in small societies which goes beyond the framework of social capital theory.

## 2.5 CONCLUSION

The concept of social capital is part of a long research tradition concerning the socio-cultural factors that shape government effectiveness. In Putnam's definition, it has been applied successfully across several settings, but this review has revealed the poignant question of how effective governments can be constructed in the absence of society-wide social capital.

The review in this chapter has also brought together some building blocks from other theories which could provide a framework for further testing these strategies. The methodology will have to consider whether they provide enough foundation for the formulation of coherent hypotheses that can be tested or whether the thesis should focus on theory-extending.

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<sup>80</sup> A. Lijphart, *Patterns of democracy: Government form and performance in thirty-six countries*, (Yale University Press, London, 1999).

<sup>81</sup> F.A. Hayek, *The constitution of liberty*, (Chicago University Press, Chicago, 1960), p. 31.

## **3. METHODOLOGY: GRAND THEORIES AND INDIVIDUAL ACTIONS**

### **3.1 INTRODUCTION**

#### *Purpose of chapter*

This chapter deals with the methodology of the thesis. It is necessary to link the grand theory of social capital and the actions of the individual officials at the sixteen public utilities. This poses several methodological challenges which the research design needs to tackle. Most importantly, the analysis should separate successful and failing utilities. The research process should then capture all the relevant individual behaviours displayed by the elite officials in the organisations. Finally, the analytical process has to incorporate a method of causal inference, identifying which behaviours explain performance outcomes. On top of this, while fulfilling all of these demands; the research process should remain as simple and unbiased as possible.

#### *Contents of chapter*

The chapter begins with a discussion of the four fundamental choices underpinning this research design: The choice for exploratory research, the application of comparative analysis, the use of qualitative methods and the selection of the cases.

The next section gives an account of the actual research process followed, detailing the different steps taken and the problems encountered, such that readers understand the research process followed for this thesis.

The third part of this chapter discusses some key challenges in the research design. Firstly, there is the challenge of defining the different variables. A key question here is whether the thesis should adopt a specific conceptual lens to better capture the different behaviours of the officials or whether this would overcomplicate the research design. Secondly, the thesis considers the problems of gathering the data, focusing specifically on the validity of interview data and the research strategy of consilience. Finally, a brief discussion is presented on the merits of the causal inference model used, namely the Fuzzy-set Qualitative Case Analysis, developed by Ragin.

The final part of the chapter introduces the measurement and definitions of the variables used. This starts with the assessment of government performance through the public value framework of Moore. The official's different behaviours are categorised using the key components of social capital –structure of relations, nature of relations and expectations. This will allow for the best integration of the outcomes with social capital theory as a whole.

## **3.2 METHODOLOGICAL AMBITIONS**

### **3.2.1 Exploring versus testing**

At the beginning of this project, the decision was made to design this research exercise as an open exploration, rather than a narrow hypotheses-testing exercise.<sup>82</sup> As discussed in Chapter 1, it would have been possible to set up this thesis as a testing exercise as well. For example, it could have selected several hypotheses on performance management from the public enterprise discourse to see whether they applied in these social capital circumstances.

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<sup>82</sup> See Chapter 1, paragraph 1.4, Scope and Relevance

However, it was felt that the anomaly of this unexpected success warranted a full study. By starting from the empirical data, it is hoped that this method will best reveal the intricacies of the elite behaviour. The expectation is that this will generate the richest amount of data, contributing to the goal of this thesis to add new knowledge to the social capital debate.

Gerring notes that this difference between the confirmatory and explanatory research project is often overstated, as both are part of the scientific method of investigation and tinkering.<sup>83</sup> However, a very real difference is that confirmatory research is always explicit about the theoretical frameworks used, as it actively derives hypotheses from the literature. Exploratory exercises sometimes claim to start without any previous theoretical position, yet may actually make certain assumptions about the direction of causality, scope of actors involved, etc. Any theory brings biases, however not declaring which theories are used may leave the biases undetected.

This thesis therefore aims to apply a scientific rigour in its research design usually associated with confirmatory research. The process started with first dissecting the social capital literature to which it will respond. This theory and its main building blocks of structure of relations, nature of relations and expectations are explicitly marked as the framework used to look at the data.

### **3.2.2 Finding causality through comparison**

The causal inference is driven by a comparative analysis of sixteen public utilities, charting which strategies employed by the senior officials were associated with success and which with failure. If, for example, strict financial management is found in all of the successful utilities and none of the failing ones, it seems reasonable to assume that financial management plays an important part in the creation of public value.

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<sup>83</sup> J. Gerring, *Social science methodology: A critical framework*, (Cambridge University Press, Cambridge, 2001), p. 23.

This approach goes back to Mill's discussion of the Methods of Agreement, Difference and Residue, whereby one compares the similarities and differences between cases with reference to a specific set of outcomes. As with every method, there are some limitations. It could still be the case that the variation in performance is caused by an unidentified variable. For example, it might look like it is strict financial management that distinguishes the successful firms, but it is actually caused by the fact that all these utilities are the only one's forced to publish their annual accounts in full.

The only way to strengthen the reliability of this method is by adding more cases, which then should show a variance which cannot be explained by the assumed variable. In the case of this thesis, with limited time and resources, this would mean a trade-off between number of cases and depth of analysis. Taking guidance from Brady and Collier, it was judged that sixteen cases would provide enough variance while still allowing for sufficient in depth research.<sup>84</sup>

A further weakness in Mill's method is that it tends to look for a single explanation, where it could be possible to uncover several routes that lead to success or that performance requires a combination of factors. As argued by Schrodtt, Ragin and Achen, 'causal relationships are most likely nonlinear, interactive, and logically complex.'<sup>85</sup> For example, strict financial management of the utility could ensure performance, but fixed tariffs for services might also be a sufficient condition for success. Alternatively, strict financial management might be necessary for success, but only if it is accompanied by full-disclosure of the organisational accounts.<sup>86</sup> As will be discussed later in this chapter, the Fuzzy-set Qualitative Case Analysis specifically

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<sup>84</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004).

<sup>85</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004), p. 447.

<sup>86</sup> For more on this, see: G. Goertz, *Social science concepts: A user guide*, (Princeton University Press, Princeton, 2006).

addresses this weakness. It employs Boolean logic, rather than Mill's inferences, to distil the joint-effects of variables on the outcome.

### 3.2.3 Qualitative versus quantitative

The next choice is between a qualitative versus quantitative research approach, which is a topic of hot debate in the study of politics. Lijphart, for example, argues that large-scale statistical data is always superior to small qualitative work, mainly because the former more closely resembles an experimental set-up as can be found in the natural sciences.<sup>87</sup>

This view is mainly based on the conviction that the variables are more easily controlled in quantitative work. However, this control is often the product of qualitative labelling of variables by the researcher. It does not need to have a direct relationship to the actual working of the studied phenomenon. For example, the World Value Survey conducts large scale investigations of the impact of trust, but is still based on a qualitative assessment of interpersonal trust, even if it surveys many thousands of people.

Moreover, there is one aspect in which interviews are much more like experiments than quantitative work; the ability to observe previously unknown or unexpected effects. One can perceive unknown forces better by being in the field than within the filtered universe of a statistician. Much like Marie Curie needed to have been working in her laboratory in order to discover X-rays, rather than reviewing the data sheets in the office. This is why King, Keohane and Verba recommend qualitative work for the generation of theory.<sup>88</sup> As this research project centres on a currently

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<sup>87</sup> A. Lijphart, 'Comparative Politics and the Comparative Method', *The American Political Science Review*, vol. 65, no. 3, 1971, p. 682-693.

<sup>88</sup> G. King, R. Keohane, et al., *Designing social inquiry: scientific inference in qualitative research*, (Princeton University Press, Princeton, 1994).

unexplained empirical occurrence, it is therefore necessary to approach the field with such an open perspective.

### **3.2.4 Selecting the research setting and cases**

#### *Research setting*

The research setting refers to the environment of the public utilities. Ideally, it would have been possible to draw all cases from one island and have a smooth comparison. However, there were not enough similar government organisations present on anyone of the islands. For example, St. Kitts only has a handful of autonomous government organisations. As argued by Brady and Collier, this would not be enough for a comparative analysis and would change the method to in-depth case studies. It was therefore necessary to select several islands, making sure that they would meet the institutional, economic and social requirement set for this research.

The design first looked for small polities with weak social capital conditions, having to choose from a wider range of islands as detailed on the map in the figure below. Population size was the most objective criteria, ruling out larger communities such as Trinidad & Tobago or The Bahamas. On the other hand, very small entities, such as the Dutch islands of Saba or St. Eustatius with populations of 2.000 to 3.000 people, were felt to be too small to be meaningfully compared to the larger islands.



**Figure 6 Overview of islands**

**Overview of the Caribbean as of 2006<sup>89</sup>**



	<b>Aruba</b>	<b>Curacao</b>	<b>St Kitts</b>
<b>Population</b>	106,050	138,000	35,000
<b>Ethnicity</b>	Mostly white, minority black	Mostly black, diverse minorities	Great majority black, diverse minorities
<b>GDP/capita</b>	\$25,831	~\$20,500	\$15,700 <sup>90</sup>
<b>Status</b>	Autonomous country within the Kingdom of the Netherlands	Federal province of Netherlands Antilles, part of the Kingdom of the Netherlands <sup>91</sup>	Independent, sharing High Court and Central bank with other states

The next social criteria would be the nature of the relationships. Almost all islands in the Caribbean had a history of slavery, colonialism and institutional racism. However, some islands seem to have still created quite trusting societies. Barbados is an example which seems to do quite well, as demonstrated in its consistently good performance on the Corruption Perception Index.<sup>92</sup> In order to test whether public value could still be

<sup>89</sup> CIA, *World Factbook*, [www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook), (Retrieved on 18 August 2011).

<sup>90</sup> CIA World Factbook, [www.cia.gov/library/publications/the-world-factbook/geos/sc.html](http://www.cia.gov/library/publications/the-world-factbook/geos/sc.html) (Retrieved on 18 August 2011).

<sup>91</sup> Curacao became a country within the Kingdom of the Netherlands within its own right on 10 October 2010.

<sup>92</sup> Transparency International, *Corruption Perception Index 2008*, Transparency International.

created in the most difficult of circumstances, only those islands were selected that reportedly had the greatest deficiencies within their communities in terms of trust.

Yet the research design also needs to make sure that no other factors than the socio-cultural circumstances hinder government performance. From the institutional perspective, the islands needed to have a reasonably stable local government. On this count, islands like Haiti and Grenada were eliminated. The French territories were not considered because the scope of their autonomy was extremely limited. The central government in Paris played such a strong role that the local officials arguably had only a marginal role to play.

From the economic perspective, this thesis sought to examine islands with a relatively high GDP per capita, and yet within comparable range of each other. The Dutch Antilles are relatively rich by Caribbean standards and many Commonwealth islands did not match their income levels. It was only islands like St Kitts and Barbados that came close. As Barbados was excluded on socio-cultural grounds, the final sample consisted of Aruba, Curacao and St. Kitts.

Naturally, there are still some differences between the islands and it could have been easier to only draw cases from one. For example, the Arubans are by majority descendants of Europeans, whereas the inhabitants of Curacao are mostly descended from Africans. The expectation is that this selection will create more variation in the independent variables, which will strengthen the comparative exercise. The one danger is that this variation on the variables aligns with the differences between the islands. For example, if all consensus oriented ministers in the sample turn out to be from Aruba, the validity of the causal inference is extremely limited. However, this effect did not occur within the data set, giving support to the notion that conclusions can be drawn on a straight comparison between the sixteen cases.

### *Case selection*

The institutional and economic circumstances were again controlled at the case level. In effect, this meant that only those utilities that were wholly or mostly owned by the government and commanded next to perfect monopolists were analysed. For example, the state telephone agencies of Aruba and Curacao face stiff competition from private providers and were therefore excluded from the sample.

Of the sixteen selected cases, all but three of them were nominally private enterprises, in fact owned by the government. The three other utility services were provided by government departments. Obviously, there were still other differences between them. For example, the Aruban waste collector had some limited competition from a private provider catering for businesses and hotels, whereas this did not occur on Curacao or St. Kitts.

In the case of the dependent variable, public value creation, variation was a good thing and the sample had to include both performing and failing utilities to understand what makes the difference. There was no active selection on the dependent variable, utilities were included on the basis of their fit in the sample, their performance was established only afterwards.

### **3.3 RESEARCH PROCESS**

When presented in its final form as a thesis, the match between the data and the research can appear very smooth. As King, Keohane and Verba observe; ‘investigators often take down the scaffolding after putting up their intellectual buildings, leaving little trace of the agony and uncertainty of construction.’<sup>93</sup> Although this makes for an easier read, it may also obscure some of the choices and challenges of the research process. An overview of the actual research process therefore follows below.

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<sup>93</sup> G. King, R. Keohane, et al., *Designing social inquiry: scientific inference in qualitative research*, (Princeton University Press, Princeton, 1994), p. 13.

### *Step 1: Literature review*

This thesis started from both a fascination with the Caribbean islands and an interest in social capital theory. However, a conscious decision was made to make the theory the first stepping stone of the thesis, rather than just describing political life on the island without a previous examination of the literature. The literature review process soon identified Putnam's work on social capital, but also included explorations of public value measurement and management of public enterprises.

### *Step 2: Selection of islands*

The next step was to select the islands and government agencies to be studied. As detailed in the previous paragraphs, the islands chosen would need to combine relatively strong institutional and economic conditions with difficult social capital conditions. Following the criteria on the institutional, economic and social setting, it was in the end the islands of Aruba, Curacao and St. Kitts that were selected. One major handicap during this selecting process was that there was only a limited amount of island level data available.

### *Step 3: Selection of cases*

In principle, the research design could have taken on all of the government-owned utilities on Aruba, Curacao and St. Kitts. However, a few were excluded, because it was felt there were some fundamental differences between them and the rest of the sample. The postal services of the islands were unfortunately excluded because all of them had a different legal status. Following a failed privatisation attempt on Curacao, the postal services were returned to public hands in 2009. As the post office on St Kitts was still a

department and Aruba an incorporated agency, the differences between them were too large to allow for proper comparison.

*Step 4: Data gathering*

As will be discussed below, the research aimed to collect a variety of data types to allow for a cross-check between the sources. Data was obtained on the sixteen cases through interviews, annual reports and secondary literature. It was the aim to speak to all ministers and Chief Executive Officers (CEOs) involved, and to include a fair sample of representatives of the various senior stakeholders. In total, 107 interviews were conducted between 2007 and 2010. Over the course of four visits, six and a half months were spent on the islands. For two of the utilities, no interview took place with their current CEO, although at least one of their predecessors was interviewed. One minister was not available for an interview, but all others agreed to at least a short meeting. The table below details all the interviews per role and per island.

**Table 2 Conducted interviews**

<b>Category</b>	<b>Aruba</b>	<b>Curacao</b>	<b>St Kitts</b>
<b>Ministers</b>	3	7	4
<b>Directors</b>	2	11	2
<b>CEOs</b>	6	10	4
<b>Managers</b>	4	5	3
<b>Other (Academics, consultants, etc.)<sup>94</sup></b>	38		8
<b>Total</b>	107		

<sup>94</sup> The group of academics, consultants, etc. has been joined for Aruba and Curacao because the interviewees would usually have experience on both islands. For example, an accountant would audit organisations on both Aruba and Curacao.

The interviews were conducted in a semi-structured format, following the advice of Peabody.<sup>95</sup> On one hand there is a need for structure to consistently examine different variables, on the other hand respondents need to be able to provide new insights beyond the expected framework. This was tackled through a format whereby the opening would contain broad questions, followed by inquiry upon all of the facets of structure of relations, nature of relations and expectations. For example, interviews would begin with a broad question like ‘What factors contribute to the success of this organisation?’, but also cover specifics like ‘How many times in the year would you have contact with the board of directors?’

Because the interviews were undertaken in a low-trust setting, it was not possible to use a tape recorder. Actors would be afraid that their comments about other people would be passed on, especially as respondents were encouraged to relate their personal opinions and discuss sensitive topics like corruption. When a specific comment of interest was made, permission was asked to use this as a direct, but anonymous quote.

#### *Step 5: Data processing*

The interviews were typed out immediately after the interviews and coded around the key building block of expectations, structure and nature of relations. The calculation of the public value per utility was based on both the opinion of experts and the researcher. Per case, two experts were asked to score the utility in terms of costs and gains as experienced by the average individual citizen. These were people who either audited or consulted the utilities over the period researched. These judgments were weighed against two assessments by the researcher executed in 2010 and 2011. The subsequent average of these four measurements was taken as the public value outcome.

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<sup>95</sup> R. Peabody, W. Hammond, et al. "Interviewing Political Elites", *PS: Political Science and Politics*, vol. 23, no. 3, 1990, p. 451-455.

### *Step 5: Data analysis*

The data was then analysed through a three-stage process of data set-observations, causal process observations and fuzzy-set Qualitative Case Analysis. The data-set observations cover some key characteristics of the utilities involved. These provided snap-shot insights into the players and the rules involved in the sixteen utility fields. Most importantly, it was determined which cases can be considered successful and which one to failing.

This was followed by gathering of the causal process observations. A causal process is a mechanism within the studied field, which can take place independently of other effects, and which influences the outcome of the interaction. According to Brady and Collier, '[a] causal-process observation sometimes resembles a "smoking gun" that confirms causal inference in qualitative research.'<sup>96</sup> For example, the observation that full-disclosure of accounts by the board of directors leads to better bookkeeping by the CEO.

The causal process observations were then tested for their significance through the fuzzy-set Qualitative Case Analysis. The aim was to identify the causes which are necessary to create a certain outcome and which combination of causes is sufficient to ensure that this outcome is realized. For example, this active full-disclosure may backfire if not supported by a clear explanation of the result by the board, creating a recipe for success with two necessary ingredients.

### **3.4 METHODOLOGICAL CHALLENGES**

As the account of the research process reveals, this thesis applied several tools to extract and analyze the data. There are three major steps that warrant further attention as the choices made here directly impact the validity and reliability of the research outcomes.

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<sup>96</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004), p. 277-278.

This refers to the definition of variables, the data gathering and the application of the analytical tool themselves. These steps are displayed in the table below and some of the key challenges that arose are discussed in the following paragraphs.

**Table 3 Analytical process**

<b>Variables</b>	<b>Definition</b>	<b>Data gathering</b>	<b>Analysis</b>
<b>Controlled</b> Circumstances	<ul style="list-style-type: none"> <li>•Institutional design</li> <li>•Economics</li> <li>•Social capital</li> </ul>	<ul style="list-style-type: none"> <li>•Official statistics</li> <li>•Surveys, reports</li> <li>•Secondary literature</li> </ul>	Discussion of research setting
<b>Independent</b> Elite behaviour	<ul style="list-style-type: none"> <li>•Structure of relations</li> <li>•Nature of relations</li> <li>•Expectations</li> </ul>	<ul style="list-style-type: none"> <li>•Interviews</li> <li>•Company reports</li> <li>•Secondary literature</li> </ul>	Consecutive steps: 1.Rich description 2.Data observations 3.Causal processes 4.Fuzzy-set QCA
<b>Dependent</b> Performance	Public value created by policy fields	Valuation by experts and researcher	

### 3.4.1 Definition issues

The definition of the controlled and dependent variables is relatively straight-forward. The literature provides several indications of what circumstances are important when assessing the conditions for democracy, including the institutional, economic and social setting of government agencies. Equally, for the dependent variable, the choice for the public value framework offers a relatively simple way of measuring government success.

The path is less clear for the definition of the independent variables. The main question is whether the research design should adopt a specific view on the world, a conceptual lens, to order all the observation. For example, the thesis could base itself entirely on a rational choice theory perspective, or full-fledged game theory model. This research exercise is indeed very ambitious in aiming to take in the full dynamics between the senior officials. Moreover, these individual actions are then to be connected to the grander theory of social capital. Both the need for comprehensive observations and conceptual clarity argue in favour of a conceptual lens.



Whether the research design should adopt a conceptual lens could be evaluated by applying Occam's razor. The research design should push the analysis towards the simplest solution possible. If any part of the framework overcomplicates the analysis, it should be discarded. Conversely, if the framework oversimplifies the causal mechanisms, the lens should be adapted as well.

As this thesis responds to Putnam's theory of social capital it makes sense to look for a conceptual lens in his own work. As discussed in the literature review, the concept of social capital can be dissected into structure, nature and expectations of relations. Such a partition into three components could serve as a valid framework. It focuses the thesis on three distinct aspects of social relations which together comprehensively cover interactions between the officials.

This division of three would be rather straightforward and would therefore pass Occam's test for parsimony. A further bonus would be that when this categorization is applied consistently across the analysis, it should be easier to reconnect the outcomes of the research project to the wider literature of social capital. However, defining these variables more specifically may require some conceptual stretching. Putnam gave clear descriptions of what the structure, nature and expectations of relations should be like at a societal level, but the translation to an individual level may not be so seamless.

Digging further into social capital theory, another and more specific conceptual lens could be found as well. Putnam discusses several game situations in his books, such as the Tragedy of the Commons, and hints at rational choice or game theory as a possible worldview underpinning his theories.<sup>97</sup> The problem is that Putnam is not clear what *precise* model of game theory he follows. This omission is felt particularly when trying to find a model to match with social capital theory.

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<sup>97</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 163.

In essence, any strategic action model looks at individuals trying to satisfy their preferences and how they go about doing this. The main division exists between the models that take the preferences of the actor as an exogenous given – usually presuming them to be economically desirable goods – or those that think the formation of these preferences is an endogenous and dynamic part of the process.<sup>98</sup>

The exogenous school of thought is populated by strongly stylistic rational choice models. Tsebelis, for example, summarises all interaction in government by the sum of situations, motives and calculations.<sup>99</sup> Approaches from the endogenous school of thought are often more baroque in their models, as exemplified by the work of Bourdieu. These approaches may not be qualified as game theory as such, as they reject the perfect ‘calculating machines’ assumed in the rational choice branch of game theory.

Social capital would seem to be part of a more endogenous preference model. When referring to the impact of Norman rule on present day Southern Italy, Putnam himself relates how current attitudes are formed by experiences in the past.<sup>100</sup> This would bring a model such as that of Bourdieu to the forefront. Bourdieu agrees that preferences are actively formed and reformed through unconscious reflection upon the past. This makes his model for strategic interactions a potential candidate for the conceptual lens of this thesis.

Bourdieu’s model consists of an equation capturing the factors which shape human behaviour: [(worldview) (capital)] + field = practice<sup>101</sup> Bourdieu argues that the elements of worldview (attitudes to one’s surroundings), capital (availability of

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<sup>98</sup> T. Idema, private correspondence, (University of Oxford, Oxford, April 2008).

<sup>99</sup> G. Tsebelis, *Nested Games: Rational Choice in Comparative Politics*, (University of California Press, 1991).

<sup>100</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993).

<sup>101</sup> P. Bourdieu, *Distinction: a social critique of the judgement of taste*, (Harvard University Press, Cambridge, 1994).

resources) and field (rules and players involved) act together to create actions and behaviour. In this, the practice would mainly be defined in terms of public value added, while the elements of worldview, capital and field could be measured for each of the sixteen cases.

There are several problems with applying this model as a conceptual lens in this thesis. Firstly, it may prove just as hard to provide concrete measurements for ‘worldview’ as it would be for expectations of relations. Some work has been done on attaching indicators to Bourdieu’s concepts, but this has not yet generated polished tools.<sup>102</sup> This would mean that additional concepts have to be introduced to measure the elements of the model, creating yet another layer within the research design.

Secondly, using a lens from a different sociological model than social capital will make it harder to connect the outcomes to the wider literature. The translation of worldview, capital and field to the components of social capital would seem to be feasible, but would require a careful definition of all the concepts involved. Mutch, Delbridge and Ventresca argue for the integration of a sociological perspective into organisational analysis, but also caution against ‘easy eclecticism - the mixing and muddling—of distinct and complex ideas and concepts.’<sup>103</sup> The combination of social capital and practice theory may require more work than can be done in this thesis. The use of Bourdieu’s framework might so result in easy eclecticism.

On balance, the need for simplicity rules out the introduction of an extra conceptual lens. It would needlessly overcomplicate the analysis. The three components of structure, nature and expectations of relations also form a valid framework to categorize the observations. These three components are therefore taken as the lens, defining them more precisely as the thesis progresses.

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<sup>102</sup> E. Silva and R. Edwards, *Operationalizing Bourdieu on capital*, (ESCR Working papers, 2007).

<sup>103</sup> A. Mutch, R. Delbridge and M. Ventresca, ‘Situating Organisational Action: The Relational Sociology of Organisations’, *Organisation*, 2006, vol. 13, no. 07.

### 3.4.2 Data collection

The fact that this research design is of a qualitative nature, does not mean that it will use only one type of data. The ambition is rather to use as much of the information available, drawing on the various sources to look at the same dynamics from different angles.

For example, the interactions between a board of directors and a CEO can be examined through interviews, newspaper articles and minutes of the meetings. Each data source takes a slightly different approach, but together they form a more complete picture. King, Keohane and Verba refer to this process as triangulation, ‘the practice of increasing the amount of information brought to bear on a theory or hypothesis.’ They argue strongly in favour of its applications; ‘The best method should be chosen for each data source. But more data are better.’<sup>104</sup>

Triangulation is especially valuable when interviews provide one of the chief sources of data as is the case for this thesis. There are manifold problems with the reliability of interviewees or bias of the interviewer in this method (see the appendix for a further discussion). To address this weakness, Davies argues for a continuous interaction between observations from the interviews and those from documents, memoirs and other secondary sources.<sup>105</sup> The aim is to devise a system of checks and balances to weigh contradicting pieces of data against each other. By subjecting all evidence to the same critical framework, the overall reliability is improved.

This multi-angled analysis can be taken one step further by bringing together not only different sources, but also different disciplines. This can be done through the process of consilience, as first developed for the natural sciences by Whewell.

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<sup>104</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004), p.192.

<sup>105</sup> P. Davies, ‘Doing Politics Spies as Informants: Triangulation and the Interpretation of Elite Interview Data in the Study of the Intelligence and Security Services’, *Politics*, vol. 21, no. 1, 2001, p. 73-80.

Consilience holds that conclusions from different ‘categories of facts’ can jointly form a comprehensive explanation for a phenomenon.<sup>106</sup> For example, the board room dynamics could be approached sociologically by interviewing the members, legally by looking at the company statutes and financially by looking at the monetary impact of the decisions. Together, these approaches provide a better picture than only one of those disciplines by itself.

Consilience also suits the chosen line of inquiry which moves from looking for simple linear relationships (‘the higher the salary of the CEO, the better the company performance’) towards exploring how causes work together (‘high salary together with legal ability to fire the CEO, increases performance’). If the expectation is that the causation will consist of the interaction of different factors, utilizing different perspectives may be useful.<sup>107</sup>

### 3.4.3 Analytical tools

The main job of the analytical model is to determine which behaviours lead to good performance. The decision was made to apply the fuzzy-set Qualitative Case Analysis as developed by Ragin.<sup>108</sup> Fuzzy-set Qualitative Case Analysis has several characteristics advantageous to this research exercise. Firstly, it provides a clear hands-on research methodology, giving guidance on the research path without excessively constraining the scope of the investigation. The very structure of this thesis has been mapped with the help of the research process of fuzzy-set analysis.

Secondly, it combines the rigorous structure of quantitative research design with the more nuanced considerations of the qualitative method. It draws on numerical data through its Data Set Observations and various qualitative insights through the Causal

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<sup>106</sup> E. Wilsons, *Consilience: The unity of knowledge*, (Vintage, London, 1999).

<sup>107</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004), p. 278.

<sup>108</sup> C. Ragin, *Redesigning Social Inquiry: Fuzzy-sets and beyond*, (University of Chicago Press, Chicago, 2008). C. Ragin. *Fuzzy-set social science*, (University of Chicago Press, Chicago, 2000).

Process Mechanisms. Jointly, this makes for a rich analytical process, using different data sources to inform hypotheses-building, while using logic to check their causal relevance.

Thirdly, it is the expectation that this method is relevant for the empirical situation. The clustering of similar utilities does not need to be sharply delineated, hence the name ‘fuzzy’, which allows for an appreciation of the complexity of the field. Through its use of fuzzy-sets, the more fluid differences between the sixteen cases are not needlessly simplified.

There are some drawbacks to this method as well. The jump from data-set observations to formulating causal process observations is still a rather large step. It entails the hazardous move from cataloguing behaviours to joining observations together and calling it a mechanism. At this stage, it will be tricky to capture all of the relevant mechanisms and let them be jointly exhaustive. Equally, it is hard to separate all the effects, making it hard to let them be mutually exclusive. Thankfully, the method does allow for a couple of test rounds to see whether all relevant mechanisms are included or whether some processes are indistinguishable from each other.

Another problem at this stage is the judgements calls made by the researcher when dividing the cases across the set.<sup>109</sup> The reasons for putting one case in a ‘strict financial management set’ and the other outside of this group, maybe particular to the specific researcher and can consequentially not be replicated. Furthermore, even slight differences in coding, putting a case a little more towards a certain set, might influence the outcomes of the causal inferences. This weakness of the method is addressed by being as transparent as possible throughout the analysis and by conducting a sensitivity

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<sup>109</sup> B. Cooper, ‘Applying Ragin’s crisp and fuzzy set QCA to large datasets: social class and educational achievement’, *Sociological Research Online*, [www.socresonline.org.uk/10/2/cooper.html](http://www.socresonline.org.uk/10/2/cooper.html), (Retrieved on 30 August 2011).

analysis. When presenting the different coding in Chapter 8, some alternative scorings will be considered as well.

A final limitation is the inability to assess mechanisms in motion over time. Fuzzy-set Qualitative Case Analysis frames causality as an engine consisting of several parts. Yet it does not show which process needs to come first to set it in motion. Some deductive logic might reveal that some processes necessarily come before others, but this cannot be derived from the fuzzy-set Qualitative Case Analysis as such. To address this omission, Chapter 9 will try to piece together the result into a possible sequence of the different behaviours. A certain amount of humility is required here as these are based more on intuition than reasoned conclusion.

### **3.5 DEFINING THE KEY VARIABLES**

The final part of the methodology focuses on the definition of the key variables. The definition of the controlled variables can be derived from the literature. The exact measurement of the dependent variable, performance, and independent variables, elite behaviour, will have to be constructed specifically for this project. In the case of performance, this can be done quite quantitatively, based on the public value framework of Moore.

For the three components of the independent variable, the structure, nature and expectations of relations, the measurement will have to remain more qualitative. Continuing to build on the concepts of consilience, the three components will be considered from different angles through the thesis. The rich description provides a strongly qualitative account of their state across the different utilities, while the data-set observations look more at their countable attributes and the causal processes consider the mechanisms taking place. Together these three perspectives should provide a comprehensive insight.

### **3.5.1 Performance**

The measurement of the utilities' performance will be based on the public value framework of Moore, combined with some aspects of Putnam's own measurements. Drawing on Moore, the utility's performance will be calculated by weighing the benefits of the utility versus the costs as experienced by the average individual citizen between 2005-2009. Following Putnam, the performance of the sixteen cases will be measured at the three stages of policy formulation, announcement and implementation.

Each of the sixteen cases was evaluated by two external experts and twice by the researcher. In each case, the scorer was requested to look at the costs and benefits of the utilities relative to their endowment. For example, when assessing the water department of St Kitts, it was considered that this organisation draws water from a naturally occurring source underground. Aruba and Curacao had to use desalinated sea water, which would naturally make it more expensive. Such advantages or disadvantages were incorporated in the assessment, as the more expensive utilities may still have been very efficient given the circumstances they were in.

Next to the financial burden, the costs consisted of the loss of control over the utility as the task was delegated to the government, and the subsequent loss of insight in the policy making and the financial costs carried by the citizens. Depending on the size of the cost, points are detracted from the utilities score. The table below provides an overview of the coding options.



**Table 4 Definition of costs**

<b>Component</b>	<b>Question – Focussed on 2005-2009</b>	<b>Scoring</b>
<b>Formulation</b> Forsaking control	What degree of influence can citizens exert over the policy of the company, be it through voicing their opinions, or choosing alternatives?	No influence (-4) Little influence (-3) Moderate influence (-2) Great influence (-1)
<b>Announcement</b> Forsaking insight	How accessible and reliable is the information on policy-making to citizens?	No information (-4) Little information (-3) Moderate information (-2) Extensive information (-1)
<b>Implementation</b> Enduring financial burden	Given the circumstances of the utility, how do you rate the financial burden of the service for citizens (including indirect and deferred costs)?	Very high costs (-8) High costs (-6) Moderate costs (-4) Low costs (-2)

Next to losing points due to policy costs, utilities could gain points by delivering benefits to citizens. The gains were again split into three components of policy formulation, announcement and delivery. This translated to the potential long-term benefit of a community wide investment in utilities, the gaining of know-how by citizens on the use of the service and the quality of the service delivered. The table below presented the coding options.

**Table 5 Definition of benefits**

<b>Component</b>	<b>Question – Focussed on 2005-2009</b>	<b>Scoring</b>
<b>Formulation</b> Securing long-term investment	How do you rate the provisions or investments for the long-term needs of the island for this utility?	Very good provision (+4) Good provision (+3) Moderate provision (+2) Poor provision (+1)
<b>Announcement</b> Gaining know-how	How clear is the information provided to consumers of the service?	Very clear (+4) Clear (+3) Moderately clear (+2) Poor clarity (+1)
<b>Implementation</b> Benefiting from service delivery	Given the circumstances of the utility, how do you rate the value added for citizens (including dividends)?	Very high value (+8) High value (+6) Moderate value (+4) Low value (+2)

This definition of success aims to join both a process and outcome perspective on government performance. However, given the rather goods and services oriented nature of public utilities, the policy implementation elements of price and quality were judged

to be of greater weight than the other factors, awarding them double the weight in the measurement process. This does tilt the measurement towards the outcome perspective on government success, but the specific role of public utilities may justify this. For example, the loss of democratic control over the police may present greater costs than loss of control over a water company. The effect of this doubling will be evaluated when discussing the measurement outcomes and the sensitivity analysis shows that its effect on the scores was not too dramatic.

### **3.5.2 Structure of relations**

The definition of the independent variable will be more difficult. Thankfully, the process underlying fuzzy-set Qualitative Case Analysis provides some guidance, suggesting diverse view points on the same variables as the analysis progresses. This is line with the work of Brady and Collier on the synergy between data-set observations and causal process observations, arguing for looking at empirical facts from different angles.<sup>110</sup>

The definition is executed in three steps. In the first step, the relevant indicators of the structure, nature and expectations of relations are derived from the literature. In the second step, the countable data on these components is gathered. In the third step, the three components are viewed in terms of the concrete causal processes observed in the utilities. Where necessary, the definitions will draw on concepts from the literature to provide more precision.

In the case of the structure of relations, social capital theory is firstly interested in the form of the networks and the rules that are applied within them. It matters greatly whether there are any bonding or bridging ties, determining which groups of actors are

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<sup>110</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004).

involved.<sup>111</sup> Moreover, the type of regimes, or rules of the games, under which these structures play out determines whether they are fluid or rigid. Bourdieu would here invoke the image of game, where both the number of players and the rules of the games are important.<sup>112</sup> This exploration generates two initial questions for this variable which are defined more precisely as the analysis continues, as represented in the table below.

**Table 6 Definition of structure of relations**

Rich description	Data set observations	Causal processes
Which actors are involved?	-Number of actors -Diversity of actors	Relational Distance -Involvement of many and diverse actors
What regime types are there?	-Control over tariffs -Legal status organisation	Grid Governance -Rigidity in observance of governance rules

In the second step, the data set observations take a more quantitative approach to capturing the defining attributes of structure of relations. This part of the analysis aims to identify any connections between countable characteristics of the cases and their performance. Regarding the first question, the data focuses on mapping which actors are involved and how diverse they are. For example, the interviews may show that successful utilities generally have more actors involved in their decision-making process. The question on the rigidity of rules is addressed through more binary answers, checking whether the allocation of the formal control over tariffs or legal status of the organisation makes a difference to performance.

In the third step, the structure of relations is used as the starting point to identify the mechanisms which could explain the different performances of the sixteen utilities. The definition is here shaped by the possible variation of the potentially significant mechanisms. In the case of the structure of relations, an interesting difference was

<sup>111</sup> D. Narayan, *Bonds and Bridges: Social Capital and Poverty*, (World Bank, Washington, 1999).

<sup>112</sup> P. Bourdieu, *Distinction: a social critique of the judgement of taste*, (Harvard University Press, Cambridge, 1994).

observed between utilities that actively worked to involve more actors and those that actively tried to exclude other players. The exact measurement of this effect is conducted through the concept of Relational Distance, as originally developed by Black.<sup>113</sup>

The second interesting variation concerned the rigidity with which the rules of governance were applied. Some utilities aggressively defended the formal governance rules while others took a more relaxed and fluid approach. Again, it needs to be tested which approach is more conducive to performance. The characteristics are drawn from the concept of Grid Governance, applied from Cultural Theory to the public sector by Hood.<sup>114</sup>

### **3.5.3 Nature of relations**

The definition of the second component of the independent variables, the nature of relations, again looks at the variables in different ways as the analysis progresses. The nature of relations in social capital theory is mainly about the equality of the relationships and the impact of these dynamics.

On one hand, it matters whether one party in the relations possess significantly more resources -like money, knowledge or authority- or that the players have similar funds of capital. The imbalances could more easily evolve into a patron-client relationship, whereas the parity might gravitate to more egalitarian arrangements.<sup>115</sup> On the other hand it also matters how these differences in resources are treated by the individuals involved. The relationships might be very antagonistic, where the richer party hoards all the resources, or more harmonious, whereby both actors consider themselves part of a large group with a shared interest.

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<sup>113</sup> D. Black, *The behaviour of law*, (Academic Press, New York, 1976).

<sup>114</sup> C. Hood, *Art of state*, (Oxford University Press, Oxford, 1998).

<sup>115</sup> S. Piattoni, 'Clientelism, interests, and democratic representation', in S. Piattoni ed. *Clientelism, interests, and democratic representation: The European experience in historical and comparative perspective*. (Cambridge University Press, Cambridge, 2001).

**Table 7 Definition of nature of relations**

Rich description	Data set observations	Causal processes
Are the resources evenly distributed?	Distribution of capital: -Economic -Cultural	Actor Dominance -Presence of actor with much larger resource stock
Are there antagonistic divisions between the actors?	-Symbolic -Network	Group Governance -Degree of communality between governance actors

At the stage of data set observations, an attempt is made to measure the funds of capital of the minister responsible for the utility policy and the CEO responsible for its execution. These two actors were present in all of the sixteen cases and were arguably the two key individuals. Their resources could take different forms. Taking inspiration from Bourdieu, an assessment is given of the economic, cultural, symbolic and network resources these actors possessed.

At the second stage, the analysis looks at the mechanisms connected to the nature of relations which could be relevant to the performance outcomes. The first mechanisms that warrants testing is whether the presence of dominant actors, i.e. those with disproportionately more resources, might influence the performance of the public utility. This mechanism will be defined by the relative size of the resources of the chief actors as compared to his counterparts.

A second mechanism warranting further attention is whether the performance is better if the relations are generally cordial, imbuing a shared team spirit, or whether performance is better when the relationships are more business-like. This mechanism will be measured through the amount of Group Governance, again taking cues from Cultural Theory.<sup>116</sup>

<sup>116</sup> C. Hood, *Art of state*, (Oxford University Press, Oxford, 1998).

### 3.5.4 Expectations of relations

The expectations of relations evolve around two elements; the general outlook people have on the world and the information they receive which shapes this worldview. One on hand, the experiences people have gathered in the past is assumed to have fostered a certain attitude towards future cooperation. For example, people being used to work in hierarchical organisations would be likely to repeat that modus elsewhere.<sup>117</sup> On the other hand, information about the future cooperation will also influence the attitudes of the actor. As Bourdieu saw it, the worldview of people will influence how they regard their surroundings, but their surroundings will also influence their worldview.

**Table 8 Definitions of expectations**

Rich description	Data set observations	Causal processes
What sort of expectations do actors have of cooperation?	Actors' views on: -Rules in organisations -Dynamics of interaction	Engineering Mentality -Dominant mindset towards organisation
What informs the expectations of actors?		Knowledge Availability -Sharing of information between actors

At the second stage of analysis, the data set observations, the expectations of the relations as held by the minister and CEO are analysed. Again based on the Cultural Theory model, the minister and CEOs were divided according to their view on rules and group dynamics.

At the third stage, the causal process stage, the first mechanism tested was how the attitude towards organisation prevalent in a given public utility influenced its performance. For example, a strict technocratic approach, rather than a human relations approach, may not have worked well in such a small society. The second mechanism explored was how the wide availability of knowledge of policy, as opposed to a

<sup>117</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

restricted access to such information, aided the policy formation process. This addressed the doubts about transparency raised in the literature and tests whether more information hurts or helps the creation of public value between the actors.

### **3.6 CONCLUSION**

The methodology has the tough task of equipping this thesis for the exploration of a previously unexplained phenomenon in a dense field of governance relations. By using a combination of approaches and analytical techniques, the methodology aims to provide sufficient structure to deliver some relevant and valid conclusions at the end.

In the final appendix to this thesis, some further reflections are presented on the success of this methodology in achieving this aim. These are written with the benefit of standing at the end of the analytical process. Specifically, this appendix addresses whether the restrictions on the scope of the research question undermined the overall thesis ambition, whether the different concepts used –social capital, Cultural Theory, public value, etc.- aligned with each other, and whether fuzzy-set analysis provided the best possible use of the data.

For now, the main aim is to keep a consistent focus on the structure, nature and expectations of relations throughout the thesis, looking at these same three components from different angles. When systematically tracking how different configurations correspond to different performance outcomes, it should be possible to pinpoint which behaviours contribute to success and which to failure.

## **4. SETTING: CHALLENGES FOR SMALL-SCALE DEMOCRACIES**

### **4.1 INTRODUCTION**

#### *Purpose of chapter*

This chapter introduces the research setting of the thesis; the Caribbean islands of Aruba, Curacao and St Kitts. The data discussed here should demonstrate why these three islands form a good hunting ground for government success in adverse social capital circumstances. The main aim of this chapter is to demonstrate that these islands have the challenging social capital conditions that would make the occurrence of government success surprising. However, although this thesis focuses on the socio-cultural circumstances of government performance, it does not ignore the institutional and socio-economic circumstances also important for the health of a democracy. Where the social capital circumstances should be weak, the institutional and economic circumstances should be strong enough not to prohibit failure. All three circumstances are therefore discussed in this chapter.

#### *Content of chapter*

The chapter first reviews the institutional design and economic circumstances of the islands, followed by an assessment of the social capital situation under the framework of Putnam. For each condition, the review draws on both the general literature on island democracies, data as available from statistics agencies or international organisations and



observations gathered during the research period. Due to the size and development stage of these islands, not all data desired was available, but there was enough to make some measured judgements.

When considering the institutional conditions, there was still some concern about the strength of these circumstances. All islands operate systems designed for larger polities, which seems to create some unwarranted tensions. However, it would seem that the wider checks and balances were strong enough to consider these islands strong democracies.

Similarly, from an economic viewpoint, the islands were vulnerable through an overreliance on tourism and limited distribution of wealth throughout society. However, the income per capita in each of the islands is relatively high when compared to the regional averages and tourism generally does spread wealth more through society than, for example, diamond or oil mining.

From the social capital point of view, the data available is very limited, but the available sources generally point towards weak conditions. The structure of relations was characterized by entanglement and the number of civic associations with the community was relatively low. Similarly, the nature of relations was characterized by patronage and zero-sum strategies. A direct measurement of expectations of cooperation, or interpersonal trust, is not available, yet data on political participation and corruption perception shows that people are not without hope. The diversity of data shows that a judgment on social capital is not easily made, but that the overall conclusion point towards poor social capital circumstances.

## **4.2 INSTITUTIONAL DESIGN FACTORS**

The quality of the government institutions needs to be of such a standard that it is not the main factor for government failure. Based on a brief review of the history of the

three islands and a comparison of their constitutional arrangements, the conditions were deemed to be satisfactory. Whilst the institutional design may not have been ideal, it did not exclude successful government performance.

#### **4.2.1 Literature on island governments**

The most obvious characteristic of small-scale democracies is their size. There has been much debate on what separates a micro-state from a simply small state. The World Bank and Commonwealth issued a joint report in 2001 delimiting small states officially to those with less than 1.5 million inhabitants, a consensus that will be followed here.<sup>118</sup> At this figure, the global set covered such diverse small countries as Trinidad & Tobago, Vanuatu and Bhutan. With populations ranging between 35,000 and 138,000, the islands studied here were at the very bottom of this size range.

Undeterred by size, most islands have adopted similar government structures to much larger polities, usually designing fully fledged legislative, executive and judicial branches. This institutional set-up is often a remainder of colonial times or the contemporary pressure to follow the institutional arrangements of good governance. More subtly, the tendency to adopt overseas institutional arrangements could stem from an oft felt sentiment amongst island populations that overseas arrangements must be superior to their own native structures.<sup>119</sup> Harrigan and Harrigan term this ‘macro-state emulation’, resulting in scaled-down yet complete versions of the Western state emerging on these islands.<sup>120</sup>

The question is whether it was wise to emulate large state institutions. The Commonwealth Secretariat warns that the unique ‘micro-state ecology’ must be taken

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<sup>118</sup> World Bank and Commonwealth Secretariat, *Small States: Meeting challenges in the global economy*, (Commonwealth Secretariat, London, 2000).

<sup>119</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

<sup>120</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

into account when copying institutional design as developed overseas.<sup>121</sup> Interestingly though, as noted by Dahl and Tufte in *Size and Democracy*, Plato and Aristotle designed their political systems for small communities.<sup>122</sup> Large Western states still draw inspiration from these classic designs, so small countries are perhaps not wrong to do so as well.

On the whole, islands seem to be successful in upholding their democracies over time. ‘In a study of 237 nations in the period 1973-1995, [Ott] found [by] that using measures for political freedom, political rights and civil liberties ‘small states (population under 1.5 million) are more likely to be democratic than large states at any single point in time’ across all income levels (i.e. irrespective of levels of economic development) [...] and that “being an island country has a consistent and positive impact on the likelihood of political democracy” at all levels of income [...] In sum, the prevalence of parliamentarism, coupled with small size and insularity, has supported democracy in small states.’<sup>123</sup>

When examining the influence of the remaining colonial connections, Watson lists the range of constitutional connections employed by small states today, covering protectorates, associated states, confederations, etc. On the whole, the evidence indicates a positive effect of remaining a dependent territory; dependent territories outperform independent countries in terms of GDP/capita.<sup>124</sup>

However, one should be careful to distinguish the formal arrangements from the informal realities. The above data is about the island success in maintaining the pure characteristics of a democracy –competitive elections, rule of law- although this is no

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<sup>121</sup> Commonwealth Secretariat, *Vulnerability: Small States in the Global Society*, (Commonwealth Secretariat, London, 1986), p. 7.

<sup>122</sup> R. Dahl and E. Tufte, *Size and democracy*, (Stanford University Press, Stanford, 1973).

<sup>123</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

<sup>124</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

mean feat, it does not mean that they are effective democracies. Beyond the structures on paper, relations in small communities may work very differently.

Simmonds, for example, argues that the very form of the bureaucracies transplanted to St Kitts actually perpetuated colonial relationships. 'Historically, the St. Kitts-Nevis bureaucracy is a colonial invention. Its principal purposes were to (1) coordinate the political and economic relationships between the colonies and the colonial power (i.e., Great Britain); (2) act as an instrument of the law and order - again, in the interest of the colonial power. Clearly such functions would qualify the St. Kitts-Nevis colonial bureaucracy prior to the 1950s as a ruling bureaucracy which then operated on the sole basis of a patron-client relationship. The functions and patterns of behavior just described are now part of St. Kitts-Nevis' heritage of slavery and colonial domination which today exhibit some influence on contemporary bureaucratic behavior.'<sup>125</sup>

This means that there is generally optimism about the ability of small countries to remain democracies. However, the actual performance of these institutional arrangements needs to be checked on the basis of the practice, moving beyond the mere formalities of democracy.

#### **4.2.2 Institutional conditions**

##### *Constitutional development*

From the constitutional perspective, it is important that these three islands could be identified as stable political entities in their own right. The history of these three islands has created certain institutional tensions, yet also provided links that supported stability in recent times. All three islands went through similar experiences of conquest, slavery,

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<sup>125</sup> K.C. Simmonds, 'The Politicization of Bureaucracies in Developing Countries: St. Kitts-Nevis', *Phylon*, vol. 46, no. 1, 1<sup>st</sup> quarter of 1985.

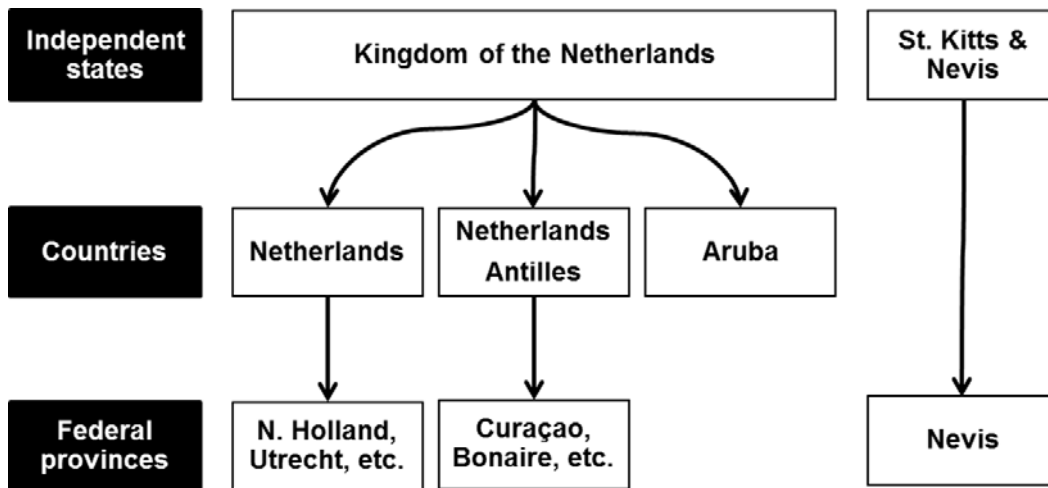
decolonization and still had enduring ties to the former imperial powers, the Netherlands and United Kingdom.

Aruba and Curacao were both ruled by the Dutch since the seventeenth century. With its large natural harbour, Curacao became the focal point for the Dutch trans-Atlantic trade routes, while Aruba remained a more peripheral island. Both the French and the British colonized St Kitts, using it as an agricultural centre for sugar and importing large numbers of slaves to work the fields. The British gained complete control of the island in 1783. The massive Brimstone Hill fortress on the island, dubbed the ‘Gibraltar of the Caribbean’, still serves as a reminder to the embattled status of the island.

After the Second World War, all islands started a process of decolonization, extending to the present day in several forms. The Dutch Caribbean islands were formally decolonized in 1954. The Kingdom of the Netherlands, or Dutch Commonwealth, was remodelled as a nominally equal federation between the different countries in the realm. Over the years, the Commonwealth splintered into smaller parts, with Aruba becoming an autonomous country in 1986. Curacao would go on to become an autonomous country in 2010, after the research period for this thesis ended. St Kitts & Nevis emerged, via several failed associations with other islands, as an independent federation of two islands in 1983.

During the period researched, 2005-2009, the constitutional organisations of the islands looked as captured in the figure below. The Kingdom of The Netherlands formed a sovereign state with several member countries, the Kingdom taking responsibility for foreign affairs, defence and the guarantee of good governance. The Netherlands effectively have the role of senior partner through their majority in the Kingdom council. St Kitts & Nevis was a fully independent state.

**Figure 7 Constitutional organisation in 2006**



Aruba was an autonomous country within the Kingdom. At the time of the research, the autonomy of Curacao was provided through its position as province at the federal level within the country of the Netherlands Antilles. The island had considerable sway over country policy through possessing half the seats in the parliament of the Netherlands Antilles. In addition, the public utilities discussed here were owned by the island government and not the country.

The political entity of St Kitts was delineated by the autonomy of Nevis within the federation. The situation of St Kitts and Nevis is roughly similar to that of the countries making up the United Kingdom. Scotland, Wales and Northern Ireland have separate governments within the United Kingdom in addition to representation at Westminster, England only has its share of the British parliament. However, this national parliament at Westminster is filled by a majority of English seats. Similar to Scotland, Nevis was an autonomous territory within the federation, possessing its own council and government with a mandate for many local policies. St Kitts does not have its own government as such, but does have a majority of the seats in parliament and controls its own public utilities.

### *Government system*

A strong government system is chiefly characterized by a balance of power between the legislative, executive and judiciary branch, although many other forms of checks and balances are also required.<sup>126</sup> The islands had some differences in their political systems, remnant of their different colonial rulers, yet the strength of the institutions seemed to be similar.

**Table 9 Government system in 2006**

	<b>Aruba</b>	<b>Curacao</b>	<b>St Kitts</b>
<b>Legislative</b>	Proportional, two large parties	Proportional, many parties	District, two large parties
<b>Executive</b>	Constitutional monarchy	Constitutional monarchy	Constitutional monarchy
<b>Judiciary</b>	Highest appeal court in The Netherlands	Highest appeal court in The Netherlands	Highest appeal court in United Kingdom

Aruba was a single electoral constituency where the people elected a parliament through a system of proportional representation. Curacao also used proportional representations for both the elections for the islands council as the Netherlands Antilles parliament. St Kitts inherited the British parliamentary system and was divided into constituencies that selected a member of parliament through the first-past-the-post system.

Both Aruba and St Kitts developed a two-party system. In Aruba, the absolute majority had switched between the populist MEP and Christian-Democratic AVP, where St Kitts switched between the Fabian Labour party and populist People's Action Movement. In both cases, both parties claimed different ideological roots, yet what distinguished them from each other were not so much general worldviews, as specific policies and constituencies. Most importantly, these parties tended to address their traditional backers and the respective interest of the day.

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<sup>126</sup> G. O'Donnell, 'Horizontal accountability', in A. Schedler et al., *The self-restraining state: power and accountability in new democracies*. (Colorado, Lynne Rieder, 1999).

Curacao had a more volatile political environment, producing a great amount of parties centred on a few key individuals. This forced the formation of coalitions in order to establish governments. As a result, the governments on Aruba and St Kitts were more stable than Curacao, both retaining the same party in office for the 2005-09 period studied here, while Curacao saw three governing coalitions.

All three islands had their respective Queen as the nominal head of state, while the real power lay with the elected officials. In the case of Aruba, ministers were not a part of parliament, but the government had to be endorsed by a majority. In the case of Curacao and St Kitts, at the time of research, the ministers were part of the island legislatures. Aruba and St Kitts had developed larger roles for the prime minister, both domestically as leader of the party and internationally as representative of the country. In Curacao, the leader of the biggest party would usually be prime minister at the country level of the Netherlands Antilles, yet the role was also used to influence politics at the island level as well.

The judiciary was an independent and separate branch in all of the three territories. In the case of Aruba and Curacao, judges and prosecutors were often deputised from their positions in the Netherlands. Two layers of courts were provided locally, but the final option for appeal could be taken in an overseas court.

#### **4.2.3 Quality of institutional design**

The key question is whether the institutional circumstances were sufficiently strong to allow for government success. The argument is made that the basic constitutional arrangements adopted, in combination with international checks and balances, provided for sufficient stability and control.

The islands inherited and adopted constitutional arrangements that proved their value across history and topography. Both the British and Continental traditions on the



separation of power have been implemented. Furthermore, a wider structure of checks and balances had been transmitted; through institutions like ombudsmen, audit chambers and rights associated with a strong democracy, such as freedom of expression, free press, right to appeal and so forth.<sup>127</sup> It is true that certain institutions were not as powerful as their counterparts in Europe. For example, the Court of Auditors of Curacao did not have the same right to initiative as did Dutch counterpart. In addition, these supervising institutions would struggle to receive sufficient budget to effectively exert their duties.<sup>128</sup>

However, a final safeguard was provided by connecting all the judiciary systems to the overseas high courts. The Dutch Supreme Court in The Hague was the ultimate opportunity for appeal for both Aruba and Curacao. Several cases were also brought successfully to the European Courts in Luxembourg and Strasbourg as Aruba and Curacao were associated European territories. Kittitian cases were referred to the Privy Council in London, whereas some provisions of the Caribbean Community could be brought to the Caribbean Court of Justice.

These connections came with further involvement of the overseas powers. Based on the rules of the Kingdom Charter and its majority in the Kingdom government, the Dutch government could intervene if it felt democracy was under threat in any of its member countries.<sup>129</sup> This has been used as an avenue to influence policies. For example, the lieutenant-governor of Curacao was chair of the local government, but also a representative of the Kingdom government with a mandate to veto policy to protect national interests.<sup>130</sup>

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<sup>127</sup> M. Goede, *Checks en balances in Caribische besturingsystemen*, (Nauta en van Gennip, Amsterdam, 3 May 2007).

<sup>128</sup> H.F. Munneke, *Ambtsuitoefening en onafhankelijke controle in de Nederlandse Antillen en Aruba: juridische en beheersmatige controle als waarborg voor deugdelijk bestuur*, (Rijksuniversiteit Leiden, Leiden, 1994).

<sup>129</sup> Kingdom of The Netherlands, *Statuut van het Koninkrijk*, article 43, lid 2.

<sup>130</sup> Government of the Netherlands Antilles, *ERNA*, article 98, lid 1.

As a fully independent state, St Kitts had less stringent external controls. However, it was a signatory of the several UN charters on human rights, a member of the Commonwealth, the Caribbean Community and the Organisation of Eastern Caribbean States. Several of its institutions were so tied in with international checks and balances, In addition to the courts mentioned above, St Kitts is also part of the Eastern Caribbean Central Bank and shares defence arrangements with several of its neighbours.

The influence of overseas powers is not necessarily positive. Beyond the formal sphere, the United States, Cuba and Venezuela would also strive for influence in the Caribbean region. Some would argue that this does not serve the interest of the islands.<sup>131</sup> However, the aim is not find a perfect institutional system, but one that could provide some stability for government to become effective. Given the success of these islands in remaining democracies and the checks between the different branches of government, the formal institutional setup seems to allow for this. It could therefore be expected that the institutional design factors played their usual role in framing and enforcing decisions without obstructing government performance.

### **4.3 SOCIO-ECONOMIC FACTORS**

The socio-economic conditions should again be such that government performance is not ruled out by poor circumstances. One complication could be that the socio-economic variables are a harder to investigate in isolation of the socio-cultural circumstances. Economic inequality, for example, could both be the cause and consequence of clientelist patronage. The focus will therefore be on the main characteristics of the economies on the island, while the subtleties will warrant further discussion when covering the dynamics of the interpersonal relationships.

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<sup>131</sup> EJ De Kadt, *Patterns of foreign influence in the Caribbean*, (Oxford University Press, Oxford, 1973).

### 4.3.1 Literature on islands economies

Island economies are characterized by both a reliance on the outside world and a major role for government expenditure. Despite their peripheral position, islands are generally open economies. Almost two hundred years ago, Adam Smith praised the island of Curacao as a beacon of free trade which generated much wealth for its population.<sup>132</sup> Islands are compelled to openness either by necessity, with the need to import resources not available locally, or through their position in the world market.

Yet having an open economy also brings certain risks. Briguglio argues that island states are vulnerable as they are heavily affected by minor changes in the world economy. Islands generally have little diversity in their income streams, relying on sole contributors such as tourism or oil. In addition, they have to cope with high transport costs and difficulties in accessing external capital.<sup>133</sup> This means that small changes in the world economy can have great impact on local welfare.

Briguglio argues that these vulnerabilities can be redressed by developing solid resiliency strategies. In the case of the Caribbean islands this entails solid protection of citizen property rights – be it through cross-Atlantic ties or the strength of the American sphere of influence – and the exploration of new revenue streams beyond tourism –such as telecommunication services or generating sustainable energy. This requires further development of their people as human capital, through good education, health and information technology. Such large-scale, collective programmes put the onus for development into the sphere of the government.<sup>134</sup>

Governments generally tend to have a major role on islands anyway. The public sector would usually have a large stake in the overall expenditure, providing a large

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<sup>132</sup> A. Smith, *An inquiry in to the nature and causes of the wealth of nations*, (University Press, Edinburgh, 1827), p. 234.

<sup>133</sup> Commonwealth Secretariat, *Small states: Economic review and basic statistics*, (Commonwealth Secretariat, London, 2002).

<sup>134</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

share of the employment on islands. As summarised by Oostindie and Sutton: ‘Government [...] is often the largest employer of labour. The median wage bill of the public sector as a proportion of GDP in small states at 31% is significantly higher than in large developing countries where it stands at 21%. Public sector employment in the small islands of the Eastern Caribbean ranges between 20% of the workforce in Barbados to 40- 60% in the Organisation of Eastern Caribbean States.’<sup>135</sup>

#### **4.3.2 Economic conditions**

##### *Economic development*

Aruba was not a wealth powerhouse during colonial times and was rather used for the breeding of horses and share-cropping. On Curacao, the Dutch took full benefit of its expansive natural harbour of Curacao and turned the island into a linking pin in the Atlantic trade routes. Different products of the surrounding colonies were exchanged here and slaves arrived from Africa to be sold on to the other colonies.<sup>136</sup>

An oil refinery was built on both Aruba and Curacao at the beginning of the twentieth century, respectively by Standard Oil and Shell, to refine the oil found in Venezuela. Workers were drawn in from across the region.<sup>137</sup> Near the end of the century, both refineries were sold to new owners and continued only with a much smaller number of jobs, forcing the islands to find new sources of income.

St Kitts chiefly relied on sugar cane production. Over the last decades of the twentieth century, the government effectively ran this industry, owning the land and processing facilities. However, the small scale of the island proved no competition for the large-scale production capacity of Brazil, and preferential access to the European

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<sup>135</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>136</sup> M. Goede, *Globalization of small islands: The case of Curacao*, *International journal of economics*, vol 34, no. 5, 2008, p. 344-363.

<sup>137</sup> M. Goede, *Globalization of small islands: The case of Curacao*, *International journal of economics*, vol 34, no. 5, 2008, p. 344-363.

market was disbanded over the years. In 2005 the government abandoned its subsidy of the industry, forcing a major shift in the economy towards a service economy.

### *Economic system*

In present times, the islands had reasonably high income when compared to their Caribbean peers, ranging between \$15,000 and \$25,000 per capita. In the case of St Kitts, it must be noted that after the survey had been concluded, the national debt had actually risen to a 185% ratio to Gross Domestic Product. This depressed the overall income towards \$13,700 per capita in 2010, although the World Bank still qualified them as an ‘upper middle income’ country.<sup>138</sup>

**Table 10 Main economic indicators for 2008<sup>139</sup>**

	<b>Aruba</b>	<b>Curacao</b>	<b>St. Kitts</b>
<b>GDP</b>	\$2,724 million	\$2,840 million	\$780 million
<b>Economy</b>	Tourism, oil refinery	Tourism, oil refinery, finance	Tourism, financial services, agriculture
<b>GDP capita</b>	\$25,831	~\$20,500 <sup>140</sup>	\$15,700 <sup>141</sup>
<b>Inflation</b>	3.4%	6.9% <sup>142</sup>	4.5%
<b>Unemployment</b>	6.9%	14.7% <sup>143</sup>	4.2%

Going beyond the total production of wealth on the islands, several indicators suggests that this money was not equally distributed across the population. In 2003 around one third of the people on Curacao lived below the poverty line, which was 60 per cent of

<sup>138</sup> CIA, *World Factbook*, [www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook), (Retrieved on 18 August 2011). World Bank, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/St.Kitts&Nevis.pdf>, (Retrieved on 18 August 2011).

<sup>139</sup> UN, *Country Profile Aruba*, <http://data.un.org/CountryProfile.aspx?crName=Aruba>, (Retrieved on 18 August 2011).

<sup>140</sup> Taking measurements from 2008, the data halfway the period researched where all the information is available for all the islands. It was sometimes hard to find exact data for Curacao, as the Netherlands Antilles were often measured as a whole.

<sup>141</sup> CIA, *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/sc.html>, (Retrieved on 18 August 2011).

<sup>142</sup> CBS Curacao, *Prices Index*, (Centraal Bureau voor Statistiek, Willemstad, 2007).

<sup>143</sup> CBS Curacao, *Ontwikkelings arbeidsmarkt*, (Centraal Bureau voor Statistiek, Willemstad, 2007).

the GDP per capita.<sup>144</sup> St Kitts had similar poverty rates, although it did achieve an improvement over the years. '[T]he Country Poverty Assessment conducted in 2007 revealed a national poverty rate of 21.8 of individuals across St. Kitts and Nevis, with the situation being worse in St. Kitts than in Nevis. This [was] a marked reduction from levels above 30 % seen in 2000.'<sup>145</sup> The disparity was probably smaller on Aruba, although differences were still significant with the top 10% earning more than five times as much as the bottom 10%.<sup>146</sup>

These imbalances put questions marks by the economic conditions of the islands. High poverty and unemployment rate might increase the occurrence of dependency within the community. One redeeming feature of the economies was the presence of tourism as the main source of income. An advantage of tourism was that, unlike resources such as crude oil and diamonds, tourism seemed to be a better income source to spread money throughout the community.<sup>147</sup> Both the hotel owner and the taxi driver benefit from this sector.

The islands took slightly different approaches to the tourist market. On Aruba the majority of tourists hailed from North America, while Curacao also heavily targeted the Dutch market. St Kitts aimed to capture the top of the market, for example it agreed contracts with Marriott, rather than Holiday Inn. For all islands, the entry into the tourist market lead to a boom of casinos, hotels and other amusement opportunities, spurred on by the fierce competition between the different holiday destinations in the Caribbean.

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<sup>144</sup> CBS Curacao, *Prices Index*, (Centraal Bureau voor Statistiek, Willemstad, 2007).

<sup>145</sup> UNDP, *St Kitts and Nevis*, [www.bb.undp.org](http://www.bb.undp.org), (Retrieved on 23 June 2011).

<sup>146</sup> CBS Aruba, *Labour, Income and social security*, (Centraal Bureau voor Statistiek, Oranjestad, 2007), p. 7.

<sup>147</sup> M. Ross, 'Does oil hinder democracy', *World Politics*, vol. 53, no. 3, p. 323-361.

**Table 11 Main sources of employment**<sup>148</sup>

	<b>Aruba</b>	<b>Curacao</b>	<b>St. Kitts</b>
<b>Agriculture</b>	0.4%	0.5%	10%
<b>Industry</b>	33%	40%	30%
<b>Services</b>	66%	59%	60%

As demonstrated in the above table. Beyond tourism, both Aruba and Curacao retained some income from their refineries, with several thousands of people enjoying direct or indirect employment as a result.<sup>149</sup> Curacao developed a considerable offshore service industry, although this is not yet on the scale of the Caymans or the Channel islands. St Kitts & Nevis also had a considerable off-shore industry, although most companies were registered on Nevis. St Kitts also acquired income through remittance monies, with Kittians sending around US\$44 million home in 2008.<sup>150</sup>

Some final streams of income lay beyond the direct gaze of the government, such as those stemming from drug trafficking and money laundering. Positioned between the supply in South America and the demand in Europe and North America, Curacao, for example, reportedly held a key role in cocaine trafficking.<sup>151</sup> The size of the informal economy is always hard to assess, but its impact should not be discounted, especially when considering the networks in society.

### **4.3.3 Quality of economic conditions**

On the whole, the economic conditions of these islands were not ideal, but still strong enough to allow for government performance. With the majority of income coming

<sup>148</sup> CIA, *World Factbook*, [www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook), (Retrieved on 18 August 2011). CBS Curacao, [www.cbs.an](http://www.cbs.an), (Retrieved on 18 August 2011). CBS Aruba, [www.cbs.aw](http://www.cbs.aw), (Retrieved on 18 August 2011).

<sup>149</sup> CIA, *World Factbook*, [www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook), (Retrieved on 18 August 2011).

<sup>150</sup> World Bank, *St Kitts and Nevis*, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/St.Kitts&Nevis.pdf>, (Retrieved on 18 August 2011).

<sup>151</sup> M. Goede, *Globalization of small islands: The case of Curacao*, *International journal of economics*, vol 34, no. 5, 2008, p. 344-363.

from industries tied to the volatile world market –tourism and oil- these islands were susceptible to external shocks. However, many small countries find themselves in a similar position and are able to perform. In the case of these three islands, this is evidenced by the fact that they developed relatively high Gross Domestic Products per capita.

A more problematic question is the distribution of wealth. On one hand, there are large groups of society living in poverty, which could strengthen clientelist dynamics. On the other hand, the fact that most money is earned from tourism, rather than capital intensive industries such as mining or oil, suggests that it would be possible to achieve a fair distribution.<sup>152</sup> This is where good economics dovetails with good politics. Effective policies could generate wealth for more people, but as evidenced by the high debt ratio of St Kitts, the management of public money was not always strong. However, when compared to the region, in principle good governance ought not to be significantly hampered by the economic circumstances.

#### **4.4 SOCIO-CULTURAL FACTORS**

The chapter will now consider the socio-cultural circumstances of the islands. Again, the discussion will open with a brief consideration of the literature. Then, following the framework within social capital, the socio-cultural circumstances are evaluated in terms of structure, nature and expectations of relations. Unfortunately, in many cases there is not a large amount of statistical data available. However, drawing on the statistics, secondary literature and observations presented here, the argument is made that the social capital situation is challenging at the least.

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<sup>152</sup> M. Ross, 'Does oil hinder democracy', *World Politics*, vol. 53, no. 3, p. 323-361.



#### 4.4.1 Literature on island societies

There are roughly two schools of thought on island societies: One declares it an ideal ecology for great governance, the other is more critical. The optimistic school of thought, exemplified by authors such as Lowenthal or Mansbridge, relies on the assumption that islands are inherently more corporatist than other societies because the interdependence of the community is more apparent due to their isolation and small size.<sup>153</sup> It surely must be easier for a state to operate if everyone is only one handshake away from the minister and can observe directly what officials are doing.

The underlying assumption here is that visibility and full-disclosure leads to trust. Yet, this school of thought equates knowing to trusting. The more pessimistic perspective argues that all this information, not tested for validity or relevance, may actually hinder trust.<sup>154</sup> The positive assumptions mainly focus on the benefits of strong ties in a society and ignore the corresponding dangers. Taking a more negative view, Sanders concludes that islands have a very confrontational character and that all political battles are hard fought, precisely because they include a personal element.<sup>155</sup>

The optimistic view also assumes that stability in society equates to fairness. Anckar and Anckar observe that island societies have a tendency to enforce a specific regime benefiting only a select few, whereby Western-style concepts of justice and harmony are actually thinly veiled instruments of coercion maintaining the status quo between patrons and clients.<sup>156</sup> Regime structures are so powerful that they maintain an unfair division of power.

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<sup>153</sup> G. Baldacchino, 'The Contribution of 'Social Capital to Economic Growth: Lessons from Island Jurisdictions', *The Round Table*, vol. 94, no. 378, 2005.

<sup>154</sup> A. Fung, M. Graham and D. Weil, *Full Disclosure: The Perils and Promise of Transparency*, (Cambridge University Press, Cambridge, 2007).

<sup>155</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

<sup>156</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

Baldachinno, usually quite optimistic about the governance of islands, advocates a careful consideration of each island society. ‘Corporatism doesn’t just happen and a [common] ethnic [identity] is not exactly a given. It would be wrong to succumb to the tempting simplicity of geographic determinism, arguing that smallness and insularity per se generate social capital, in some strange, almost automatic or natural manner. [...] One needs to assess the extent to which an island people are exactly that: an articulated, island people.’<sup>157</sup>

Generalisations of island societies may also ignore differences within an island population. Within a polity, a different group may have developed different forms of trust and connections. Ross, for example, observed that the elites in Russia were very well intra-connected, just as the people at the bottom knew each other well. However, there was no strong link between the top and the bottom, creating an hourglass type of society.<sup>158</sup> Given this range of community types, the assessment of specific island societies should therefore proceed with caution and consideration.

#### **4.4.2 Structure of relations**

Social capital theory puts several demands on the structure of social relations. Firstly, social capital is considered high when there are a large number of associations available. Secondly, there should be sufficient ‘weak ties’ to prevent a convoluted and entangled social sphere. Thirdly, the ties need to also bind together the community around shared interests. The islands studied here seem to fail these three characteristics.

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<sup>157</sup> G. Baldacchino, ‘The Contribution of ‘Social Capital to Economic Growth: Lessons from Island Jurisdictions’, *The Round Table*, vol. 94, no. 378, 2005.

<sup>158</sup> R. Rose, *What does social capital add to individual welfare: An empirical analysis of Russia*, (World Bank, Washington, October 1999).

### *Quantity of civic associations*

A measurement of social capital in Putnam's definition could start with a simple count of the associations on each of the islands. Unfortunately, there was no official data on the amounts of clubs and associations on Aruba, Curacao and St Kitts. The activity of several associations could be observed, including service clubs (Rotary, Lions), sporting clubs (football, basketball, cricket) and other types of networks (Carnival Troupes, Freemasons). However, a count based on direct observation could not hope to be complete and might accidentally count 'uncivic' connections.

A further problem was that many clubs and societies had a religious foundation. Church-based groups would organise welfare, sports and education. As discussed earlier, Putnam applies a strict rule that certain church associations do not count towards social capital.<sup>159</sup> Yet ignoring these religion-based activities would discount a great number of connections that may still actually benefit society.

A final problem is that a formalistic measurement, based on entries in the Chamber of Commerce, would constitute a bias towards the professionalised, secular organisations as favoured in North-Western Europe and White Anglo-Saxon Protestant America. For example, neighbourhood rotating credit unions were a very common occurrence in the English-speaking Caribbean, yet they would fail to show up in an informal count of associations.<sup>160</sup>

While acknowledging these challenges, it would be useful to have an estimate of associations for the islands. One concrete measurement was available in the Yearbook of International Organisations. This global index lists the local chapters of all known international non-governmental organisations such as the Christian Democratic Women

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<sup>159</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993)

<sup>160</sup> A. Lowe, *A bibliographical survey of rotating saving and credit associations*. Oxford: University of Oxford, 1995, p. 33.

of America, International Boxing Association or The International Federation of Trade Unions of Transport Workers. This measurement includes organisations with a religious tint, but does still ignore informal association activities.

Next to being the one measurement that can actually be executed, the Yearbook has further benefits. International non-governmental organisations generally have strong credentials in order to be qualified as civic. Paxton uses them as a proxy for social capital because ‘[t]hey are an “idealized” version of all associations – those that would be expected to positively affect democracy. [International non-governmental organisations] have “resolutely democratic formal structures” [...] and represent nonlocal ties amongst associations within a country as well as links to the larger global community.’<sup>161</sup> Although not all organisations fit this rather idealized description, the general principle can be supported. The below table presents the results gathered.

**Table 12 Number of international organisations**<sup>162</sup>

<b>Country</b>	<b>Number of international NGOs</b>
<b>Aruba</b>	<b>244</b>
Bahamas	759
Barbados	951
<b>Curacao</b>	<b>130</b>
Italy	10,032
Grenada	451
Netherlands	9,462
<b>St Kitts</b>	<b>353</b>
St Vincent	407
Trinidad & Tobago	1,235
United Kingdom	10,862

<sup>161</sup> P. Paxton, ‘Social capital and democracy: An interdependent relationship’, *American Sociological Review*, vol. 67, no. 2, April 2002, p. 254-277.

<sup>162</sup> UIA, *Yearbook of international organisations*, <http://ybio.brillonline.nl/s/or/en>, (Retrieved on 18 August 2011).

If all the 300 countries and territories included were to be placed in a list, Aruba and Curacao would rank in the bottom quartile in terms of number of memberships. St. Kitts would just make it into the third quartile.<sup>163</sup> Much of this low score can be explained by the small size and homogeneity of the islands. It is unlikely that the Association for the Conservation of Polar Bears has many members in the Caribbean.

However, differences in size and diversity cannot explain everything. Grenada and St Vincent, with populations similar to that of Aruba and Curacao, possess more non-governmental activity than either of them. Barbados has only double the number of people as Curacao, yet has more than seven times its amount of associations. When assuming that the low level of international organisations is mirrored by a low level of local organisations, this data would point towards a relatively low social capital score for Aruba, Curacao and St Kitts. However, given the assumptions involved, this conclusion needs to be substantiated with further evidence.

*Bonding ties: Entanglement and personalism*

Social capital relies chiefly on connections that bring together people connected beyond close family or clan ties. However, as Coyne observes, such bridging connections rarely occur in island societies as political and bureaucratic relationships are entangled in all other bonding networks of the community.<sup>164</sup> A politician can relate to a political adversary who is also a relative, business client, schoolmate and neighbour. From the perspective of Granovetter, these islands are awash in ‘strong ties’ which hampers effective government performance.

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<sup>163</sup> UJA, *Yearbook of international organisations*, <http://ybio.brillonline.nl/s/or/en/v5>, (Retrieved on 18 August 2011).

<sup>164</sup> S. De Smith, *Microstates and Micronesia: Problems of America's Pacific Islands and Other Minute Territories*, (London, University of London Press, 1970).

People have to navigate between all the different interests involved and, even despite good intentions; all professional relations are likely to become captured in more personalised attitudes. Beyond the personal problems this entanglement creates, a macro-governance complication emerges when the different checks and balances cannot move independently from each other. Baldacchino argues that the state and civil society on islands are so interwoven that their separation is ‘a mere theoretical quirk.’<sup>165</sup>

Relevant for this research project, this entanglement goes directly against the ideal types of the Weberian bureaucracy these islands nominally imported. The offices of state are identified with their individual bearers, rather than the legal role of the position, imploding the private and the public persona in to one.<sup>166</sup> The interconnectedness of roles makes it risky to counter powerful players. One director of the utilities was warned by his own boss not to get into a fight with the CEO of the utility. As the same utility was a big client of the company, this would mean trouble for the boss.<sup>167</sup> It is hard to check abuses of power in such circumstances.

The combination of personal and public roles nurtured a rather vicious type of debate as displayed in the political sphere. Three examples can be given of such personal attacks on public figures: The CEO of the telecommunication operator owned by the government of Curacao called a press conference to discuss the recent criticism on their cooperation with a data centre. He opened the conference with stating that the inquisitive Member of Parliament was ‘*a coward, abuser and impotent*’.<sup>168</sup>

On St. Kitts, the opposition had placed a sign right opposite the house of prime minister Denzil Douglas, who trained as a medical doctor before going into politics.

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<sup>165</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>166</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>167</sup> Director 14

<sup>168</sup> Amigoe, ‘De Geus: Wiels is een lafaard, een misbruiker en impotent’, *Amigoe*, 21 July 2011.

Appealing to his failure to enact healthcare reform, the sign asked in large letters; *'How many more must die, Denzil? You have failed.'*<sup>169</sup>

An Aruban member of the opposition attacked a member of the ruling party for sitting next to the minister for Health: *'I cannot understand how you can sit next to him, even when you know that your father died because of his policies as a minister of Health. He sent him to Venezuela, while your father should have gone to the Netherlands for an operation and now he is dead.'*<sup>170</sup>

These statements were fundamentally personal attacks on the opposite number made on record and none of the statements were retracted. According to several interviewees, it seemed that politicians typically besmirched each other and that no one was left untouched. *'You cannot have an inspirational figure like Obama around here. Everything is too personal and they would take even him down.'*<sup>171</sup>

One could take a more optimistic view and conclude that these societies are both very 'personal and highly transparent'.<sup>172</sup> Munneke tries to turn their weakness into strengths and argues that one should put this Weberian separation between the private and public sphere aside and rely on social cohesion to govern the relation between officials and the public.<sup>173</sup> An Aruban respondent echoed this sentiment: *'We are sometimes accused of being too top-down on this island, as public initiatives almost invariably originate from within government. But the government is the people; everything is bottom-up around here because of the scale.'*<sup>174</sup>

However, this inclusiveness assumes that there is a shared agreement on the common good. Actors can also use the proximity within the system to form criminal

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<sup>169</sup> Election sign standing in Sandy Point St. Kitts, April 2010.

<sup>170</sup> Amigoe, 'Opnieuw onenigheid statenleden Aruba', *Amigoe*, 25 march 2010.

<sup>171</sup> External actor 21

<sup>172</sup> R. Baker, *Public administration in small island states*, (Kumarian Press, 1992).

<sup>173</sup> H.F. Munneke, *Ambtsuitoefening en onafhankelijke controle in de Nederlandse Antillen en Aruba: juridische en beheersmatige controle als waarborg voor deugdelijk bestuur*, (Rijksuniversiteit Leiden, Leiden, 1994).

<sup>174</sup> External actor 3

alliances. As Huberts and Nelen detail, acts of corruption require a lot of trust as well, as the partners in crime need to know the other individual is reliable.<sup>175</sup> Within small societies these pacts can be quickly formed and easily monitored.

### *Bridging ties: Political schisms*

This turns the discussion from the bonding ties within communities to the bridging connections across society. It is important to investigate both, as a plurality of bonding ties *within* a community may not coincide with bridging ties *between* communities. Small countries especially have a mixed track-record when considering their cohesiveness. On the one hand, Clarke finds that small-scale countries ‘divided by race’ are usually a spectacular disaster, citing the countries of Equatorial Guinea and Fiji as examples of bad and unstable government.<sup>176</sup> On the other hand, Lijphart notes that Mauritius and Trinidad & Tobago are the best performing Third World countries with multi-ethnic populations.<sup>177</sup>

An important difference between these countries versus Aruba, Curacao and St. Kitts, is that the latter did not have several ethnic groupings of equal sizes. Instead, there was a large majority of one specific ethnicity and much smaller minorities of other groups. For example, Aruba was mostly white-identified with an ethnically mixed minority. Curacao was mostly black-identified with several much smaller groups of ethnicities. It could be argued that one group could exercise control alone, without a need to negotiate with the much smaller parties, there was no need for a society wide bargain found under consociational arrangements.

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<sup>175</sup> Huberts, L.W.J.C., and J.M. Nelen, *Corruptie in het Nederlandse openbaar bestuur: Omvang, aard en afdoening*, Vrije Universiteit, Amsterdam, 2005, p. xv.

<sup>176</sup> G. Clarke, ‘From ethnocide to ethnodevelopment’, *Third world development*, vol. 22, no. 3, 2001.

<sup>177</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).



St Kitts had a largely homogenous population. There were some division between churches and villages, but the main lines did not seem to be drawn on geography or ethnicity. By contrast, a myriad of division could be drawn through Curacao, with a multitude of lines of separation: Black versus white, white Protestants versus white Jews, born islanders versus recent immigrants, Dutch speakers versus Papiamentu speakers, north side of the island versus south side of the island, etc.<sup>178</sup> However, given the diversity, it could also be argued that Curacao was rather stable.

Aruba had a more homogenous population, although the work of Alofs shows that ethnic divisions did exist. The main division lay between the white majority on the north of the island, and the large group of black people on the south of the island who originally had come to Aruba to work at the refinery. The southern town would be derogatorily referred to as ‘Chocolate city’ by some other citizens.<sup>179</sup>

However, many individuals would still be able to cross these divisions. In the political sphere, however, the lines seemed to be drawn more sharply. In both St Kitts and Aruba, a two-party system had evolved, with the two alternating in office for the last decades. There was a strong culture of ‘either with us or against us’ in both polities, with precious few individuals straddling the divides. In Curacao, the factions were more fluid, caused by the coalition system, whereby unlikely combinations sometimes had to be made in order to establish a government.

In line with the aforementioned personalism, political grouping tended to organise themselves around individuals. Specific party leaders would be able to break away on their own and take their followers with them. This is evidenced by the high incidence of preference voting on Aruba and Curacao. On Curacao, 50% of the votes would be cast for the specific individuals on the party lists, rather than the party and its idea as a

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<sup>178</sup> T. van der Dijs, *The nature of ethnic identity among the people of Curacao*. (Doctoral thesis for the University of Utrecht, 29 March 2011).

<sup>179</sup> L. Alofs, *Ken Ta Arubano?*, (KITLV, Leiden, 1990).

whole. On Aruba, this rate stood at 60%.<sup>180</sup> Beyond these personal funds of power, the main division existed between those in versus those out of power. As will be discussed when referring to the zero-sum strategies used, actors in office would ruthlessly maximise their returns while in office, disregarding the needs of the minority.<sup>181</sup>

#### 4.4.3 Nature of relations

Next to the structure of relations, social capital theory also places several requirements on the nature of relations in order for them to be qualified as civic. Most importantly, they need to be of an equal nature, creating an exchange between partners, rather than a power relation between master and subject.<sup>182</sup> They should work towards the benefit of the wider communities, rather than an ‘amoral familism’ hurting the general interest.<sup>183</sup> Again, there are several elements in the nature of social relations on these islands which undermine the social capital conditions.

#### *Inequality: The land of the blind*

Next to the socio-economic circumstances discussed, there are other drivers for inequality on these islands. Baldacchino suggests that a chronic deficiency of human resources in both numbers and quality will also lead to imbalance.<sup>184</sup> People with a slight advantage in skills can quickly acquire several key positions within society as there are few competitors. Unqualified people are awarded with disproportionate

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<sup>180</sup> CBS Curacao, [www.cbs.an](http://www.cbs.an) (Retrieved on 18 august 2011). CBS Aruba, [www.cbs.aw](http://www.cbs.aw), (Retrieved on 18 august 2011).

<sup>181</sup> Politician 14

<sup>182</sup> S. Piattoni, ‘Clientelism, interests, and democratic representation’, in S. Piattoni ed. *Clientelism, interests, and democratic representation: The European experience in historical and comparative perspective*. (Cambridge University Press, Cambridge, 2001).

<sup>183</sup> E.C. Banfield, *Moral basis of a backward society*, (New York, Glencol, 1954).

<sup>184</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

responsibilities and authority is concentrated in the few hands of those that have but a little extra qualification.<sup>185</sup>

For example, it requires well-trained individuals to run the bureaucracies adopted from Europe. This would restrict the pool of candidates to those with at least a tertiary education, although some self-taught individuals may also qualify. The table below indicates the level of educational attainment per island, highlighting how small the group of candidates then becomes.

**Table 13 Educational attainment**

	Aruba <sup>186</sup>	Curacao <sup>187</sup>	St Kitts <sup>188</sup>
<b>Primary</b>	41%	24%	20%
<b>Secondary</b>	43%	64%	54%
<b>Tertiary</b>	16%	8%	11%
<b>University</b>		3%	7%

Based on these figures, around 4,000 people had a university degree on Curacao and 2,450 actors had a university degree on St Kitts. Assuming a similar division between tertiary and university education for Aruba, the specific data was not available, around 6,000 people had achieved a university education over there. Relative to many developing countries, these were certainly not bad figures. However, as discussed, the governments on these islands were modelled on countries where the educational attainment had risen to higher levels in the recent decades.<sup>189</sup>

It can furthermore be argued that the pool of talent was restricted even more by further selection effects. A large part of the target audience may choose to avoid the political hassle and focus on a business career. In addition, in the factionist nature of the

<sup>185</sup> H.F. Munneke, *Ambtsuitoefening en onafhankelijke controle in de Nederlandse Antillen en Aruba: juridische en beheersmatige controle als waarborg voor deugdelijk bestuur*, (Rijksuniversiteit Leiden, Leiden, 1994).

<sup>186</sup> CBS Aruba, 'Educational attainment', *Census 2000*, (CBS Aruba, Oranjestad, 2000).

<sup>187</sup> CBS Curacao, 'Educational attainment', *Census 2001*, (CBS Curacao, Willemstad, 2001).

<sup>188</sup> CARICOM, *National census report: St Kitts and Nevis*, (CARICOM, 2009), p. 27.

<sup>189</sup> UN, *UNECE Statistical Database*, (Retrieved on 19 August 2011).

public debate on the islands, many qualified individuals were actively ignored or excluded, restricting the scope of people to a limited number of key individuals.

As a consequence of these effects, people with only a slight edge in skills receive a disproportionate amount of responsibility, often staking together different roles. Baldachinno refers to this effect as ‘status incongruence.’<sup>190</sup> Farrangan concludes optimistically that this gives policy entrepreneurs the liberty to shape services.<sup>191</sup> However, this hypothetical benefit should translate to higher quality of service on islands, which does not seem to materialize universally. Instead, it seems to become rather lonely at the top without any peers. One highly educated government minister commented: *‘There is effectively no one who can stop me from doing what I want. I have the power and the knowledge. This is a very frightening thought. I should be opposed, I cannot always be right.’*<sup>192</sup>

#### *Inequality: Past and present discourses*

In the framework of social capital, the history of power relations within a community is said to shape current attitudes to power. Putnam argues that the poor social capital setting in southern Italy stems from the feudal arrangement of Norman rule. A similar reliance on historical experience would give the islands an even stronger hierarchical slant; colonialism, slavery and institutionalised racism played a large role in the formation of the island communities. Although there are differences between the experiences of the islands, some parallels are significant.

As previously mentioned, slavery has an enduring legacy in the Caribbean islands, along with institutional racism and colonialism. Due to the economic differences, the

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<sup>190</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>191</sup> G. Oostindie and P. Sutton, *Good governance and small islands states*, (KITLV, Leiden, October 2006).

<sup>192</sup> Politician 19

three islands had slightly different arrangements, but slavery was present on all for islands for several centuries. The British passed the Slavery Abolition Act in 1833, while the Dutch abolished slavery in 1863. Yet the influence of enslavement, in other New World societies of Jamaica, Cuba and Brazil, for example, has also been traced to such things as language, family structure and attitudes to employment.<sup>193</sup>

One such legacy of enslavement is that skin colour remained a social determinant on all three islands. Lipschutz referred to such a colour-based worldview as ‘pigmentocracy.’<sup>194</sup> The interviewees on Aruba and Curacao commented that the refineries were segregationist in their employment practices, appointing white Americans or Europeans as part of the management and segregating them in gated communities on the islands. The black workers were usually given the lowest positions on the plant, a situation that only started changing in the second half of the twentieth century.<sup>195</sup>

Following Putnam’s approach, religion would also have to be included as a factor of inequality. The majority of Aruba and Curacao inhabitants described themselves as Roman Catholic, with a sizable population existing on St Kitts. Putnam comments that the Protestant ethic, as found in the Low Countries and the United Kingdom, encourages a more egalitarian world view.<sup>196</sup> However, this approach poses the question whether all Protestant organisations were benign and all Roman Catholic arrangements malign. It seems harsh and incomplete to ignore the positive effect the Roman Catholic Church had. For example, the Roman Catholic Church ran large parts of the schooling system in all three islands and also began to de-segregate higher church offices.

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<sup>193</sup> V. Stolcke, ‘The Slavery Period and its Influence on Household Structure and the Family in Jamaica, Cuba, and Brazil’, *Family Systems and Cultural Change*, 1992, p. 248–261.

<sup>194</sup> A. Lipshütz, *El indioamericanismo y el problema racial en las Américas*, (Editorial Nascimento, Santiago, 1944).

<sup>195</sup> External actor 30

<sup>196</sup> R. Putnam, R. Leonard, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 107.

An observation of Putnam that those seem to hold is that new associations were often cast in the mould of the old hierarchical ones. In sync with the wider uprising of black minorities in the 1960s, there was a public revolt on the island of Curacao in 1969, leading to a handover of power to a new generation of black leaders. However, some are disappointed by the failure of the promise of such anti-colonial activism. One observer commented that little had changed: *'They merely replaced white power with black power. [...] When they took their first ride in the government cars after being elected in the offices, they waited stubbornly in the back for the chauffeur to open the door. "Now it is my turn to be served," they said, even if that was exactly what we fought against.'*<sup>197</sup>

This brings the discussion to present day perceptions of power and inequality. To some extent the old relationships were replicated into new clientelist attitudes as physical enslavement became economic dependence. Citizens now had to turn to powerful patrons for money and employment.

It is difficult to provide data on these relations of patronage, figures on corruption and preference voting gives some indication, but may only scratch at the surface. In a qualitative review of Curacao, Marcha and Verweel argue that the island is ruled by a 'culture of fear', whereby actors are guarded against offending powerful individuals,<sup>198</sup>

An illustration of such an informal but asymmetric relations was provided by one respondent who explained why he distrusted politicians: *'I helped a politician with his campaign once; sticking up flyers, making house calls, you name it. In return, I had expected he would arrange a private pension for me. But the only thing I got from him*

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<sup>197</sup>

External actor 30

<sup>198</sup>

W. Marcha and P. Verweel, *De cultuur van angst*, (SWP, Amsterdam, 2007).

*was a new shower cabin. He controls all these government funds and he only gives me a shower. It shows that you just can't trust them.'*<sup>199</sup>

Clientelism here combines with personalism; people think in terms of dependence and in addition have a specific name of the individual who should provide for them. Van Leeuwen observes that these relationships are still governed by constraints, be it by shame rather than guilt.<sup>200</sup> This limits the dominant actor in the relationship, yet it is the obligation of a lord, rather than a boss. Expectations of cooperation

#### **4.4.4 Expectations of relations**

The final element of social capital is the expectations actors have of cooperation. This interpersonal trust would ideally be measured directly. Unfortunately, the World Value Survey or similar data sets did not cover Aruba, Curacao and St Kitts. What can be presented is some figures on participation in politics, the perception of corruption and own observations on the attitudes towards cooperation.

##### *Participation in politics*

It could be hypothesised that voter turnout reflects a trust in the political sphere.<sup>201</sup> If this relationship is really so straightforward, a high voter turnout would equate to positive expectations of the government. If this is true, the scores of the islands would be reasonable, as presented in the table below.

For Aruba, Curacao and St Kitts, voter turnout ranged between 66% and 85%. There are several islands societies obtaining a lower score, although the Bahamas leaves all of them far behind with 92%. However, Barbados has a lower turnout of 63%. Yet this relatively low score is contradicted by the excellent performance of Barbados on the

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<sup>199</sup> External actor 46

<sup>200</sup> B. van Leeuwen, *Geniale anarchy*, (In de knipscheer, 1994).

<sup>201</sup> K. Gronlund and M. Setala, 'Political trust, satisfaction and voter turnout', *Comparative European Politics*, vol. 5, 2007, p. 400–422

Corruption Perception Index (see below). This suggests that the relationship between trust and turnout is not so straightforward.

**Table 14 Voter turnout**

<b>Country</b>	<b>Voter turnout<sup>202</sup></b>
<b>Aruba</b>	<b>85%</b>
Bahamas	92%
Barbados	63%
<b>Curacao</b>	<b>66%</b>
Italy	81%
Grenada	80%
Netherlands	75%
<b>St Kitts</b>	<b>84%</b>
St Vincent	62%
Trinidad & Tobago	69%
United Kingdom	66%

Putnam argues that voter turnout may actually be part of the patron-client system.<sup>203</sup> As these are secure institutional settings, the international powers and judiciary will guarantee free and fair elections, patrons need to bolster their power through the voting booth. This means they have to corral clients into voting for them.

Putnam measures this effect by personal preference voting: Candidates of the same party are ordered in one list on the ballot paper, people voting for the number two or lower are not voting for the ideas of the party, but for the individual.<sup>204</sup> This is supported by the great degree of individual preference voting on the island.

<sup>202</sup> Voter Turnout, [www.idea.int](http://www.idea.int), (Retrieved on 18 August 2011).

<sup>203</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 94.

<sup>204</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 94.



As St Kitts had a first-past-the-post system, it was not possible to apply this measurement. On Curacao, around 50 per cent of the votes were individual preference votes.<sup>205</sup> Aruba had an even greater number reaching 60 per cent.<sup>206</sup> The evidence for the other islands seems to support the idea that the voter turnout might actually be a manifestation of patronage, rather than trust.

### *Perception of corruption*

Another approach to the measurement of trust is to look at the Corruption Perception Index published by Transparency International. However, in the peer group of islands, a complete measurement was only conducted for Barbados and Trinidad & Tobago. Aruba, Curacao and St Kitts only had one data point per survey, which Transparency International itself did not warrant reliable enough to include the countries in the overall index. These numbers, as presented below, are chiefly about the ‘ease of doing business’ and the legislation put in place, and not the perception of corruption.

**Table 15 Corruption Perception Index<sup>207</sup>**

<b>Country</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Aruba</b>	<b>3.7</b>	<b>3.5</b>	<b>5.4</b>	<b>6.1</b>	<b>5.6</b>
Barbados	8.5	8.5	6.7	6.9	7.0
<b>Netherlands Antilles</b>	<b>3.7</b>	<b>3.5</b>	<b>3.5</b>	<b>5.2</b>	<b>5.4</b>
Italy	4.8	5.0	4.9	5.2	4.8
Netherlands	8.7	8.6	8.7	9.0	8.9
<b>St Kitts</b>	<b>3.7</b>	<b>3.5</b>	<b>3.5</b>	<b>5.2</b>	<b>5.4</b>
St Vincent	3.7	3.5	3.8	N/A	N/A
Trinidad & Tobago	4.2	3.8	3.2	3.4	3.6
United Kingdom	8.6	8.6	8.6	8.4	7.7

<sup>205</sup> CBS Aruba, www.cbs.an, (Retrieved on 18 august 2011).

<sup>206</sup> CBS Aruba, www.cbs.an, (Retrieved on 18 august 2011).

<sup>207</sup> Transparency International, *Corruption perception index*, 2004-2008.

When taking into account the limitations of the observations, two things can still be observed. Firstly, although only based on the strength of legislation, these three islands improved over the period studied. This suggests that the government system was putting measures in place to stem corruption. Whether this actually changed the practice of corruption cannot be gleaned from this table. Secondly, through the case of Barbados, where business people were actually asked about the practice of corruption, it is shown that islands can actually develop trusting environments.

In the case of Curacao, a separate survey was executed in 2005 which actually asked the general public about their perception of corruption. The questionnaire found that 64% of the respondents felt that their personal and family life suffered from the effects of corruption. The surveyed people felt that 92% of the government and 91% of society was affected by corruption, even the business sector was thought to be heavily affected with a score of 83%.<sup>208</sup> Unfortunately, no similar surveys could be found for the other islands, leaving the assessment of corruption open to further speculation.

### *The winner takes all*

An alternative to trying to measure interpersonal trust is to assess the strategies people employ when cooperating. In high social capital environments, the cooperation would be geared towards common gain and synergy, as people have learned from earlier experiences that this generates the best results. At least within the political sphere, this did not seem to be the case for the islands.

As referenced earlier, there is great debate between the scholars whether islands are not by default more corporatist than other communities.<sup>209</sup> Selwyn Ryan refutes this

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<sup>208</sup> CBS Curacao, *Perceptie van corruptie Bonaire en Curacao 2004*, (Centraal Bureau voor Statistiek, Willemstad, 2005).

<sup>209</sup> G. Baldacchino, 'The Contribution of 'Social Capital to Economic Growth: Lessons from Island Jurisdictions', *The Round Table*, vol. 94, no. 378, 2005.

with the title of his standard work on island politics: *The Winner takes All*.<sup>210</sup> Just because actors are forced to work together because of the small setting does not mean that they will work together constructively.

As the arena is very small with only a few players, there is a real opportunity to dominate everything by making only a few alliances. In a larger game setting, it would be very hard for two players to collude in coercing the others, as the majority would break them up. In a smaller setting, it is possible to form a cartel and bypass other checks and balances. Actors see their particularistic gain within reach, rather than being forced to aim for a collectively beneficial compromise.<sup>211</sup> This creates an opportunity to maximise returns whilst in power.

This pessimistic view on power does collide with the some causal observations on the daily mode of interactions in the Caribbean. An example often given by respondents on Aruba and Curacao is that the annual Carnivals, involving several thousands of participants and volunteers, seem to demonstrate that the community can also come together for a mutual gain. Marcha and Verweel address this discrepancy by suggesting that trust may not only be different between groups, but also between settings. When people interact in informal settings –bars, shops, neighbourhoods, etc. - there is generally a high degree of interpersonal trust. When moving to formal interactions – government, offices, courts- this trust evaporates. Potentially, this could relate to the fact that these formal settings used to be the domain of the colonial overlords.<sup>212</sup>

In this case, the formal sphere of government would qualify as a low-trust environment. Peters supports this view with a poignant description of government in the Caribbean. ‘What is peculiar about the Eastern Caribbean political system is the

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<sup>210</sup> R. Selwin, *Winner Takes All: The Westminster Experience in the Caribbean*, (The University of the West Indies: St. Augustine, Trinidad and Tobago, 1999).

<sup>211</sup> M. S. Granovetter, ‘The strength of weak ties’, *The American Journal of Sociology*, vol. 78, no. 6, 1973, p. 1360-1380.

<sup>212</sup> W. Marcha and P. Verweel, *De cultuur van angst*, (SWP, Amsterdam, 2007).

absolute authority that the government somehow inherits. Government officials are able to circumvent laws that they have enacted. They are able to use public resources for their personal gain.

While partisan politics is a normal phenomenon in modern democracies, Caribbean governments have taken the concept to its zenith. As a result, when a party is elected to power it virtually eliminates the opposition through patronage, control of the media, and legislative action where necessary.<sup>213</sup> This idea seems to be accepted even by the losers of the power struggle. Reflecting on the one-sided approach of the government, an opposition member commented: *'Of course I don't like it. But you know, it is their turn now.'*<sup>214</sup>

#### 4.5 CONCLUSION

This chapter reviewed the institutional, economic and social conditions of the three islands. From both an institutional and economic perspective, conditions may not have been ideal, but were strong enough to at least allow for government success. From a social perspective, the conditions were much more challenging.

The assessment of the structure of relations firstly revealed a low quantity of international civic organisations, which could suggest there were a low number of local associations as well. In addition, relations were characterized by an overdose of strong ties and reoccurring rifts between individuals, groups and parties. The nature of relations was influenced by systemic inequalities and patterns of patronage. The expectations of cooperation seemed to still be diverse, with some indicators suggesting that parts of the population had some confidence in the government. This might suggest that the exact form of trust could differ between contexts, an idea which warrants further attention throughout this thesis.

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<sup>213</sup> D. Peters, *The democratic system in the Eastern Caribbean*, (Greenwood, Westport, 1992), p. 21.  
<sup>214</sup> Politician 14

On the whole, the social capital setting is challenging at the least. The structure, nature and expectations of relations do not comply with the ideal standards. The kind of government dynamics this situation produces is the subject of the next chapter.

## 5. RICH DESCRIPTION: KNOW EVERYTHING, BELIEVE NOTHING

### 5.1 INTRODUCTION

#### *Purpose of chapter*

Before employing more systematic analytical tools later on in the thesis, the current chapter will cede the floor to the actors themselves. It aims to capture how the interviewed politicians, civil servants and citizens thought about the public utilities. Drawing on interview quotes, newspaper clippings and company data, this chapter provides a rich sketch or ‘thick description’ of the sixteen cases.<sup>215</sup> In the absence of a rigid methodology, it is not yet the aim to separate the successful from the failing utilities, but rather to understand the daily reality as faced by the officials of these organisations.

#### *Content of chapter*

This chapter is divided along the lines of the three main components of social capital; the structure, nature and expectations of relations. The broad questions as defined in the methodology chapter will function as the guideline in this stage of the exploration. Before going through these components, it will first give an initial glimpse of the performance of the public utilities. However, without using any measurements, the aim

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<sup>215</sup> C. Geertz, *The Interpretations of cultures*, (Basic Books, London, 1973), p. 5-6.

is to give a qualitative account of the biggest questions discussed during the period of research in these policy fields.

The next step is the description of the structure of the relations, surveying the different actors involved and the formal and informal rules governing them. This will be followed by a review of the nature of the relations, focussing chiefly on the many imbalances in resource allocation between the actors as perceived by the interviewees. The final part looks at the overall expectations of relations in the governance of these utilities, as held by the elite actors interviewed.

In a reflection of the majority sentiment of the interviewees, this chapter mainly describes the many problems encountered by the actors. The governance of utilities faces similar challenges to those seen in other countries. As anywhere in the world, there are some specific tensions between the aims of the politicians versus those of managers, creating conflict around short versus long term interest or general versus individual goods.

However, the extra problems stacked on top of these inherent challenges suggest that effective governance on these islands might be an impossible job. In line with the pattern of the relationships in the communities, the lines of accountability within the governance structure were perceived to be muddled and perverted. The uneven distribution of resources between the actors suggests further problems. The overall mind-set is one of convolution, dependency and lack of faith in the potential for good government.

## **5.2 PERFORMANCE: CHALLENGES FOR GOVERNANCE**

Performance within the utility fields can be approached through four key outcomes: products, profits, personnel and prestige. This chapter does not yet measure how well

the different utilities balanced these ends, but does give a first insight in the issues faced by the officials between 2005-2009.

Firstly, the products provided by the utilities – electricity, drinking water, transport, waste collection – are of vital importance to the community. These services critically affect the health, safety and prosperity of the island. If a democratic government is unable to ensure an adequate provision, its very legitimacy as a government will be questioned. As a universally desired resource, utility products are also susceptible to inclusion in patronage relationships. Free or low-cost electricity, landing rights or shipping contracts are potentially valuable gifts to specific clients or voters at large.

Secondly, public utilities can potentially generate large financial profits. For politicians, these revenues could be used for other parts of the public budget; like pension funds or infrastructure investments. It is also possible to curry some electoral favour by keeping the costs down for all citizens or specific sectors of the economy. If the management itself controls the revenue, it could employ the money for wider rent-seeking activities, using it to sponsor social activities or expand its role in the economy. Alternatively, the proceeds could be tapped into private pockets by anyone who gets their hands on it; through awarding high stipends to friends or straight-out embezzlement.

Warwick here suggests a useful distinction between ‘wet’ versus ‘dry’ agencies. The former group (such as immigration services, police, public works) potentially generate a strong cash flow and ample opportunities for embezzlement, whereas the latter group (education, accounting) provide little of such opportunities.<sup>216</sup> The sixteen utilities researched here, with their relatively large income streams and procurement

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<sup>216</sup> D. Warwick, ‘The effectiveness of the Indonesian civil service’, *South-east Asian journal of social science*, vol. 15, no. 2, 1987, p. 43.



budgets, would be part of the 'wet' set. However, these large income streams also brings along large risks. An ill-advised or badly implemented utility initiative may costs the government dearly.

Thirdly, the opportunities for employment within the utility sector are significant. Most of the agencies studied here ranked as one of the largest employers on the islands, also offering the highest paid jobs within the public sector. They thereby form a valuable way for politicians to quickly generate jobs for their voters, if not for themselves after retirement from the political arena. On a more individual basis, a patron could hardly do better than to deliver a supporter a comfortable or sought after job at one of the utility providers.

Finally, running the utility gives access to prestige. Status is important to any politician, possibly even more so on a small island where everyone is very visible.<sup>217</sup> Controlling the island's chief oil supplier or main access point for the tourists lends any official the mantle of statesmanship. Being seen to control a utility is therefore almost more important than actually being in control.

With these resources at stake, the utility policy fields attract a lot of attention from politicians, bureaucrats, entrepreneurs and citizens alike. From this it could follow that the discussed mix of patronage, power struggles and personalism focuses around these utilities, making them an interesting empirical set for this research initiative. The paragraphs below give some insight into how these tensions played out within the four year period, providing an indication of the size of the organisations and the main questions debated. This analysis is chiefly based on the stories as told by the ministers, CEOs and directors responsible for the respective public utilities.

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<sup>217</sup> G. Baldacchino, 'Human Resource Management Strategies for Small Territories: An Alternative Proposition', *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

### 5.2.1 Airport

On all three islands, the growth of the airport was an essential part of the development of the community. Airports formed the lifeline for these islands; Flights were not only the fastest link to the outside world, but also brought in the all-important long-stay tourists. While cruise tourists only spend a couple of hours and dollars on the islands, long-stay tourists provide a more meaningful income to the local economy.

Curacao was the busiest of the three airports, closely followed by Aruba, both being much larger than St Kitts. In 2008 Aruba processed 18,563 landings and Curacao 22,373, while St Kitts only received 9,446.<sup>218</sup> Equally in terms of passengers, Curacao hosted 1,4 million and Aruba 967.710 visitors, while St Kitts processed only 350.727.<sup>219</sup>

During the period researched, the attention focussed mainly on the international strategy these airports should pursue. In addition, airports were also a focal point of more traditional government task such as revenue and security, usually in the form of deputising customer officials, security guards and air traffic controllers to the public corporation.

The governments therefore took a keen interest in developing the services and international reputation of their airports, although their role was formally only at arm's length. On Aruba, the government invested heavily in a new airport building in 2000 and was expectant of some return. In 2005 it signed an agreement with Amsterdam Schiphol Airport, whereby Schiphol provided a CEO and assistance in promoting Aruba airport.<sup>220</sup>

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<sup>218</sup> CBS Aruba, <http://www.cbs.aw/cbs/readBlob.do?id=2361>, (Retrieved on 3 March 2011). CBS Aruba, [http://www.cbs.an/traffic/traffic\\_n5.html](http://www.cbs.an/traffic/traffic_n5.html), (Retrieved on 3 March 2011).

<sup>219</sup> CBS Aruba, *Tourism indicators 2008*, [www.cbs.aw](http://www.cbs.aw), (Retrieved on 3 March 2011). Anonymous, *Groei van winst Curacao Airport Holding*, <http://nieuws.willemstad.net>, (Retrieved on 3 March 2011).

SCASPA, *Annual Report 2008*, <http://www.scaspa.com/Docs/SCASPA%202008%20ANNUAL%20REPORT.pdf>, (Retrieved 3 March 2011).

<sup>220</sup> Amigoe, 'Steinmetz blijft mogelijk als CEO luchthaven', *Amigoe*, 23 July 2011.

Curacao was then not as big a destination of Aruba and attracted an external lease partner in 2000 to build and manage a new terminal building. Many people were dissatisfied with the new building and the partnership ended in 2007. A new commercial consortium was brought in to take over the management. The other major issue between 2005 and 2009 was a tussle over whether Curacao should become a hub for flights between North and South America.<sup>221</sup>

St Kitts declared its airport key to its shift from the sugar industry towards tourism. The airport was much less developed than on the other two islands, receiving far fewer passengers. The most important issue was to extend the facilities to accommodate wide-bodied aircraft and lure in more flights from Europe and North America.

### **5.2.2 Seaport**

The ports are the traditional entry point for the islands and still have that function for cargo and cruise passengers. As virtually all goods had to be imported – only St Kitts had a domestic agriculture of any significance – the tariffs at the ports directly influenced the prices paid by the end-consumers.

Furthermore, cruise tourists provided a growing market for all the islands, requiring heavy investment in infrastructure and marketing. There was a strong competition between the Caribbean islands vying for the favour of the handful of cruise liner organisations. Aruba drew in the most passengers, reaching 556,090 in 2008, while in the same year Curacao attracted 355,121 and St Kitts 377,009 visitors.<sup>222</sup>

For Aruba, the major challenge between 2005 and 2009 was to get all stakeholders to agree on a move of the port facilities. Their location between the city

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<sup>221</sup> Luchtvaartnieuws, <http://landewers.net/PJ-P4-2011-03-08.pdf>, (Retrieved on 20 August 2011).

<sup>222</sup> CBS Aruba, *Tourism indicators*, [www.cbs.aw](http://www.cbs.aw), (Retrieved on 3 March 2008). CBS Curacao, *CBS Traffic data*, (Centraal Bureau voor Statistiek, Willemstad, 2008). SCASPA, *Annual report 2008*, 2008.

centre and hotel zone had become too small and it was agreed that the area could be put to much more lucrative use by developing it as another tourist zone. This move was accompanied by a proposal to liberalise the formally closed stowage market. Both initiatives required a lot of political energy, but eventually a consensus was reached.<sup>223</sup>

Curacao possesses one of the best natural harbours in the world, and this harbour is positioned at the heart of the island and its economy. Next to cargo and cruise services, a large refinery located on the harbour front generated much traffic. In addition, the island also had a dry dock for ship repairs. The central question was how Curacao would further capitalize on its natural resources. The long-term future of the refinery, which emits a high degree of pollutants, was perpetually in doubt. The port authority tried to develop additional activities in the tug boat market, while the oil distribution company used the bays of Curacao for oil bunkering.

St Kitts integrated its policy for the sea port with that of the airport, joining the management in one public agency. Since 2005 the main questions centred on extending the facilities to make St Kitts a first-class cruise destination, requiring investment in marketing, docking facilities and building hurricane defences. The aim of the cruise terminal was to draw in high-class cruise ships and thereby had to compete with the many other popular islands just nearby.

### **5.2.3 Bus system**

The public transportation system was of vital importance to a specific section of the population, despite the small size of the island. For those who could not afford their own car, buses were the only way to get to work. The weather and the roads were ill-suited for cycling and there were no other public transport systems on the islands. With only a limited constituency of generally poorer customers, the public transport system

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<sup>223</sup> APA, <http://www.arubaports.com/barcadera/>, (Retrieved on 20 August 2011).

was vulnerable to neglect. In addition, the minivan drivers were usually quite well-organised, leading to tensions between the public and private transport providers.

At the period of the research, Aruba managed around 48 busses and 100 employees, while Curacao had 40 buses and 150 employees.<sup>224</sup> St Kitts had privatized its public transport. There was a lively market of private minivans serving the more populated parts of the islands.

Aruba was served by one traffic artery along its west coast and actively tried to promote the use of buses by locals and tourists alike to ease traffic congestion. The main challenge in the past years was updating the fleet and making the company less dependent on government subsidy by exploring additional streams of revenue. A recurrent theme was the on-going battle between the minivans and the public buses over who could serve the lucrative hotel zone.

On Curacao, buses were vital to serve the poor and those living in peripheral areas where minivans would not go. The bus company was almost bankrupt in the 1990s, but was brought back from the brink. The company continued to suffer from structural underinvestment and the main priority for 2005 to 2009 was to build a large enough fleet to serve all the lines.

#### **5.2.4 Drinking water**

For all the salt sea water available, drinking water is often not a cheap commodity. Historically islanders relied on storing the rain water. An increase in consumption, and decrease in storage facilities with the development of modern housing, increased the reliance on the public system of desalination. At the time of the research, Aruba produced 13.1 million m<sup>3</sup> per year, while Curacao went through 12.8 million m<sup>3</sup> per

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<sup>224</sup> Amigoe, <http://www.amigoe.com/aruba/80733-gemiddeld-salaris-6000-florin-bij-arubus>, (Retrieved 31 August 2011). Arubus, <http://arubus.com/>, (Retrieved 31 August 2011). Autobusbedrijf Curacao, <http://www.businesscuracao.com/abcbusbedrijf>, (Retrieved 31 August 2011).

year. St Kitts produced 3.3 million m<sup>3</sup>.<sup>225</sup> As an essential daily product, debates usually focused on the reliability of the supply and its price.

The drinking water on both Aruba and Curacao was provided by the general utility company, which also produced the electricity, through the process of desalination. As this is an energy-intensive process, the main challenge in recent years was the rising oil price. This directly impacted the water price, drawing heavy criticism from the population. On Curacao, another major issue was the high amount of water loss, either through leaks or illegal tapping, with the corporation being accused of losing 20% to 30% of the water.<sup>226</sup> St Kitts could still solely rely on natural spring water, tapping the rainforest on its mountain flanks and underground reservoirs. However, as the tourism industry and economic development accelerates, water usage threatens to overtake supply.<sup>227</sup>

### 5.2.5 Electricity supply

As everywhere, the islands relied on electricity to give them access to the production means of the twenty-first century, most importantly information technology and air-conditioners. On all islands, the electricity was chiefly produced through burning oil, making the tariffs vulnerable to oil price shocks. As the larger islands and economies, Aruba and Curacao had a far greater electricity production than St Kitts. Aruba and Curacao produced 790 million kWh and 844 million kWh respectively, while St Kitts (even including Nevis) produced 130 million kWh at the time of the research.<sup>228</sup> The

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<sup>225</sup> CBS Aruba, <http://www.cbs.aw/cbs/readBlob.do?id=2275>, (Retrieved 31 August 2011). FAO, [http://www.fao.org/nr/water/aquastat/data/factsheets/aquastat\\_fact\\_sheet\\_kna\\_en.pdf](http://www.fao.org/nr/water/aquastat/data/factsheets/aquastat_fact_sheet_kna_en.pdf), (Retrieved 31 August 2011). Aqualetra, *Annual Report 2008*, (Retrieved 31 August 2011).

<sup>226</sup> La Prensa, 'Anthon Casperson Aqualetra ta trahando dirigi i hopi duru riba esaki pa stop lekverlies ta un ehersisio di termino largu', *La Prensa*, 30 July 2011.

<sup>227</sup> FAO, [http://www.fao.org/nr/water/aquastat/data/factsheets/aquastat\\_fact\\_sheet\\_kna\\_en.pdf](http://www.fao.org/nr/water/aquastat/data/factsheets/aquastat_fact_sheet_kna_en.pdf), (Retrieved 31 August 2011).

<sup>228</sup> CIA, *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/aa.html>, (Retrieved on 20 August 2011). CBS Curacao, <http://www.cbs.an/files/PublStatOrien2009.pdf>, (Retrieved 31 August 2011). CIA, *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/sc.html>, (Retrieved on 20 August 2011).

main challenge for all the islands was to match provisions with the increase in demand as new residences, industries and hotels were developed.

Aruba saw a huge investment in its electricity network in the 1990s, prompted by the demand for reliable energy for the hotels. The issues since 2005 centred on the rising oil price, made more delicate as the oil was supplied by the refinery on the island. In a reaction, the island initiated several wind farms, at one stage declaring their ambition to become a carbon-neutral holiday destination.

On Curacao a similar dynamic played out, with the government opting to involve a third party to build a wind turbine park. The most important encounters concerned the electricity tariffs.<sup>229</sup> The government blocked a rise in tariffs to match the rising energy prices, prompting the management to go to court against its own shareholder. Citing clauses in the contract made with the external investors – banks and minority shareholders – the management won the case. Another problem was the occurrence of power cuts. The management argued that this was an improvement from the complete blackouts the islands had suffered in the past.

On St Kitts, the electricity department had to increase its energy production to match the needs of the growing tourism industry, opting to buy new diesel generators. There was also the intention to corporatise the energy department to allow for more external lending. The spike in oil prices forced the government to implement a controversial fuel charge. However, the most critical moment occurred when a blackout struck just as the entire population was watching the election of the first African American president in the USA, Barack Obama. An angry mob gathered outside the prime minister's home and demanded his immediate resignation.<sup>230</sup>

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Amigoe, 'Aqualectra dreigt met gang naar de rechter', *Amigoe*, 15 April 2011.

Nevis blog, <http://nevisblog.com/st-kitts-left-in-the-darkagain.html>, (Retrieved on 1 May 2011).

### 5.2.6 Gasoline distribution

Curacao was the only island to have government control of the distribution of gasoline. The company had previously been owned by Shell and the government bought this company to control the gasoline market after their departure. Between 2005 and 2009, political debate centred on rising gasoline prices and the good or evil of having a government company running this industry.

Frequently, the government would not raise the tariffs at the pump, forcing the company to sell below the price it had bought the oil. To generate extra cash, the company started trading oil in the international market. The revenues increased toward three to four hundred million US dollars, creating large profits which were paid out as dividend to the central government.<sup>231</sup> This initiative was discredited, however, when two employees were accused of running their own side business undermining the corporation.<sup>232</sup>

### 5.2.7 Waste management

The effective management of waste was vital on these islands that had little space but large consumption. This was of even greater importance when considering their reliance on tourism, whereby a clean image is everything. Aruba produced around 200,000 tons of waste a year, followed by Curacao with around 180,000 ton per year. St Kitts was again smaller, collecting around 45,000 tons per year at the end of the research period.<sup>233</sup>

Aruba ran its own waste management service through a quasi-independent company, which received its budget from general funds. There was precious little investment in equipment or personnel, leading to a frequent breakdown of service. As a

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<sup>231</sup> Zakelijk Curacao, [http://nieuws.willemstad.net/curacao\\_nieuws/3978/Curoil+stevent+in+jubileumjaar+af+op+1+miljard+omzet](http://nieuws.willemstad.net/curacao_nieuws/3978/Curoil+stevent+in+jubileumjaar+af+op+1+miljard+omzet), (Retrieved on 20 August 2011).

<sup>232</sup> Antilliaanse Dagblad, 'Arrestatie in toko den toko bij Curoil', *Antilliaans Dagblad*, 4 November

2009.

<sup>233</sup> WinnFM, <http://www.winnfm.com/news2.asp?NewsID=6983>, (Retrieved 31 August 2011).



consequence, Aruba saw the emergence of a private competitor catering to the businesses on the island.

On Curacao, the recently separated government agency went through a major move of professionalisation at the beginning of the 2000s. They received their finances from separate tariffs collected by the electricity company and were able to invest in staff and equipment. As people became accustomed to the present success, there was growing public pressure to move forward to more sustainable ways of waste management, including recycling and renewable energy. In 2007 a minister was accused of trying to appoint a political ally as senior executive to the company. This set of counteractions by the crews on the trucks and a successful legal challenge by the management.<sup>234</sup>

On St Kitts, as the hospitality industry grew, battles were fought over who would pay the bill for the extra waste produced by these tourists. This led to the introduction of an environmental levy for visitors, although there were some problems directing this money to the waste agency itself. There were frequent complaints over faltering service and fires on the dumping grounds, which the management blamed on a structural lack of funding. The management played into the rising popularity of talk shows, hosting its own phone-in programme to discuss policy called 'Talking Trash'.

### **5.3 STRUCTURE: FORMAL SEPERATION AND INFORMAL PROXIMITY**

The description of the structure of the relations aims to describe the different players involved and the rules under which they are supposed to play. This begins with a description of the formal layout of the utilities and a first exploration of the informal experience by the actors. Reaching back to the definition diagram for this variable as

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<sup>234</sup> Antilliaans Dagblad, 'Benoeming Ivar Asjes omstreden'. *Antilliaans Dagblad*, 10 May 2007.

detailed in the methodology chapter, the table below indicates at which stage the exploration is now.

**Table 16 Definition of Structure of Relations: I**

Rich description	Data set observations	Causal processes
Which actors are involved?	-Number of actors -Diversity of actors	Relational Distance -Involvement of many and diverse actors
What regime types are there?	-Control over tariffs -Legal status organisation	Grid Governance -Rigidity in observance of governance rules

### 5.3.1 Formal arrangement

#### *Legal status of utilities*

The sixteen utility fields are listed in the table below, spanning the management of the airport, sea port, bus transportation, drinking water, electricity, gasoline and waste management. The exact organisational form of all the utilities differed slightly between them.

On the whole, there were four types of legal forms amongst the sixteen utilities researched. During the period examined here, thirteen of the utility agencies studied were private in the legal meaning of the word, but all or the majority of the shares were owned by the government. The organisations were therefore corporatised, but not privatised. The central government did retain ultimate control over the agencies. Usually being the only shareholder, it appointed the board of directors, which were able to hire, fire and sometimes instruct the management. Only in the case of the electricity firm of Curacao was a minority stake of 20% actually sold to a commercial party.

Six of these corporations were nominally placed in different holding companies, but as the government owned these holding companies itself, the power dynamics remained the same.

The water and electricity departments on St Kitts were straight central government departments. The waste management organisation of Aruba was nominally separated from the government, with its own Board of Supervisors, but did not have its own statutory budget. The table below captures the different arrangements.

**Table 17 Forms of organisation**

	<b>Aruba</b>	<b>Curacao</b>	<b>St Kitts</b>
<b>Airport</b>	BoD	Holding + BoD	BoD
<b>Sea port</b>	BoD	Holding + BoD	
<b>Bus transport</b>	BoD	Holding + BoD	<i>Privatised</i>
<b>Drinking water</b>	Holding + BoD	Holding + BoD + 20% external shareholder	Department
<b>Electricity production</b>			Department
<b>Electricity distribution</b>	Holding + BoD		
<b>Oil distribution</b>	<i>Privatised</i>	Holding + BoD	<i>Privatised</i>
<b>Waste</b>	Department with BoS	Holding + BoD	BoD

The variation in legal form can be explained by the different histories of the utilities, although the arenas were converging towards similar formats in recent decades. As detailed in the earlier discussion on the public corporation literature, there has always been a discussion on the position of executive services in regards to the central government, and how much they should mimic the private sector in their own practices. Most of the organisations went through several forms over the years, ranging from government department to private company. At one point, Curacao intended to sell the services off completely, but later reneged on that course.<sup>235</sup>

<sup>235</sup> M. Goede, *Globalization of small islands: The case of Curacao*, *International journal of economics*, vol 34, no. 5, 2008, p. 344-363.

Towards the end of the twentieth century, the form of a private company under public ownership became the most favoured option. One often cited reason was that this would depoliticise the policy field and allow for more rational business practices.<sup>236</sup> One further advantage of a corporation is that it can raise its own finances, much needed to invest in the infrastructure, and that it has greater control over its expenditure than government departments. The corporations were also covered by the commercial codes as applicable to private agencies, rather than by the administrative law written for government, which could create some flexibility in the employment practices.

### *Rules of the game*

Moving beyond the legal form of the utilities, some further rules were laid down to regulate the behaviour of the different players. These were meant to deal with the conflict inherent to the governance of utilities.

Martina highlights three potential problems between the parties involved in the delivery of utilities. Firstly, the government may be at odds with the agency on the prices. The government could be tempted to maintain low tariffs in order to appease the voters, providing just enough for the firm to survive, but too little to invest. Secondly, some consumers may be better organised than others. Large users, such as industrialists, may demand special prices, tempting the government to use utility pricing as a tool for subsidy. Thirdly, there is a tension between the agency and its customers. Utilities are usually full monopolies, which could lead to arrogant hegemonic behaviour on the side of the company.<sup>237</sup>

To navigate these tensions, the governance of the public utility would be carefully structured to create a system of checks and balances. At the time of the study, a

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<sup>236</sup> M. Goede, *Globalization of small islands: The case of Curacao*, *International journal of economics*, vol 34, no. 5, 2008, p. 344-363.

<sup>237</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009), p. 21.

supposedly business-oriented style of management was very much in vogue, with watchwords being efficiency, return-on-investment and letting the management ‘get on with it’.

The World Bank would also advocate the organisation of public utilities towards the model of businesses.<sup>238</sup> Like publicly traded companies, corporations were supposed to be steered by representatives of the shareholder, but managed by the CEO. In addition, good corporate governance includes interactions without outside stakeholders, such as community watch dogs and regulatory agencies. This highlights that good corporate governance takes in a broader view of the context of a company.<sup>239</sup>

To provide an illustration of the expectations implied here, the below table lists the rules of the game as explained by a local governance expert on Curacao to an audience of politicians, civil servants and community leaders.

**Table 18 Behavioural expectations of governance actors**

<b>Behavioural expectations<sup>240</sup></b>
Only organisations with significant or strategic societal importance are considered to be government utility agencies
Agencies should be effective, efficient and return dividend to the shareholders
The central government sets the framework for agencies
The central government determines policy, agencies execute this policy
Ministers do not sit on the Board of Directors
The Board of Directors is appointed for three years, extension is only possible only after an evaluation
Shareholders meet twice a year
The agency regularly informs the minister and council
There should be clear guidelines for employment policies
Tariffs are determined by government on basis of costs + margin = price
There should be clear guarantees for service quality

<sup>238</sup> World Bank, *Corporate governance: A framework for implementation*. (World Bank, Washington, 1999), p. 5.

<sup>239</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009), p. 140.

<sup>240</sup> M. Goede, *Groei en fragementatie van de overheid op de Nederlandse Antillen en Curacao*, (Doctoral thesis for the University of Tilburg, 2005), p. 212.

The ideal and smooth exchange assumed in these rules works from a neat principal-agent division between the central government and the utility.<sup>241</sup> The elected officials set the policy and the experienced professionals realise these ambitions. The underlying assumption is that the democratic mandate flows downwards, but that the information to create the necessary insight for further decisions flows back up. The CEO needs to inform the Board of Directors to enable it to approve policy. The directors need to inform the shareholding minister to make sure he can set the right goals. The minister needs to inform the council so it can hold him accountable. This exchange of resources for information between the principal and the agent needs to remain constant and balanced.<sup>242</sup>

### **5.3.2 Informal realities**

There were significant differences between the formal position of the utilities and the reality of the daily governance. Firstly, the assumed distance between actors important to ‘rational management’ turned out to be fictitious in reality. Secondly, many actors supposed to act as checks and balances were ill-equipped.

#### *Entangled proximity*

The formal governance rules structure the field in such a way that all relations are crisp and singular in purpose. On paper; the minister and directors only relate to each other as shareholder and representatives, the CEO and an island council member only have indirect contact. However, given the small size of the communities, it would not be surprising to see these relations being caught up in the general entanglement of connections on the islands. Furthermore, the neutrality of positions may be affected

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<sup>241</sup> F. Herreros, *The problem of forming social capital: Why trust?*, (Palgrave Macmillan, London, 2004).

<sup>242</sup> G. Miller, ‘Above politics: Credible commitments and efficiency in the design of public agencies’, *Journal for Public Administration, Research and Theory*, vol. 10, no. 2, 2000, p. 289-327.

when actors were, in addition to being principal and agent, at the same time also fellow party members, business relations, friends or relatives.

Since the Enron affair, industry codes in Europe and North America often prohibit people from sitting on too many boards or request them to leave in the case of a conflict of interest.<sup>243</sup> Few or no guidelines existed on these islands where the social universe was much smaller and denser to begin with. Moreover, although these utilities were usually nominally separated from the state; they still had several interfaces with the central actors, ranging from setting the chargeable prices to appointing the next CEO.<sup>244</sup>

Even if the government wanted to respect the distance intended by the statutes, there were still compelling reasons to remain involved. As the utilities were monopolists, the government needs to provide effective regulation for the utility providers. Moreover, the central government is often still a key player in the very delivery of the services. In the aviation sector, the government is responsible for the customs and security. For the waste sector, it is the government that hires the environmental inspectors to enforce the ban on illegal dumping, etc.

For the ministers, these interactions could form an opportunity to exert pressure on the executive to use them to achieve political or personal objectives. The central government usually dealt with general policy, very rarely actually commanding control over cash hand-outs or individual decisions. By contrast, policy was actually executed at the level of the utility field; a little informal pressure could lower a bill, speed up due process or overlook an individual transgression. This creates an incentive for politician to interfere with the daily running of the utilities.

It was thought that the corporatisation of the 1990s would strengthen the governance of the utilities as more layers were added between the ministers and CEO.

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<sup>243</sup> M. Tabaksblat, *De Nederlandse corporate governance code: Beginselen van deugdelijk ondernemingsbestuur*, (2003).

<sup>244</sup> M. van Twist, *Kerndepartement op afstand*, (Eburon, Delft, 1996).

The first check is in the role for the board of directors, who were supposed to weigh community interests versus the interests of the company. However, in reality, they did not seem to always fulfil this role successfully.

During the time of research, it was standard practice at all the corporations to appoint a new board of directors when the party in government changed. A former director related: *'I was asked to be an expert director for an energy company by a political party. [...] I later heard that the party was angry with me. They had expected me to report to them on a monthly basis about company policy. But I am a director, I only report to the shareholder. They just wanted a couple of yes-boys.'*<sup>245</sup>

This highlights the apparent lack of trust in the impartiality of directors. A minister explained that political appointments are a necessity: *'I need people there that I can trust. The voters will turn to me when things go wrong, so I need to be able to exert control.'*<sup>246</sup> Some ministers even appointed themselves as president of the board. Through political involvement with the agencies, all the long-distance relationships were collapsed into a direct confrontation.

Many politicians argued that they were working in the general interest when shortening the distance between them and the utilities. They felt that many agencies had spun out of control after the utilities becoming corporations. *'These government agencies are legalized form of theft'* commented a Member of Parliament; *'Corporatisation is like off-shoring your own infrastructure,'* added another one.

CEOs did fight off these supposed intrusions. Some hoped to reduce the urge for political intervention by denying any differences in opinion; *'There is no conflict of interest, the government set the policy, we execute.'*<sup>247</sup> Others aggressively defended the

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<sup>245</sup> Director 5  
<sup>246</sup> Politician 6  
<sup>247</sup> Public manager 8



rules of separation; *'I tell them not to sit on my seat, otherwise I will try to sit on their seat.'*<sup>248</sup>

Some observers argued that all this in-fighting took attention away from the real problem in the governance of utilities. These actors would feel that the central government lacked the information or courage to articulate a clear vision for policy and thereby failed to create a framework for the utilities. A frustrated minister confessed, *'What we really miss are overall, long-term government policies. What do we want from the seaports? We can't say. What do we want from the energy providers? We can't say.'*<sup>249</sup> As a result; daily skirmishes over control seemed to be the norm in policy making.

#### *Failing checks and balances*

Beyond the interaction between the minister and CEO, there were supposed to be a further regime of other actors informing and correcting the policy of the agencies. However, many of them were either absent or not fulfilling the role designed for them. For example, the role of the board of directors was often side-lined as they were turned into extensions of the minister's political machinery. Other actors were absent as well.

There were no separate regulatory bodies supervising the sixteen utility fields researched here. Either the central government itself would set the tariffs, or the utility was able to do it itself. Curacao did have a regulatory body for the telecom sector, as this was a market with several players, but its remit was only extended to other utilities in 2010. In a comparative study of electricity providers in the Caribbean, Martina argues that many conflicts can be retraced to the absence of an independent arbiter on prices.<sup>250</sup>

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<sup>248</sup> Public manager 20

<sup>249</sup> Politician 15

<sup>250</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009).

External investors were also expected to act as disciplinary forces, attaching specific conditions on governance and tariffs to their credit. In several cases, the external investors called the government to order when minister let the tariffs slip to an unsustainably low level.<sup>251</sup> However, the role of external financiers did not always turn out this way. In one case, a vicious interdependent cycle developed between a president of the board and a financier. *'As president, he would sign another loan with this bank; the bank would in return demand that he would remain as president for the loan to be granted. There was no escaping either of them anymore.'*<sup>252</sup>

One other actor, known to influence public utilities around the world, was the trade union. Public utilities are generally heavily unionized and due to the nature of their services, strikes could do considerable damage.<sup>253</sup> There were active unions in most of the utilities studied here, although exact figures of organisation were not available. In some cases, they were blamed for high costs by driving up salaries.<sup>254</sup> In other cases, they were credited with defending the corporation against nepotism by preventing the outside political appointment to the board.<sup>255</sup> However, as will come apparent in the latter chapters, the elite interviews did not seem to be overly concerned with the role of the unions when reforming their agencies, suggesting that their role may not be as large in public utilities elsewhere in the world, or that they were more aligned with the objectives of the elite actors.

Several respondents argued that the move towards corporations may have given the opportunity to involve new players, but also broke the chains of accountability. Ministers, CEOs and investors started to behave as though they owned the utility, rather than running it for the public good. Despite good intentions and some initial gains, such

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<sup>251</sup> External actor 18

<sup>252</sup> Director 2

<sup>253</sup> A. Ferner and T. Colling, 'Privatization, regulation and industrial relations', *British Journal of Industrial Relations*, vol. 29, no. 3, 1991, p. 391-409.

<sup>254</sup> Public manager 1

<sup>255</sup> Public manager 22

personalised ownership would usually turn sour over time. The lack of supervision meant that they started drafting their own course away from the public interest. As one civil servant observed: ‘*Everyone needs to be held accountable. Even the pope answers to God.*’<sup>256</sup>

#### 5.4 NATURE: IMBALANCED DISTRIBUTION

The description of the nature of the relations aims to give a first indication of how resources are distributed between the actors. In order to provide some further focus to these questions, the division of capital devised by Bourdieu will be used here, considering resources of an economic, cultural, symbolic or network nature. The table below shows at which stage of definition this variable has arrived.

**Table 19 Definition of Nature of Relations: I**

Rich description	Data set observations	Causal processes
Are the resources evenly distributed?	Distribution of capital: Economic Cultural	Actor Dominance -Presence of actor with much larger resource stock
Are there antagonistic divisions between the actors?	Symbolic Network	Group Governance -Degree of communality between governance actors

##### 5.4.1 Economic capital

From a macro-perspective, similar economic realities and issues applied to the agencies. Most importantly, they all operated in near-perfect monopolies. There were no significant competitors aside from some domestic production of electricity through solar cells or private initiatives for garbage collection. Furthermore, the main benefit of corporation was that they gained an independent income stream, be it through pre-allocated tariffs or through accessing external loans.

<sup>256</sup>

Public manager 30

This gave them a sizeable and more predictable income stream; as they operated in a full monopoly, they could confidently predict the uptake of their product and were freed from constant budget battles with other parts of the government. Three of the sixteen cases did not have this luxury as their monies were allocated from the central budget, which was duly felt through lower salaries and lower levels of investment.

The central government was usually involved in setting the tariffs and prices for the utilities. As there was no regulatory board working for these utilities on any of the islands, the process of price-setting was highly political. An increase in any of the goods prices would be felt directly by all voters. The oil distribution company on Curacao, for example, had great difficulties in matching of the price at the pump to the upward movement at the global oil market. The price was supposed to be based on the sum of the costs, plus a margin required for sustainable business development. However, trade unions threatened to go on strike if fuel prices went up, forcing the government ministers to keep them steady and the agency to eat into its financial reserves.<sup>257</sup>

Within the landscape of generally low incomes on the islands, the employees of the utility agencies usually stood out: they commanded greater salaries as the organisations could usually set their own wages. *'We call those people civil servants that actually get paid'*<sup>258</sup> commented one observer wryly. This also meant that talented people were often drawn to work for the agencies, rather than the central government.

A high incidence of poverty in society also meant that support was easily bought amongst both employees and directors. A former director observes: *'The support of some of the politically appointed directors could be bought with the promise of a free*

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<sup>257</sup> Amigoe, 'Verhoging benzineprijzen vier weken aangehouden', *Amigoe*, 10 March 2008.  
<sup>258</sup> External actor 1

*canister of cooking gas. If we can buy them off with such rubbish, we will keep getting rubbish people.*<sup>259</sup>

It was common practice at most firms that the minister would personally introduce suitable candidates for vacancies, ranging from bus drivers to personnel managers. In most cases, the CEOs reported that they would still select the most suitable candidates of the entire batch. Others said they would take the ministerial candidate if they satisfied the minimum criteria. Some admitted to simply taking on the person if the minister requested it.

One such case was observed directly during the interview process for this thesis. One minister was interviewed in the morning and swore never to interfere with the appointment of personnel. That same afternoon, the interview was taking place with the manager of the utility supervised by his minister, halfway through the telephone rang. It turned out to be the very same minister who spent five minutes berating the manager for failing to hire a constituent the minister had sent his way. The manager promised to amend this obvious mistake in the human resource department.

The matter of personnel was often a breaking point in the relationship with the political master, as a former head of department recalled: *'Everyone gets that call at one point in their career: can you place someone for me? If you say yes, your career as an independent civil servant is over, because they will come back for more. You have to draw the line there and then.'*<sup>260</sup>

The situation became even more complicated when concerning the use of utility money for political ends, be it by the minister or the CEO. Importantly, the money pot of the utilities provided a source of financing that did not need to be administered by the whole council of ministers. *'Those accounts become extra resources for the ministers.'*

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<sup>259</sup> Director 5  
<sup>260</sup> Director 13

*He would otherwise not have this money to play around with as it would otherwise disappear into the general budget.*<sup>261</sup> Sometimes the utilities were used to provide the cash for other policy initiatives, such as playgrounds or pension funds. One manager admitted that he used his marketing budget to influence the newspapers; as a large advertiser it is possible to hold a certain sway over the reporting.<sup>262</sup>

#### **5.4.2 Cultural capital**

The cultural stock of capital refers to the expertise relevant to the industry and to an insight into the dynamics of society. It could be argued that some of the best and brightest of the islanders worked in the utility fields, drawn by both the societal relevance and higher salaries of these organisations. As a result, the cultural capital tends to cluster within the utilities, placing the external checks on the agencies at a disadvantage.

Yet even within the utilities, people seemed to be appointed to responsibilities for which they were ill-suited, as observed for islands in more general terms by Baldacchino.<sup>263</sup> Some would argue that this could increase the risk of corruption or undue political influence over policy. As one civil servant argued; *'The fewer skills and capacities you have, the more you have to rely on your own character. And characters are ultimately weak so people succumb to temptation.'*<sup>264</sup>

The thin spread of expertise meant that players with some knowledge often lacked counterparts of equal experience or expertise, making it hard to weigh and sharpen their judgement. However, a lack of knowledge did often not hinder one's self-appreciation.

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<sup>261</sup> Politician 14

<sup>262</sup> Public manager 15

<sup>263</sup> G. Baldacchino, 'Human Resource Management Strategies for Small Territories: An Alternative Proposition', *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>264</sup> Public manager 30

*'We have many garden gnomes who think they are policy giants,'*<sup>265</sup> commented one external observer.

Knowledge was often felt to be missing on the political front as well. There seemed to be little investment in training the cadre of political parties to prepare them for the responsibilities of office. This potentially created a gap in expertise between the civil servants and the ministers. One director admitted: *'We direct our information at the citizens; the ministerial council is just not smart enough to understand it.'*<sup>266</sup>

A further part of cultural capital is an insight into the dynamic of society. For example, some politicians sense which issues will attract attention in the community, or some CEOs know what their customers will like. One would expect the politicians to be better at it, but the civil servants were also used to working in highly politicised settings, often honing their populist skills. Players on both sides of the aisle displayed great insight and skill regarding the dynamics of society. Next to maintaining large informal networks, some actors would run opinion surveys in order to inform their decisions.<sup>267</sup>

However, understanding the public debate did not necessarily equate to being able to lift it to a higher level. Although many actors were evidently able to whip up a storm of public outrage, few were able to put this popular energy to good use. According to one observer, the real missing skill was that of productive debate: *'We have to learn to be critical without being destructive.'*<sup>268</sup>

### **5.4.3 Network capital**

Network capital refers to the amount of capital an actor can mobilise via personal contacts. For example, a director confided how he could use his board to quickly fix things for him: *'I used to have a board of directors who were all well-known on the*

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<sup>265</sup> External actor 1  
<sup>266</sup> Public manager 14  
<sup>267</sup> Public manager 15  
<sup>268</sup> External actor 30

*island. They could even walk into the offices of the central bank and arrange stuff for me. That was great.*<sup>269</sup>

It is very difficult to establish the real stocks of network capital actors could command. Even in small island communities, it is still difficult to grasp all the different networks. Beyond more obvious connections in the professional and family sphere, there were also informal networks centred on active chapters of the Rotary, Lions and Freemasons. This urges great caution in establishing the network capital.

Either way, network capital also has its draw-backs when working to fulfil personal objectives. Knowing many people also means you have to serve many interests. For example, many politicians cultivated support amongst groups of voters, hopefully gaining appreciation for his successes along the way. However, this placed them in a difficult situation. As a minister related; *'The people only have a memory of three months. The government can fall tomorrow, so we need success today. This makes it especially hard to focus on the long run.'*<sup>270</sup>

#### **5.4.4 Symbolic capital**

Symbolic capital refers to embodied investments of honour (decorations), importance (rank of office) or prestige (titles, family names). A first analysis of the islands shows how difficult it was to balance symbolic power inequalities. It is hard to argue with someone's idea when he continually emphasises his role as expert, Maecenas or righteous liberator. This loud display of credentials frequently led to obstruction of the process, as posturing became more important than policy.

The most visible use of symbolic capital on the islands was the frequent employment of academic titles. Individuals with medical degrees or postgraduate

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<sup>269</sup> Public manager 6  
<sup>270</sup> Politician 6



education would often make sure to include their titles consistently in their election posters, business cards, introductions at speaker events, etc.

Public figures would also often claim the mantle of benefactors, turning government programmes into personal acts of kindness. By opening new facilities with great ceremony, or humbly accepting thanks for its delivery from grateful clients, actors sought to glean some of its shine for personal prestige.

Although this may have strengthened the person being seen to do the work, this may not benefit the person actually doing the work. One frustrated CEO commented on his relationship with the minister; *'If people have no electricity, they will go to him instead of me, expecting to get special and fast service as they know him. I still have to do all the work. And when I get it done, they don't praise me, but him.'*<sup>271</sup>

Further sources of symbolic power included family connections or religious coverage. Some actors would rely on the achievements of their fathers or grandfathers to craft their own reputation. This could be a dangerous strategy, as people would also know the less savoury side of family histories.

Unsurprisingly in deeply religious societies, actors often sought higher justification for their work. One politician from Curacao, after completing a spell in prison, marched from church to church to celebrate his release. Stories circulated that he completed the march on bare-foot and was greeted by ringing bells as he and his followers approached the churches.<sup>272</sup> In general, however, the churches do not seem to involve themselves to openly in politics.

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<sup>271</sup> Public manager 23

<sup>272</sup> ANP, 'Godett weer vrij man', *ANP*, 11 February 2007.

## 5.5 EXPECTATIONS: HIGH HOPES AND BITTERNESS

The description of the expectations of relations aims to give a first sketch of the elite actors' attitudes towards the governance process, covering both the worldviews they express and the factors shaping these worldviews.

**Table 20 Definition of Expectations of Relations: I**

Rich description	Data set observations	Causal processes
What sort of expectations do actors have of cooperation?	Actors' views on: -Rules in organisations -Dynamics of interaction	Engineering Mentality -Dominant mindset towards organisation
What shapes the expectations of actors?		Knowledge Availability -Sharing of information between actors

### 5.5.1 Frameworks shaping the world

*Gender: The variable that never was*

One obvious factor determining worldview could be gender, as this might influence the person's outlook on cooperation. However, this variable is unfortunately void due to an empirical complication. Of the roughly 100 official roles connected to these sixteen utilities, including the ministers, directors and CEOs, only a handful of jobs were occupied by women at the time of this research. There were no women CEOs or ministers for these utilities. Only a few sat on the board of directors or were managers underneath the CEO. Women were quite active in public life on the islands, namely on Curacao where the prime minister, minister of finance and lieutenant-governor were all women. However, there were still too few women present in this sample of utilities to properly test any theory connected to gender.

### *Bureaucratic ideal types*

When talking about their organisations, most respondents seemed to be heavily influenced by the concept of Weberian bureaucracy. This vision on public administration is ‘characterized by a clearly defined division of labour, an impersonal authority structure, a hierarchy of offices, dependence on formal rules, employment based on merit, the availability of a career and the distinct separation of members’ organisational and personal lives.’<sup>273</sup>

In recent times, these values are chiefly heralded by the international actors on the islands. Actors reported that the models of good governance of the World Bank and IMF chiefly shaped their actions. In these frameworks, people are supposed to think according to the position or interest they are officially representing. The CEO should look after the company’s interest, the Board of directors after the shareholders, the minister after the island’s council instruction, etc.

It is questionable, however, whether people truly thought in such compartmentalised ways. Particularly when considering the great overlap between professional and social relations in such a small policy environment as an island.<sup>274</sup> The problem may sometimes not even be that people are antagonistic, but that they have held the position of ownership for too long. ‘*Some utility providers are more akin to family agencies than government firms. The CEO has been there for so long and takes good care of his organisation. But it is not his company.*’ As a result, ‘*We have all gurus in these agencies; they just do what they please.*’<sup>275</sup> As actors come to identify themselves so strongly with the well-being of the corporation, or their interpretation of that well-being, the Weberian bureaucratic models may seem to be less relevant.

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<sup>273</sup> M. Turner and D. Hulme, *Governance, Administration and Development: Making the state work*, (Karmarian, Sterling, 1997), p. 83.

<sup>274</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>275</sup> Director 15

### *Social narratives*

In many of the interviews, people used concepts from the islands' social history to explain the current situation. Some of these interpretations could be backed up by scientific research, where others could be argued to be constructs of society. Such narratives could range from Arubans pointing to their indigenous roots when explaining their independence from the Dutch, the people of Curacao analysing the behaviour of male leaders through the prism of slavery or the Kittitians explaining rising crime levels by pointing to lower church attendance.

In this view, the horizontal/cooperative modus implicit in the European model collided with the vertical relationship pattern dominating society. This becomes especially salient during the interactions with the citizens or customers. They might be cowed into a submissive mode of begging for services from their patrons, even though they are rightfully entitled to them. In this view, people were formed in a mould of dependence. This either translated to enduring despondence or an urgent longing for complete independence, which ignored the reality of interdependence faced by almost all countries today.

### **5.5.2 Inputs shaping frameworks**

Worldviews may also change over time, depending on the experiences or information actors receive. A powerful part of this influence is the information flowing between the actors; be it the latest statistics, policy briefs, argued opinions or whispered gossip. Due to its scale and myriad of connections in these islands, information spreads quickly but was not always valid, reliable or consistent. People hear opposing views on the oil price from the minister, the opposition, the private sector, their friends, family members or friends. One director conveys his worry: *'You have to explain [your policies] well, but*

*that is extremely tough. Even if you get it right yourself, there is always someone in your back who will completely twist your stories. People hear all these different stories and do not know what to believe anymore.*<sup>276</sup>

The system is also swamped with extra observations about the key players involved, both relevant and irrelevant of nature. For example, in the context of the electricity utility people receive information on the latest power outage on the other side of the island, the rising global oil prices and see the expensive new car bought by the CEO of the energy company.

All this information is usually contradicted by other parties – ‘It was not a disruption but a scheduled outage.’, ‘The oil price is not really going up for the large buyers.’, ‘That car was paid for by someone else.’ – creating a convoluted and confusing mix. Although actors in small countries could know everything, they may not believe anything. Without enduring consensus on what is a fact and what is mere gossip, there is no scope for long-term policy development and government success becomes impossible.

One respondent from the business sector commented: *‘The government never develops any policy at all, but is always focused on the short term. This forces the utilities to draft their own plans and then they get heavily criticized. In the end, we are left with no plans and no policy.’*<sup>277</sup>

Some authors note that this had led to a general state of disbelief in the Caribbean. Marcha and Verweel refer to another mechanism of ‘appreciation of irony’ by citizens in Antillean politics.<sup>278</sup> People will happily cheer for the grand ambitions of politicians; yet will simultaneously acknowledge that they will lead nowhere. They thereby reject the credibility of the solution.

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<sup>276</sup> Director 6

<sup>277</sup> External actor 8

<sup>278</sup> W. Marcha and P. Verweel, *The Antillean Way of Life*, (SWP, Curacao, 2000).

### *Further influences*

Beyond these actively explicit streams influencing worldviews, it is also important to take into account mental frameworks beyond the conscious elements. Religion, for example, was a powerful frame of reference on all these islands. When one of the CEOs was criticised heavily by the ruling party, the opposition asked for a delay of his dismissal as it was the Holy Week leading up to Easter.<sup>279</sup>

Ethnic divisions could also flare up in the debate. One commentator on Curacao argued that everything went downhill after they allowed the use of Papiamentu in parliament. One consequence was that people who did not speak Dutch, usually from lower classes, suddenly gained access to the political debate.<sup>280</sup>

A further influence of the worldviews was the situation as observed in the United Kingdom, the Netherlands or the USA, often considered to be more relevant than the practices on neighbouring islands. Most people had travelled overseas or had family there who told stories of alternative way of organising society and governments. They started to demand the same. In addition to sending remittance monies, these diaspora citizens may have also sent back new expectations of government. As one observer commented; *'The problem is that government success is very subjective; what is your standard? We [on Curacao] compare everything to the Netherlands. And we then forget the negative things about that country.'*<sup>281</sup>

## **5.6 CONCLUSION**

A first glance at the utilities revealed policy fields awash in good intentions yet also filled with perverse effects. The microcosm of each policy field could be considered a reflection of the socio-cultural challenges at the societal level.

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<sup>279</sup>

Amigoe, 'Wacht met ontslag Casperson na Santa Semana', *Amigoe*, 20 April 2011

<sup>280</sup>

Public manager 17

<sup>281</sup>

External actor 18

There was a great discrepancy with the formal prescription of the structure of relations and the actual situation observed. Supposedly singular, rational connections were captured in the wider entangled web of obligations between members of the community. The nature of these relations showed some worrying signs of imbalance and potential conflict over resources, although the exact dynamics need to be further investigated. The expectations were on the whole shaped by high expectations based on doctrines of bureaucracy and overseas examples, but were also influenced by other bitter narratives on dependency and inability to govern effectively.

This rich description was chiefly based on reports by the actors themselves. This rather pessimistic picture should therefore not be taken at face value, as the actual performance of the system might be better than expected. What can be said, however, is that success would surprise even many of the local actors. Now it is time to see whether success actually occurred.

## 6. DATA-SET OBSERVATIONS: SIGNS OF SUCCESS

### 6.1 INTRODUCTION

#### *Purpose of chapter*

Where the previous chapter provided a rich sketch of the sixteen cases, the data-set observations presented here serve more as a set of photos of the sixteen utilities. The most important task is to credibly separate the performing from the failing utilities as the later analysis depends on this distinction. The further observations aim to capture crucial differences between the utilities in terms of the structure, nature and expectations of the relations as observed for each of the cases. Although they are presented through graphs, it is important to remember that they are still based on qualitative assessments on the respective indicators. The analysis also does not yet look at the policy fields in motion, as that will be left to the next chapter on causal process mechanisms. The ambition is rather to create to a concrete foundation of static observations for the analytical process in the latter chapters.

#### *Contents of chapter*

The chapter starts with a look at the performance of the utilities. Although several qualifications and uncertainties remain, it is possible to make a claim about which firms are successful and which are failing. The sixteen cases are then compared on the basis of their characteristics in terms of the structure, nature and expectations of relations between the actors. The chapter will seek possible causal relations between any of these variables and the performance of the utilities.



In terms of the structure of relations, the slight variations in the institutional arrangements seem to make little difference to the performance of the utilities. All three islands are represented equally across the spectrum of performers and failures, just as the type of industry does not seem to matter greatly. It is interesting to see that there could be a possible correlation between the amount of actors involved and the performance of the utility. Successful performers were on average involving more actors, although very poor performers also had an increased amount of actors involved.

A similar grouping can be observed when looking at the nature of the relations, focussing specifically on the distribution of resources between the actors. Both highly successful and deeply failing organisations had CEOs with significantly more resources than the minister. It seemed that a powerful CEO could result either in extreme success or extreme failure. An imbalance towards the minister would often result in moderate failure.

From the expectation perspective it is interesting to see that all of the ministers were strongly oriented towards Group Governance, where CEOs could be either group or individual oriented. What seems most significant is that in those cases where both the CEO and the minister cared about both group and rules, performance was the highest.

## **6.2 PERFORMANCE**

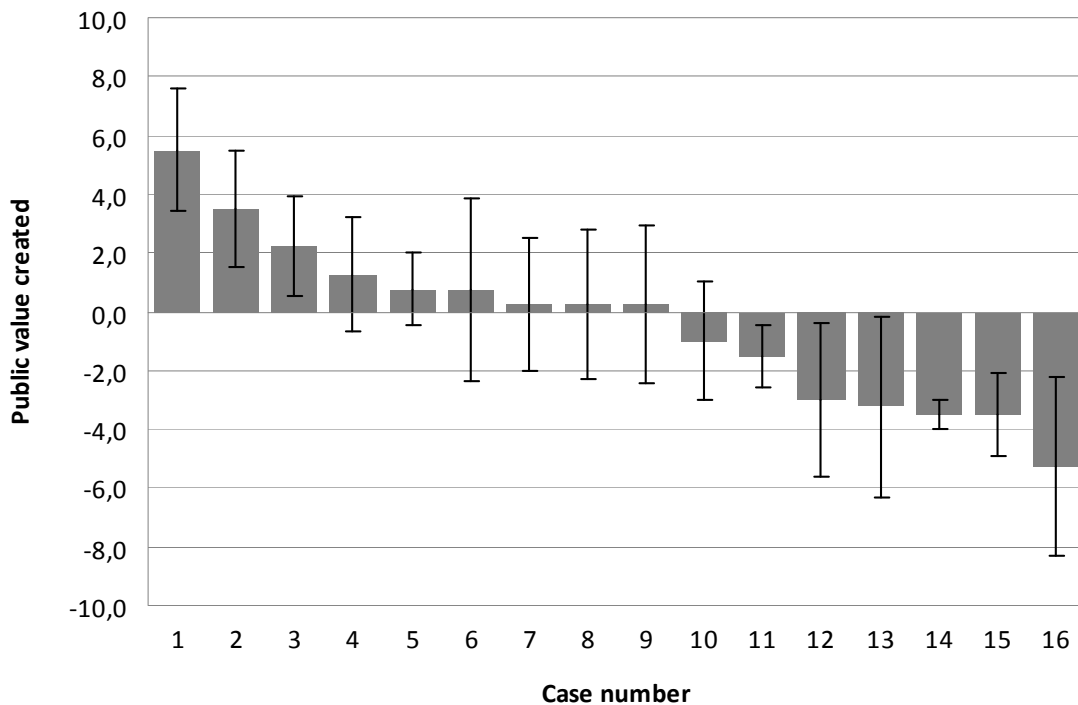
### **6.2.1 Measurement of performance**

The first step in this research exercise is to estimate the public value delivered by the respective public utilities. Drawing on Moore's and Putnam's definition of performance, it is important to establish which utilities added value to the community

and which formed a drag. These estimations will be made in this more quantitative chapter as the current template is very suitable for demonstrating the causal effect.<sup>282</sup>

The scorings were based on six indicators of cost and gain, drawing on the definitions of success by Moore and Putnam. Two senior figures per islands, with extensive knowledge of these agencies through auditing or consulting them, were asked to score the utilities based on the form presented in the methodology chapter. These two rankings were supplemented with two further marking rounds by the researcher. One of these was completed at the end of the fieldwork in spring 2010 and one more after a ‘cooling-off’ period in spring 2011. The final score for each utility was calculated by subtracting the costs from the benefits and taking the average of the four observations. This method produced a measurement of the policy fields as presented in the figure below.

**Figure 8 Public value scores and confidence intervals**



<sup>282</sup> G. King, R. Keohane, et al., *Designing social inquiry: scientific inference in qualitative research*, (Princeton University Press, Princeton, 1994), p. 85.

Nine of the sixteen utilities were deemed to deliver public value to their community. The other six policy fields placed a burden on society which outweighed their contribution. For case 10, the first three of the observations were discounted. One year after the data was collected; serious financial irregularities emerged at the organisation, necessitating a reweighing of the costs scores by the researcher. To still give an assessment of the reliability of this data point, the case was awarded the average confidence interval of +/- 2.

### **6.2.2 Reliability of assessment**

It is notoriously hard to put a reliable number on government success, even when considering ‘concrete’ services such as utilities studied here. Jacobs, Goddard and Smith discuss some measures to make the measurement more valid, including filtering out ‘random fluctuations’ and measurements errors.<sup>283</sup> However, the validity problem remains even with large data sets such as the UK’s schools rankings. For a small investigation of only four observations per case, the reliability therefore deserves due consideration.

The research design provides for three ways to assess and bolster the reliability of this data. Firstly, it makes it very clear how the performance data will be used, so that the reliability matches the end purpose. Secondly, the quantitative weighing of performance is based on a considered range of sources, in line with the consilience strategy. Finally, several tests are executed, detailed in the paragraphs below, to assess the reliability of this ranking.

It is very important to be clear about the end to which the data will be used. Although first presented in a list or bar chart, the research design does not look for

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<sup>283</sup> R. Jacobs, M. Goddard and P. Smith, ‘Composite performance measures in the public sector.’ *Policy discussion briefing*, Centre for Health Economics: January 2007.

linear correlations. The fuzzy-set method as designed by Ragin and as employed in the next chapters rather looks at degrees of membership of a set of successful agencies.

The question then is whether the cases are put into the right sets. For example, the question is whether Case 1 should indeed be a full member of the set of successful agencies. Most importantly, the analysis needs to be able to distinguish the successful agencies from the failing agencies. Another aim is to pinpoint the exact score of each of the agencies, so to be able to distinguish between agencies that perform adequately and those that perform poorly. This thesis focuses on getting the overall distinction between successful and failing organisations right.

In order to best fulfil this objective, the research design incorporates several consilience techniques. The method brings together observations from different orders of facts. In this case, the performance measurements were based on the judgements of expert observers –auditors, accountants and ombudsmen- who themselves would glean their view from different sources. In addition, the researcher has contributed two of the scorings. This draws on in-depth interviews with 107 actors, but also on the information available in the public sphere, such as annual reports, newspaper articles, etc. Together they should form a rich basis for the assessment of performance.

### *Confidence intervals*

A first indicator of reliability is the confidence interval for the measurements. The confidence interval was calculated for each of the cases, taking into account the sample size and standard deviation, while aiming for a confidence level of 90%. It would have been possible to run the exercise as well with a 95% confidence level, but it was felt this ambition was more appropriate for the small number of observations. The results are presented in the table below.

**Table 21 Ranking of public value scores**

<b>Case</b>	<b>Expert 1</b>	<b>Expert 2</b>	<b>Res. 1</b>	<b>Res. 2</b>	<b>Mean score</b>	<b>Stand. deviation</b>	<b>Conf. interval</b>
<b>1.</b>	9	3	5	5	<b>5.5</b>	2.5	2.1
<b>2.</b>	3	7	2	2	<b>3.5</b>	2.4	2.0
<b>3.</b>	5	0	2	2	<b>2.3</b>	2.1	1.7
<b>4.</b>	-2	1	3	3	<b>1.3</b>	2.4	1.9
<b>5.</b>	-1	0	2	2	<b>0.8</b>	1.5	1.2
<b>6.</b>	4	4	-2	-3	<b>0.8</b>	3.8	3.1
<b>7.</b>	-3	-1	3	2	<b>0.3</b>	2.8	2.3
<b>8.</b>	0	-4	2	3	<b>0.3</b>	3.1	2.5
<b>9.</b>	4	-4	1	0	<b>0.3</b>	3.3	2.7
<b>10.</b>	4	-2	-1	-1	<b>-1.0</b>	N/A	2.0
<b>11.</b>	-3	0	-2	-1	<b>-1.5</b>	1.3	1.1
<b>12.</b>	-7	-4	-1	0	<b>-3.0</b>	3.2	2.6
<b>13.</b>	-7	2	-4	-4	<b>-3.3</b>	3.8	3.1
<b>14.</b>	-4	-3	-3	-4	<b>-3.5</b>	0.6	0.5
<b>15.</b>	-6	-2	-3	-3	<b>-3.5</b>	1.7	1.4
<b>16.</b>	-10	-1	-5	-5	<b>-5.3</b>	3.7	3.0
Average					-0.4	2.5	2.0
NB: Case 10 has been awarded a score -1 and the mean confidence interval.							

The confidence interval of the first three cases entails that the expectation is that 90% of additional measurements would also return a positive public value score. For cases 11 to 16, the expectation would be that the 90% of additional measurements would keep on returning a negative score. This means that there is reasonable ground to assume that these cases should be in the success and the failure set respectively. Importantly, there is

also no overlap between the best and worst agencies. This warrants the identification of a significant difference on the dependent variable, or causal effect. Inferences can then be made about the impact of variation in the underlying variables. Cases 4 to 10 do have a confidence interval covering both positive and negative scores of public value. This shows that the rankings are not strong in providing insights in the ‘muddle in the middle’ of the performance ranking.

As mentioned, the purpose of this exercise is not to identify a linear correlation between success and other factors, but rather to distinguish membership sets with shared characteristics. This means that the analysis can make the strongest claims about the differences between agencies when contrasting the ‘superstars’ cases 1 to 3 with the struggling cases 11 to 16. One needs to be more careful when making claims about causes and consequences when drawing on the adequately performing cases 4 to 10.

On the whole, the spread of data is quite reasonable: Eight of the units on either side of the spectrum do not overlap with each other. However, it must be remembered that half the measurements were provided by the same person, even if this was done after a cooling-off period of a year. By retrieving half the measurements from one person, the consistency strength of this data is very limited.

### *Distribution*

A further way of assessing the reliability of the data is by looking at all the observations taken together. It must be remembered that this selection of sixteen cases is not meant to be a representative sample of all the government agencies on the island. They rather represent an opportunity to investigate the roots to success in discrete cases. However, as they have been scored together, the distribution of the points may indicate how significant differences are within the data set.

The average score of all the observations is -0.3 with a rather large standard deviation of 3.6. As there are now 64 observations, four per case, the confidence interval at 90% now stands at a much smaller 0.7. This means that the scores outside the span of  $-0.3 \pm 0.7$  can be considered to be significantly different from the average score. The top performers are three confidence intervals above the average. The worst performers are more than four confidence intervals below -0.3. Again such an assessment is not really suitable for sample of this size, but should give us some more assurance about the relative robustness of the measurements.

### *Coder disagreement*

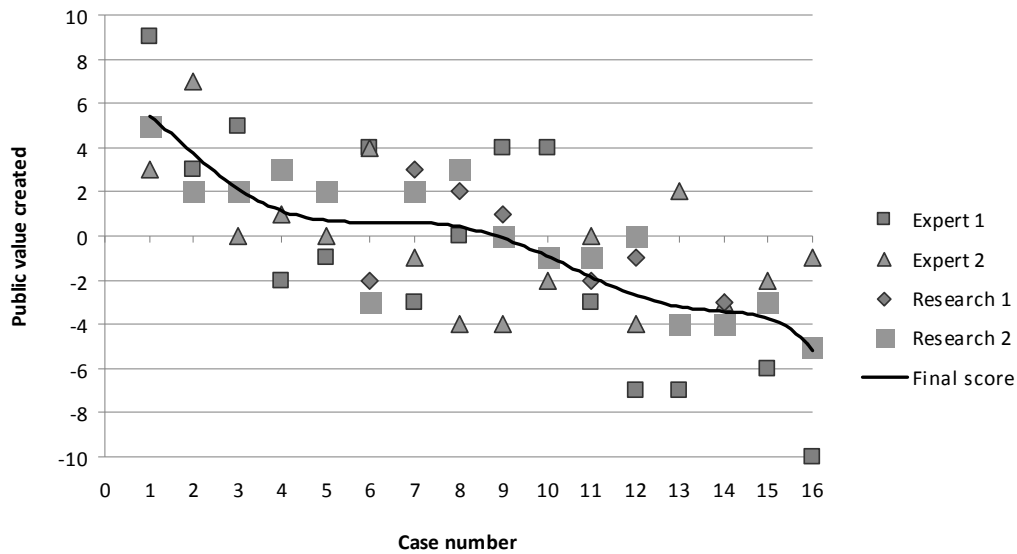
The reliability of the data can be explored further by assessing the direction of the disagreements between the coders. The spread of their judgements is captured by the confidence interval per case, but the direction of the bias also needs to be analysed. For example, it may be possible that the researcher structurally awarded higher marks than the local coders. The figure below presents the four different observations made per cases, next to the average of these scores which became the final score.<sup>284</sup>

The figure shows that all the four observations agreed that cases 1 to 3 were successful, although they disagreed how successful they were exactly. Similarly, the observations concurred that cases 14 to 16 were failures, although the evaluators differed on the extent to which this was deemed to be the case. The confidence interval suggested quite strong disagreements, but this visual representation demonstrates that all observations agreed that these cases should be in their respective success or failure sets.

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<sup>284</sup> This could have also been captured in the Kappa co-efficient, more specifically Randolph's free-marginal multirater. However, given the fact that the marks are ordinal, i.e. a disagreement between a mark of 3 and 4 is not as large a disagreement as between 3 and -7, these tools are not applicable.

**Figure 9 Coder disagreement**



The other cases show a greater differentiation in opinion between the observations. Expert 1 usually reviewed external observers stressing the procedural perspective, being awarded by accountants or auditors. Expert 2 was usually informed by actors leaning more towards the consumer perspective. This might explain the strong disagreements between these views for cases 9 and 13, as one might have prioritised good corporate governance over good products.

Differences between the researcher and the local experts could be caused by the fact that the researcher visited all the three islands. This may have introduced a more comparative perspective on the performance of the utilities, downgrading celebrated local success stories or awarding agencies more points for performance in difficult industries. Again the difference did not seem to be so great that the validity of the data is fatally undermined.

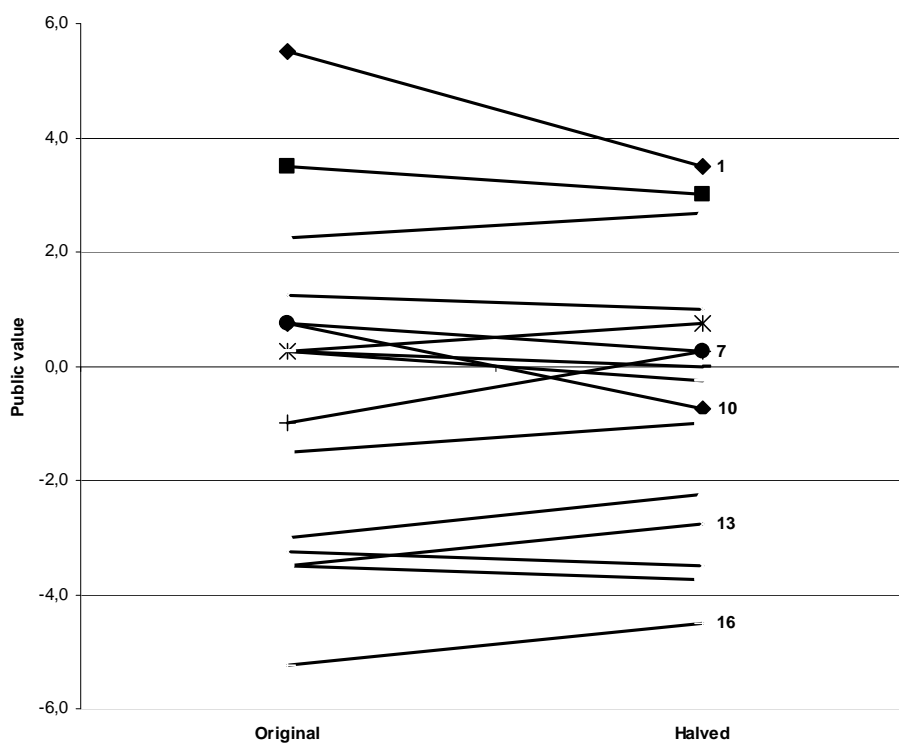
### *Weighting*

A final way of testing the reliability of the measurement is by changing the weighting of the different scoring categories. Because of the goods and services nature of these



government agencies, it was decided to award double points for financial costs and service delivery. This slanted weighting may have introduced undue biases. When equalizing all the scores, giving all six categories the same weight, a large shift may occur in the relative score of the utilities. This would suggest that the measurements are not very robust. However, the figure below suggests that there are few cases that make large jumps.

**Figure 10 Influence of changing weight services**



Cases 1 and 16 both gravitate quite strongly towards the zero when halving their scores for financial costs and service delivery. Yet they are still at their respective ends of the rankings. Again, the measurements seem to be the weakest for the middle cases. Case 10 decreases considerably; from a slightly positive score to a negative one, indicating that it service quality forms a great part of its original ranking. By contrast, case 7 and 13 climb considerably in the new order, indicating that they were being suppressed by high costs. However, when looking across the board, the relative performance of the

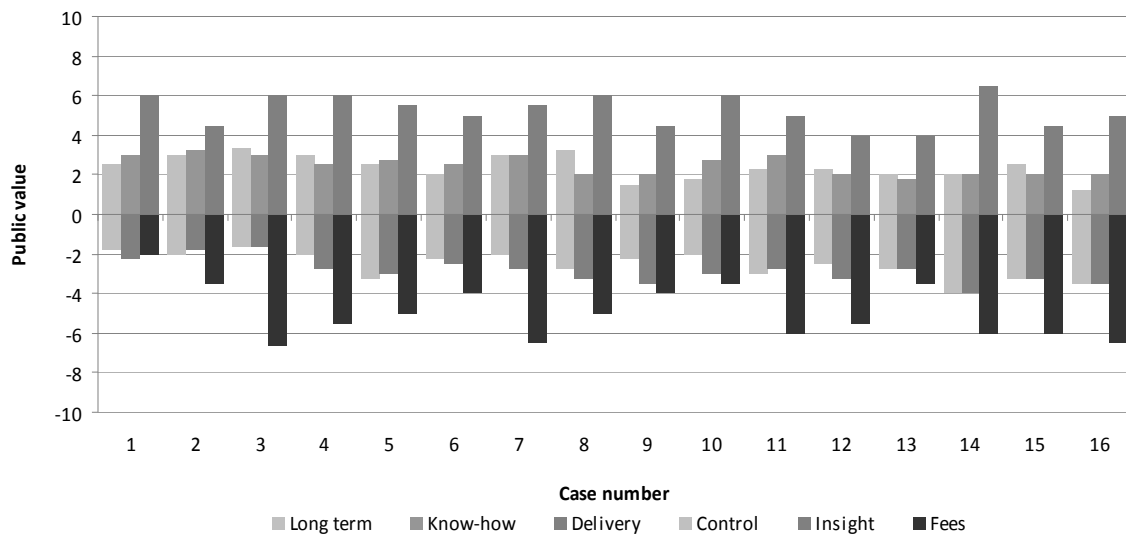
sixteen cases remains stable, there are no cases which make dramatic jumps in their score or their ranking. This suggests that the weighting is not influencing the measurements too strongly.

Even after these tests, the robustness of this performance data is still open to diverse criticisms. The fundamental problem remains that the thesis relies on a small set of cases. However, the data collection for even such a relatively small sample required many months in work and increasing the data set would have been very costly. Given the span of this thesis, it is therefore best to work with the data set available, while keeping in mind the limitations of its robustness going through the analytical process.

### **6.2.3 Sources of Costs and Benefits**

The results of the policy fields can be divided according to their specific scores of costs and gains, as represented in the graph below. Most policy fields are delivering high quality services, with only five cases not achieving a mark of six. The policy fields delivering fewer gains are more likely to be in the lower half of the set. Also for these cases, it is chiefly the combination with higher costs which creates their poor results overall. Six of the policy fields have a high financial burden of -6 or higher, with four of the five worst performers placing such a high burden on society. In general, it could be said that the good performers distinguished themselves not as much through exceptional service as through crafty cost-cutting.

**Figure 11 Costs and gains**



Interestingly though, public utility number 3 had high financial costs, but offsets this with high gains and low costs in terms of choice and policy insight. In other words, the community was making some hefty investment in this area. However, the benefits of this approach seemed to be good policy insight and provisions for the long term.

It is interesting to see that the service delivery is still of a high standard even with the poorest performing policies. They do combine this with little benefits in terms of insight and long term provisions, while undermining their overall gains with high costs. This suggests a type of behaviour characteristic of state monopolists; the management is driven by a professional pride to deliver the best results, but fails to account for the customers interest overall.

### **6.3 STRUCTURE: THE MORE THE MERRIER**

At this point, the analysis of the structure of relations is about the different settings of the islands and the different actors that were active in the fields. The data observations gathered data on the type of islands, the different regimes types, the tariff-setting procedure and the number of players involved. By measuring these against the relative performance of the policy fields, the aim is to identify those conditions that help a

utility to deliver public value. Some of these observations were not presented in separate graphs in order to not compromise the anonymity of the cases.

**Table 22 Definition of Structure of Relations: II**

Rich description	Data set observations	Causal processes
Which actors are involved?	-Number of actors -Diversity of actors	Relational Distance -Involvement of many and diverse actors
What regime types are there?	-Control over tariffs -Legal status organisation	Grid Governance -Rigidity in observance of governance rules

### 6.3.1 Island setting

An obvious starting point is to distinguish the islands in which these utilities were located. The scoring took each particular island setting into account when awarding points, considering what the local challenges were, but some island bias may still have crept in. However, the three islands had comparable performance. All islands brought in both big successes and big failures, dividing up the middle rankings between them as well. This confirms the argument made in the research design that a comparison across these islands could be valid.

### 6.3.2 Type of industry

The set of utilities can also be divided along the type of industry the utilities served. Again, when distinguishing between energy providers versus infrastructure managers, or any other division, there was no clear pattern discernible. It could be said that the energy and water policy fields are centred on the middle, neither excelling magnificently nor failing miserably.

Actors in these fields would explain this by pointing to the difficulty of reforming in such industries, which prevents great strides; the costs of improving the water pipelines are prohibitive even when compared to the costs of an extra runway. The lack

of utter failures could be explained by the fact that politicians would not let utilities slip so low. Reliable electricity and water supply are considered an essential ingredient for the running of society, which would prevent outright failure. Although water might be a more vital life need than electricity, no government can expect to remain in office long if they fail on either of these fronts.

This might turn these utilities, in the words of Meyer and Zucker, into permanently failing organisations. They are floundering constantly, but established constituent interests keep them operative.<sup>285</sup> However, in the period studied here, some of these policies were able to make significant advances –mainly focusing on sustainable consumption and production- which indicates that success could be achieved through a wider set of options.

### **6.3.3 Regime types**

A next step is to investigate the impact of the variation in legal forms between the utilities. Although these were minimal and were kept deliberately constant when selecting the cases, even these small variations should be considered. Policy fields were either departments within the central government or corporations, often controlled through a holding company. There is a strong correlation between the islands and organisational structure, with, for example, Curacao administering all its utilities through a single holding.

It was interesting to observe that directly owned utilities tended to do better than those managed through a holding company pattern. This mechanism, whereby the government owns a company which in turn owns the utility agencies, was devised to place politics at arm's length. However, the high performance of the directly owned agencies suggests that some proximity is not detrimental and might even be beneficial.

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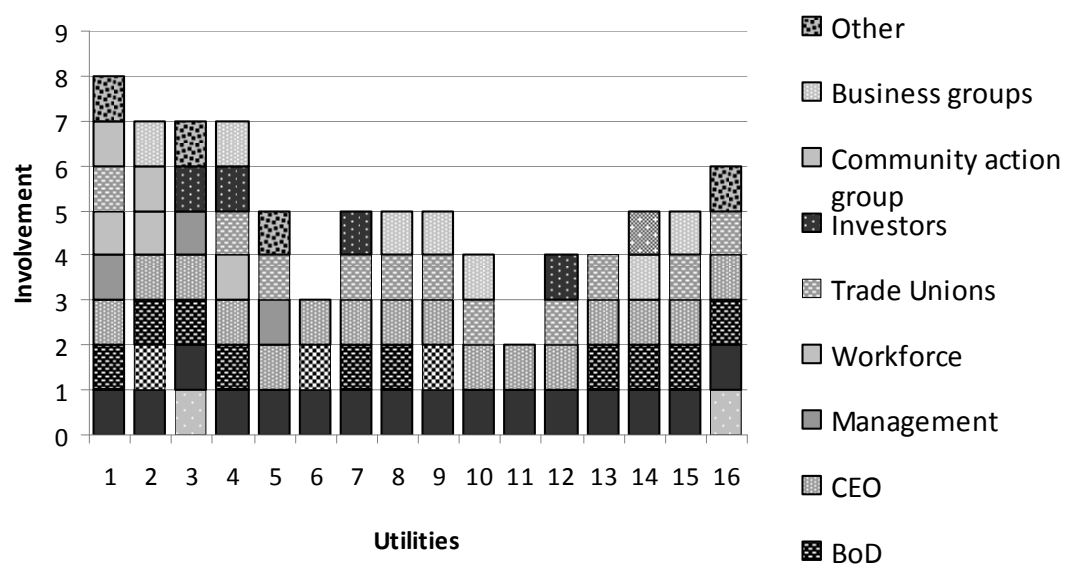
<sup>285</sup> W.R. Nord, 'Regular book review section: Permanently Failing Organisations', *The academy of management review*, vol. 14, no. 4, October 1990, p. 706.

Alternatively, the holding company structure may have created an additional layer of political conflict in the form of the holding company. This might have increased the drag on the performance of these organisations. Given the small size of this data set, either option should be kept in mind at this point, especially when considering that some of the best performers were owned via a holding.

### 6.3.4 Population of actors

Moving beyond the rules of the game, it is time to look at the players. Based on the interviews, a list was drawn up of the actors that were mentioned by the respondents to have played a role at the governance level. These players included obvious actors such as ministers and CEOs, but also representatives of interest groups and specific businessmen.

**Figure 12 Population of policy field**



However, these results were not yet weighed; the relative impact of an actor was not taken into account. This more qualitative step will be executed in the causal process observations. At this stage, an objective count of the actors mentioned should give a fairly reliable representation of who is said to populate the different policy fields. The results are presented in the figure above.

The first striking result is that, on the whole, there are more actors involved with the top performing policy fields than with the low performing policy fields. There is a neat drop-off between case 9, which still brings in a positive public value, and case 10, which delivers no public value. However, the population of the underperforming policy fields seems to be inversely related to their performance; as performance falls, more players tend to be involved.

There are two possible explanations for this, one taking involvement as the consequence of success, the other one taking involvement as a cause. The consequence perspective would suggest that all these actors were involved in the highly performing fields to get their share of the spoils of victory; lucrative contracts from a booming utility sector, prestige for being part of this success or simply safeguarding their own interests in the face of an expanding field. The poor performers in the middle are unsuccessful and therefore unloved, as there is little to be gained. The costly failure of the worst performers forms a drag on society and prompts vigilance and involvement of the stakeholders. Ministers, directors and interest groups come to the rescue. This would suggest that where success has many fathers and mediocrity is an orphan, outright failure attracts the same shower of attention as a youth delinquent.

From another perspective, one could argue that the actor involvement actually causes the performance. The public value generating policy fields all have higher levels of players involved than the underperformers, except for case 16. The different players may be keeping each other at bay through careful protection of their territory, creating a system of checks and balances. Phrased more optimistically, they might all bring their best intentions and abilities to the table and generate the best result for the community as a whole. On the other side of the spectrum, outside actors may circle the struggling utilities like vultures, picking off their share of the struggling utilities.

Another way of looking at this data would be to assess the mix of actors involved. Although the worst performer, case 16, did count the same level of involvement as the performing cases, the set of players involved tended to be more diverse for the successful utilities.

Some actors, such as middle managers, investors and community groups, feature only with the highest performing agencies. The only external partners involved in the three lowest performing arenas were representatives of the businesses on the islands. In all these three cases, this refers to specific commercial agents, such as individual firms lobbying the government, rather than the business associations such as the Chamber of Commerce or the Tourist Board. This might suggest that the all the actors for the failing utilities have more particularistic interests than the community-oriented actors around the successful cases.

It must also be remarked that in almost all cases the island council and the overseas governments are missing. The island council influence was reviewed for all agencies. From the perspective of the senior officials, the council did not have a large impact. It was usually deemed to be only the ministers who controlled the debate in parliament; the opposition was regarded as merely shouting from the other side. Another absentee is overseas government. The Dutch in particular government paid a lot of attention to good governance practices in the field of utilities. Their influence was perhaps felt more in the general field of governance rules, rather than for specific utility organisations.

The discussion of the impact of these actors follows two extremes; a different score for the performing utilities might be a cause or a consequence of performance. The missing piece of information here is what these actors were actually doing. All these scenarios should be explored further through the causal process observations in



the next chapter when the analysis looks for the exact machinations of the elite interactions.

#### 6.4 NATURE: PUZZELING IMBALANCES

The parameters for the nature of relations look at the resources at the disposal of the elite including their economic, cultural, symbolic and network funds of power. This data was acquired on basis of the interviews. The most striking result is that strong CEOs are found at either very successful or bitterly failing utilities. This suggests that strong leadership is required for performance, but could just as easily lead to utter failure.

**Table 23 Definition of Nature of Relations: II**

Rich description	Data set observations	Causal processes
Are the resources evenly distributed?	Distribution of capital: Economic Cultural	Actor Dominance -Presence of actor with much larger resource stock
Are there antagonistic divisions between the actors?	Symbolic Network	Group Governance -Degree of communality between governance actors

As this required a lot of subjective estimations, the capital scores have only been collected for the two types of actors covered for all the cases, namely the minister and CEO. The data was created by first constructing a measurement framework for the four types of capital and then examining the interviews and coding for relevant references to resources. This was then filled out in the score card as presented below.

**Table 24 Capital scores per case**

Case	Economic Public		Economic Private		Cultural Expertise		Cultural Societal		Symbolic		Network	
	Min.	CEO	Min.	CEO	Min.	CEO	Min.	CEO	Min.	CEO	Min.	CEO
1.	3	1	2	1	2	1	2	1	2	1	3	2
2.	2	1	2	2	2	2	2	2	2	1	2	2
3.	3	3	2	4	2	4	2	4	2	3	3	4
4.	3	1	3	2	3	2	3	2	3	1	4	2
5.	3	1	3	2	3	2	3	2	3	2	4	2
6.	3	1	3	2	2	1	3	2	3	2	4	2
7.	3	2	3	3	2	2	3	2	3	1	4	2
9.	3	1	3	2	3	2	3	2	3	2	4	2
10.	3	1	2	1	3	2	3	2	3	1	3	2
11.	3	1	2	1	3	2	3	2	3	1	3	1
12.	3	1	3	2	2	1	3	2	3	2	4	2
13.	3	1	3	1	3	2	3	2	3	1	4	2
14.	3	1	3	1	2	1	3	1	2	1	3	2
15.	3	1	2	1	3	2	2	2	2	2	2	2
16.	3	1	2	2	2	1	3	2	2	1	3	2
4 = Very large stock of capital				2 = Moderate stock of capital								
3 = Large stock of capital				1 = Little or no stock of capital								

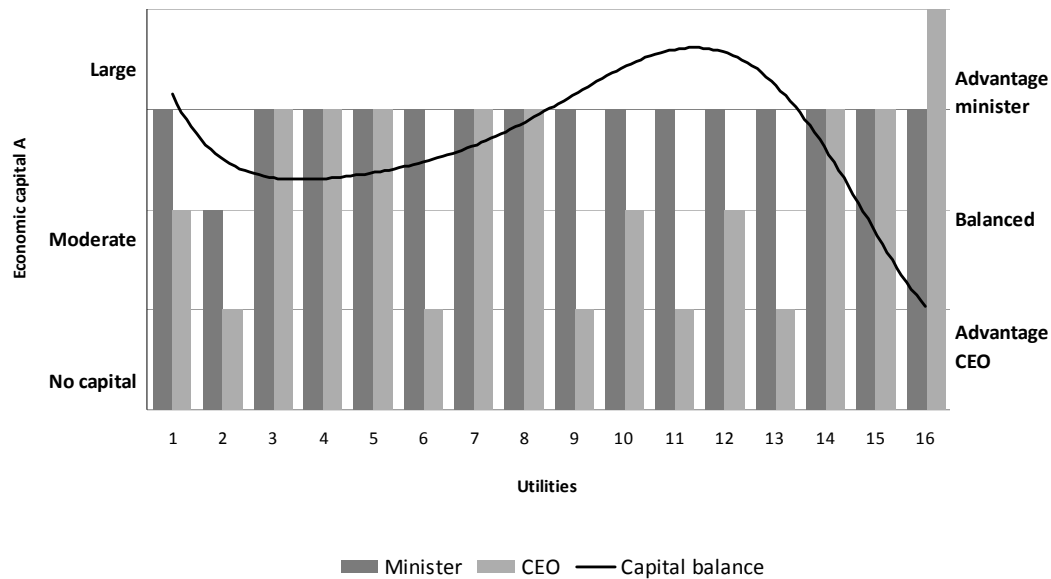
The scoring was based on the sample of sixteen ministers and sixteen CEOs. For example, if the interviews indicated that a given minister had one of the highest stocks of expertise when compared to the other thirty-two actors; he would be awarded a score of 4. This process required much qualitative estimation of the resources of the minister and CEO, based on incomplete information. The best use of data is therefore not to exactly pinpoint the situation of specific cases, but rather to see if there are any trends visible between the high versus the low performers.

#### **6.4.1 Economic capital**

The economic capital indicators, referring to financial means of public or private nature, were collected on the basis of questions to the subjects themselves, references to each

other and through primary resources like departmental budgets or annual reports. This first graph below refers to the public finances the minister or CEOs could freely control. The second graph describes their own financial position, inspecting their solvency beyond the income of their present jobs.

**Figure 13 Economic Public capital**



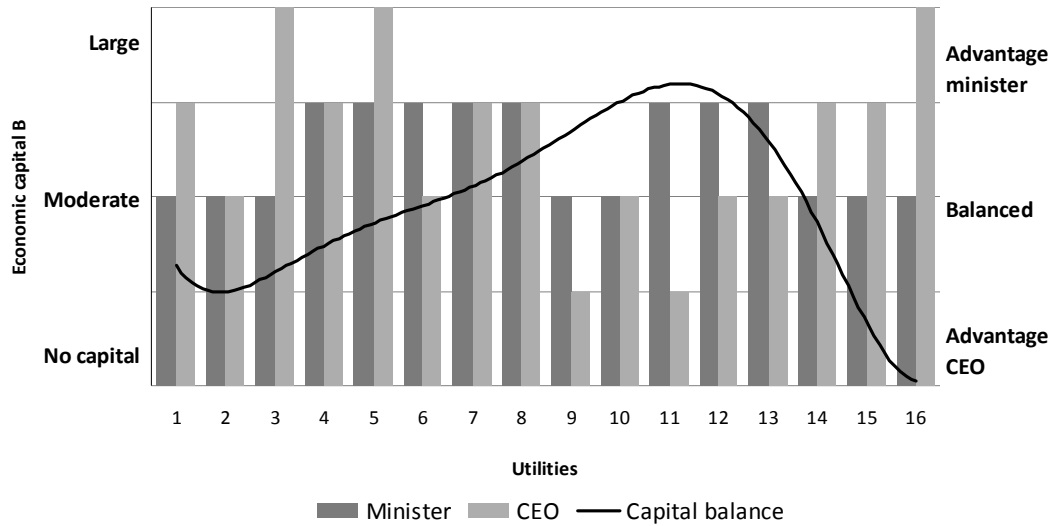
As was to be expected, in most cases the minister controlled the largest set of public funds, which could be usually explained by the fact that they would be responsible for a set of utility agencies and other public tasks. The cases where the CEO had more public money at his disposal usually concerned very large delivery corporations. These would be the organisation bringing money to the government, rather than having to ask for it.

It is interesting to note that there were two groups where the CEO has significantly smaller budgets. Firstly, cases 9 to 14 seemed to have little to spend. This could link back to the lower amounts of actors involved, explaining why they were unpopular. Secondly, the two best performing cases also had lower budgets. This indicates that size and performance are not necessarily related.

The balance between the minister and CEO was by and large tilted towards the minister. The imbalance was largest with cases 9 to 14, but it was the CEO who

controlled the most resources at the bottom performers. This could suggest that it may have created an unhealthy imbalance away from the public interest.

**Figure 14 Economic Private capital**

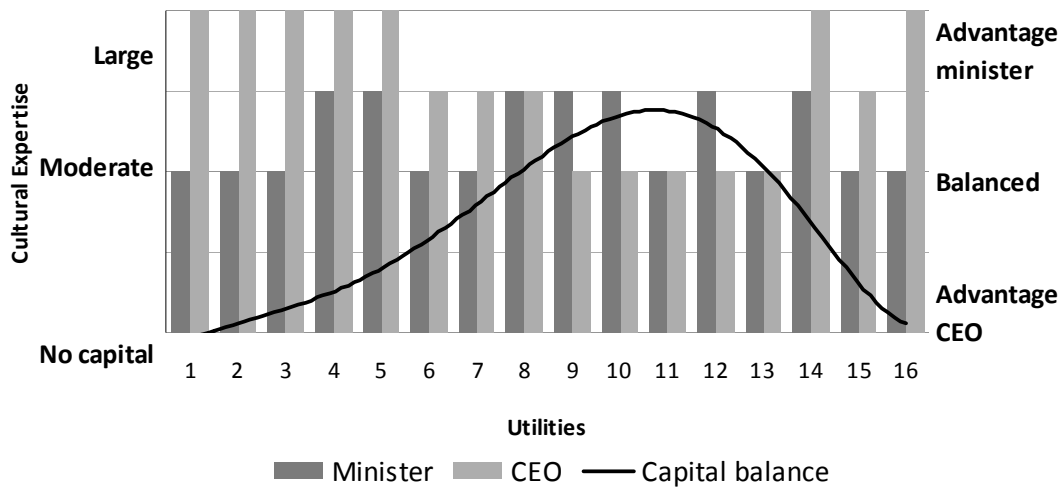


The personal financial security of the CEOs was better than the ministers on the whole, mainly explained by their higher salaries and better employability beyond their current jobs. Most had experience in the private sector to fall back on as an alternative career. Again, however, cases 9 to 14 showed the minister having more financial security than the CEO. It was also interesting to see that that the CEOs at the better performing utilities had, on average, better prospects than their counterparts at the lower performing cases.

### 6.4.2 Cultural capital

Cultural capital embodies two elements of interest to the analysis of the nature of relations. First, there is the accumulation of relevant expertise –industry knowledge, technical knowhow- which could provide a valuable source of leverage for the actors. Secondly, cultural capital refers to a broader understanding of how society works – etiquette, ‘the public pulse’, policy taboos- which could help an actor to get his way.

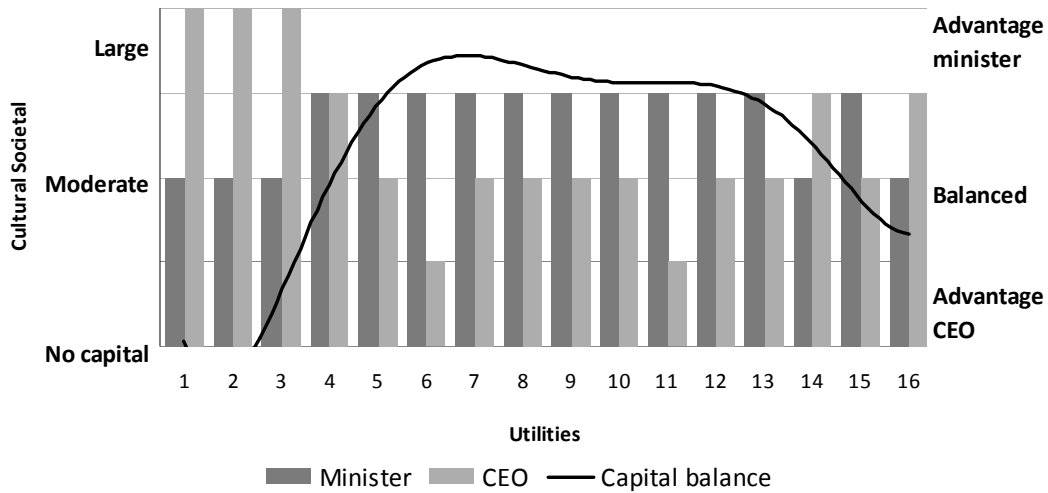
**Figure 15 Expertise capital**



From the expertise point of view, the performing policy fields tended have slightly larger stocks of capital available. Yet the overall strength of expertise as an explanatory variable is undermined by two issues. Firstly, cases 4, 6, 8 and 14 had the greatest pools of expertise but were not able to translate this to the best performance. Other factors must have played a role here, explaining what barred this expertise from being put to good use.

Furthermore, the matter of expertise is particularly susceptible to the chicken-and-egg question; do qualified people create good policy fields, or did good policy fields attract good people? This could well apply to cases 11, 13 and 15. It could be argued that they were only considered unqualified because they were working in underperforming fields. In sum, the interaction of expertise with other factors and the direction of its causation should be explored further.

**Figure 16 Societal capital**

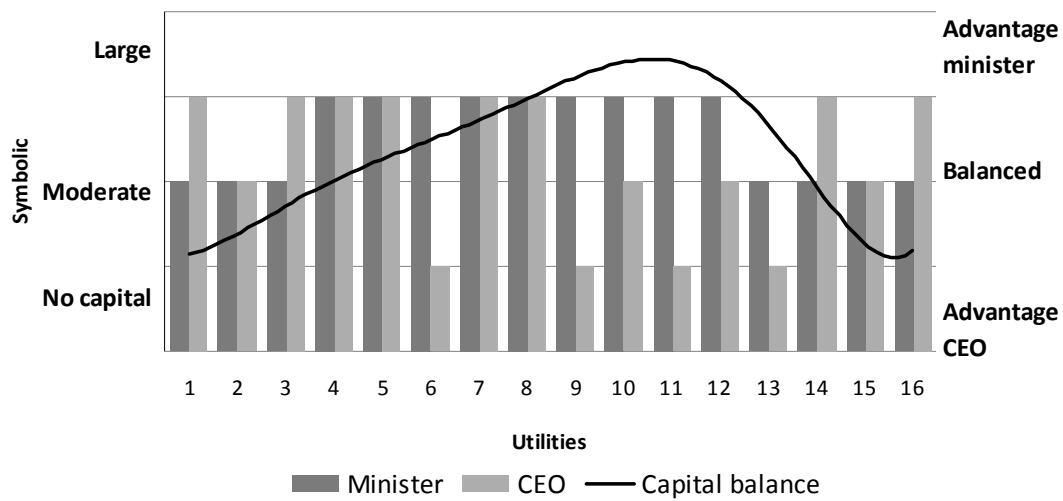


On the count of societal insight, most actors were thought to have a higher stock of societal insight than expertise. This is not surprising, given the very political settings these actors were groomed in. Again, it was the minister that often had the advantage in the relationship, only to be outstripped by the best and worst performing CEOs. However, it is interesting to see that for the first time the difference between the stocks of societal capital between the best and worst CEOs is significant. The top three CEOs had much larger stocks of insight into the dynamics of society than the bottom ones. This might point towards a decisive advantage, although it still raises the question how they use the capital.

### 6.4.3 Symbolic capital

The third aspect of capital looks at symbolic power; the signs of prestige in possession of the key players, ranging from titles to famed lineage. As this variable is about symbols of prestige recognised by others, the many interviews provided good data on the CEOs and ministers for this variable.

**Figure 17 Symbolic capital**



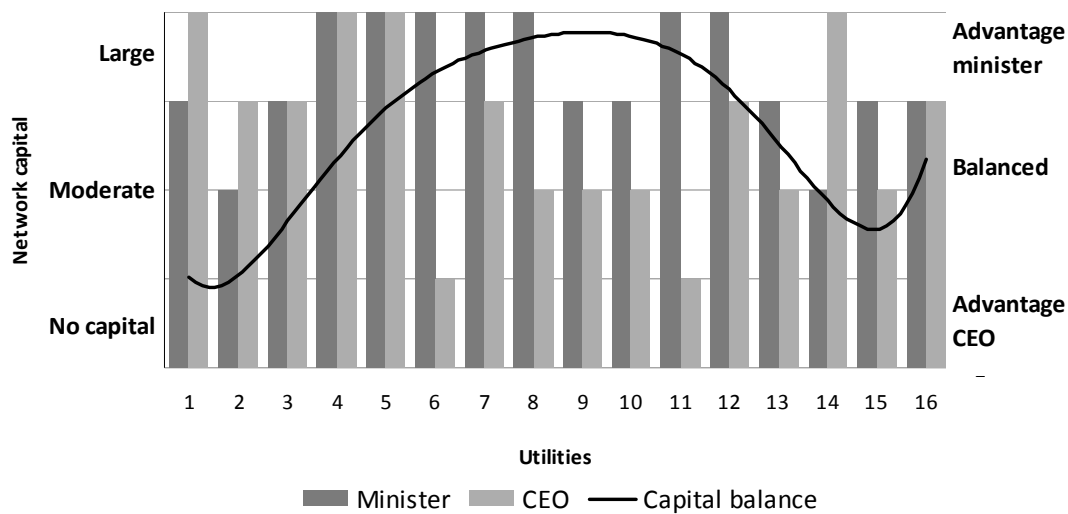
The most striking observation is that there are no individuals with overpowering stocks of symbolic resources, not one actor achieved a mark of 4. There were individuals with a long track-record in public life or who were descended from famous leaders. One would assume that the leaders responsible for high performing utilities would gain some recognition. It is true that there were more individuals with high symbolic status at the performing end of the spectrum, but not significantly more so. None of them achieved very strong scores and there seemed to be no characters that were able to rise above the muddy field of daily interactions. No one seemed to be universally admired or respected on the islands, at least not visible in these fields.

This lack of symbolic capital could be both helpful and damaging to performance overall. On one hand, there were no figures that could behave as guru's, making policy pronouncements accepted because of the symbolic capital of the proposer, rather than the merits of the suggestion itself. On the other hand, without a unifying figure, it becomes in doubt whether one actor could emerge to steer the debate towards a conclusion and is trusted enough to take charge of the execution.

#### 6.4.4 Network capital

The final parameter of capital looks at network resources; the amount of leverage the individuals could command through their contacts. The data was gathered on the basis of the interviews and secondary sources on connections between people. This is a notoriously problematic aspect to charter, as key networks can remain invisible or work in different ways than observed from the outside.

**Figure 18 Network capital**



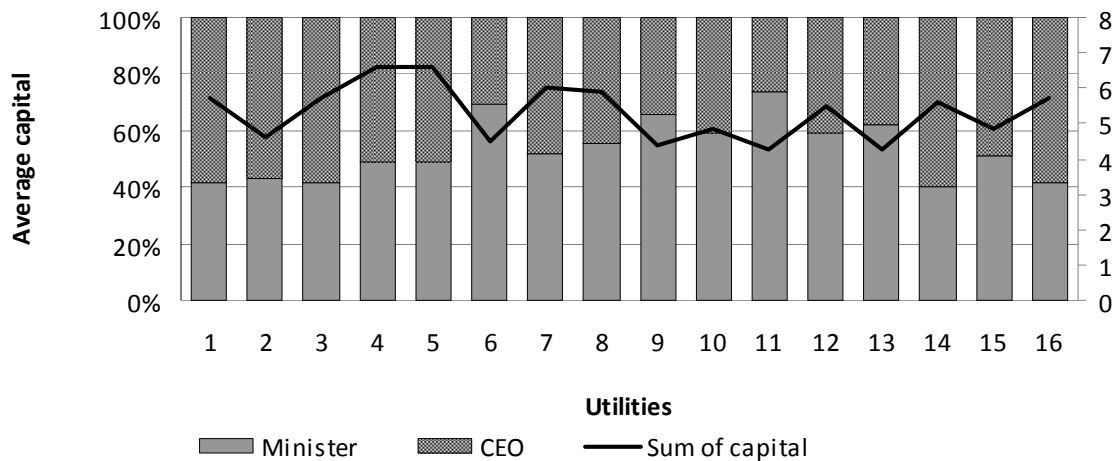
There is a slightly higher occurrence of network power in the high performing fields. The third quartile is characterised by strongly connected ministers, where the first and last quartile are again characterized by CEOs possessing more resources. One could argue here that politicians were by the nature of their profession more active in the recruitment and deployment of network capital, as their survival depends on significant pools of support. Once again, the question really is what these people were doing with their network power. They all seemed to have their fair share of contacts, but the outcomes were radically different. This will be accounted for in the causal process observations.



### 6.4.5 Average capital

Before moving to the next component of relations, a final discussion of the total sums of capital is presented. The graph below adds all the capital scores. The top utilities generally slightly outrank their counterparts in total aggregated capital, but there is no clear trend. The first conclusion must therefore be that although the performing policy fields have slightly more capital than the underperforming systems, this did not seem significant enough to explain the variation in capital.

**Figure 19 Average capital**



As with the discrete capital scores, both the best and worst performers displayed a capital advantage for the CEO. The third quartile of performers, cases 9 to 13, showed an imbalance tilted towards the minister. This variation excludes a straightforward relation between capital and performance.

The prime question in the analysis going forward should therefore be what people were doing with their resources. The chief puzzle this exploration should address is why the overpowering strength of an actor can have such radically different outcomes. Both the top and bottom performers had strong CEOs, but the performance outcome was radically different.

## 6.5 EXPECTATIONS: DUAL VIEWS LEAD TO PERFORMANCE

**Table 25 Definition of Expectations of Relations: II**

Rich description	Data set observations	Causal processes
What sort of expectations do actors have of cooperation?	Actors' views on: -Rules in organisations -Dynamics of interaction	Engineering Mentality -Dominant mindset towards organisation
What shapes the expectations of actors?		Knowledge Availability -Sharing of information between actors

The expectations of relations are mainly about rules and group dynamics at this stage.

The data set observations looks mainly at how people structure their world. However, it can be hard to compare all the different perspectives of individuals. Cultural Theory as developed by Mary Douglas proposes a framework which claims to capture all the different worldviews. This was later adapted by Hood for use in the study of public administration.<sup>286</sup> The data was again retrieved from the interviews.

Cultural Theory categorizes different forms of organisations by asking two simply questions. Firstly, it asks whether people consider themselves part of a group or more as individuals. Secondly, it asks whether people consider themselves bound by the rules of their social environment. The possibilities create a two by two quadrant mapping four different worldviews, as presented in the table below.

People with a sense of both group and rules are deemed to have a hierarchical outlook on life (e.g. military units). If they combine a sense of group without a sense of rules, they are more egalitarian (e.g. group of friends). Actors with neither a sense of group or rules are called individualist (e.g. competing salesmen), those with no sense of group but with sense of rules are fatalistic (e.g. authoritarian regimes).

<sup>286</sup> C. Hood, *Art of state*, (Oxford University Press, Oxford, 1998).

**Table 26 Cultural theory**<sup>287</sup>

	Low Group	High Group
High Grid	<p><i>Fatalistic</i></p> <p>Low cooperation, rule bound</p> <p><i>E.g.</i> Atomized societies in routines (Banfield)</p>	<p><i>Hierarchist</i></p> <p>Social cohesive, rule-bound</p> <p><i>E.g.</i> Stereotype military structure (Dixon, 1976)</p>
Low Grid	<p><i>Individualistic</i></p> <p>Atomized, stressing negotiation and bargaining</p> <p><i>E.g.</i> Chicago School (Self)</p>	<p><i>Egalitarian</i></p> <p>High participate, everything up for grabs</p> <p><i>E.g.</i> Dark green alternatives to formal bureaucracy (Goodin)</p>

Cultural Theory aims to capture all main types of organisations that may be bolstered by the fact that most theorists which attempted a similar ‘way of life theory’ came up with corresponding sets of four to five categories. Pepperday finds that authors such as Bowles, Marriott, Ouchi, Merton and Douglas, sometimes disagree on more superficial matters, but that they fundamentally share a similar division of four to five base types.<sup>288</sup>

Hood applies this categorisation to different government organisations as a whole. This categorisation will also be applied towards the end of this thesis. For now, the focus is on the individual worldviews of the minister and the CEO. Each of these thirty-two actors was categorised on the basis of the two questions about attitudes towards rules and groups. The diagram below presents the assumed worldviews for the minister and contrasts these with those of the CEOs. The digit in the squares indicates the case number of the officials.

<sup>287</sup> C. Hood, *Art of state*, (Oxford University Press, Oxford, 1998).

<sup>288</sup> M. Pepperday, *Way of life theory*. (Doctoral thesis for Australian National University, February 2009).

**Table 27 Contrasting worldviews**

		<b>Minister</b>			
		<b>Individ.</b>	<b>Fatal.</b>	<b>Egal.</b>	<b>Hier.</b>
<b>CEO</b>	<b>Individ.</b>			14,15,16	
	<b>Fatal.</b>		10,12,13	11	
	<b>Egal.</b>		7	6	
	<b>Hier.</b>		3	1,8,9	2,4,5

As could be expected, the majority of ministers have a high sense of group, fitting either the Egalitarian or the Hierarchical groupings. This might be connected to the nature of their occupation; forcing them to interact with wider constituency at all times. It is therefore striking to also see a significant amount of ministers around fatalism, which stresses rules and disavows the community spirit.

It is also interesting to see that only three ministers, cases 2, 4 and 5, were categorised as scoring high on both grid and group. The rest of the ministers were much more polarised in their attitudes, either following only the rules or only the group. This might suggest a very narrow, polarised view of what leadership is about: A leader is either someone who strictly enforces external rules, or someone sits within the community and ignores the rules.

The CEOs are distributed more evenly amongst the different categories, possibly through their generally greater exposure to worldviews in different cultures and countries as they often went abroad for their education. Interestingly, very few were categorized as egalitarian. Again, this could be shaped by the environment they were working in. Possibly they did come in with a greater belief in the amorphous interests of the community. Confronted with forceful ministerial bosses when in the job, they either succumbed to a fatalistic attitude or bolstered their belief in rules towards a hierarchical outlook.

Looking at the correlation of worldview to performance, it is striking to see that all performing utilities, case 1 to 9, have either egalitarian or hierarchical CEOs. This would suggest that a CEO with a strong group spirit is required to create public value. The exact mechanisms of this effect should be explored further in the next step of the analysis.

This leaves one category; the mix of individualistic CEOs with egalitarian ministers. This mix of attitudes seemed to create the worst outcomes, as the bottom cases of 14, 15 and 16 could be found here. In policy discussion, the minister's plea for group interests might have fallen on deaf ears with individualistic CEOs. These managers may have seen themselves more as entrepreneurs, than public servants. They would then their agency in the direction they thought best. Combined with the earlier observation that the CEOs of these same cases also controlled the majority of the capital in their field, this could degenerate into the CEO running his utility like a small empire beyond the public gaze and interest. Again, this possible causal process will have to be explored further in the next chapter.

## **6.6 CONCLUSION**

The collection of dataset observations present some interesting first pieces of the puzzle, but it does not yet seem clear how everything fits together. Most importantly, an assessment of the performance of the sixteen cases has been constructed which could be argued to be reliable enough for the research purposes of this thesis.

Furthermore, some first observations have been made regarding the structure, nature and expectations of relations. For example, the number and diversity of actors seems to have an important effect on the performance of the utility. An imbalance of resources towards the CEO could result in either excellent or abysmal performance. The

performance seemed to be the highest in cases where the CEO and minister shared an appreciation of both group and rules.

These observations give a first handful of impressions, but these quick tabulations of categorisations do not equate to causal inference. The exact mechanisms of how these static difference changes the dynamics and impact the performance will be explored in a structured manner in the following chapter.

## 7. CAUSAL PROCESS OBSERVATIONS: EXEMPLARY BEHAVIOUR

### 7.1 INTRODUCTION

#### *Purpose of chapter*

Following the broad description of chapter 5 and narrow observations of chapter 6, it is now time to analyse the sixteen utilities in a manner that combines an appreciation of their context with a consistent logic of causality. The aim is to identify those processes that can explain the difference between the successful and failing utilities. As a start, this chapter will catalogue the various mechanisms observed which could be significant. Their actual impact will then be assessed through applying the fuzzy-set analysis in the next chapter.

This chapter is thereby looking for what Brady and Collier refer to as causal process observations; ‘insights or pieces of data that provide information about context, process, or mechanism and that contribute distinctive leverage in causal inference.’<sup>289</sup> This could be any mechanism that aids the performance of the utility; from the way information is shared between key players, the management style of the CEO to the composition of the group of actors involved in the decision-making. The aim is to identify all those processes, or combination of processes, which could explain the difference between a successful and unsuccessful utility.

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<sup>289</sup> H.E. Brady and D. Collier, *Rethinking social inquiry*. (Rowland and Littlefield, Oxford, 2004), p. 277.

### *Content of chapter*

The challenge in generating the causal process observations is to ensure that the set forwarded to the analysis is exhaustive and covers all of the possibly relevant dynamics. At the same time, these processes still need to be distinguishable from each other to assess the precise mechanisms. Once again, the three components of social capital -structure, nature and expectations of relations- are therefore used to provide a comprehensive but articulated perspective on the actor interactions.

This exercise will generate a list of six causal processes which are deemed to deserve further analysis. For the structure of relations, these processes are the degrees of distance between the actors and the ways in which rules are enforced. For the nature of relations, these are the degree of communality or ‘team spirit’ amongst the players and the presence of a dominant actor. For the expectations of relations, the identified mechanisms are the availability of knowledge to the actors and the type of mentality prevalent in the governance of the utility.

For each of these mechanisms, the relevant observations are presented. The measurement of the presence of these processes requires some further definition, which is addressed by drawing on several concepts from the wider governance literature. The final calibration for the different processes will then be presented in the next chapter.

In the conclusion of this chapter, an overview is presented of how the majority of actors thought these six mechanisms would influence performance. For example, it was commonly believed that a strict application of rules would lead to a higher performance of the agency, whereas the presence of dominant actors would hurt the utility. Whether these impressions are actually correct will then be tested in the next chapter.



## 7.2 POSSIBLE CAUSAL PROCESSES

The distinctive advantage of causal process observations over quantitative data observations is that they help researchers ‘to connect the dots.’ An infamous example, demonstrating the value of process information over statistical information, is a story attributed to Tsar Ivan the Terrible: Russia’s provinces were suffering from a plague and the tsar noticed that a lot of doctors were present in the areas affected by the disease. He concluded from this that the doctors were the cause of the plague and had them all killed.<sup>290</sup> Had he observed the precise causal mechanisms more closely, seeing that the doctors only appeared after patients got ill, he would likely have taken different measures. Similarly, the causal processes observations should here capture how certain characteristics are connected to the performance outcomes.

The ambition is to identify all those variables that shape the outcome, at least when looking at the elite actors. If this was a hypothesis testing exercise, it would have been enough to merely test whether the researched variable explains all the variation of the outcome or not. In this case, it is unknown which variables could affect the outcome and all significant variations should therefore be taken into account.

This is quite a stiff demand of any research exercise, even when restricting the scope of observations. The three components of social capital are therefore again used as the starting point to at least approach exhaustiveness. The most important check on exhaustiveness can be conducted afterwards. If any variation of the performance outcome cannot be explained by the configuration in the selected mechanisms, an important factor has been overlooked.

It is also important to consider how exclusive the processes are from each other. If variables are closely intertwined it might be better to treat them as a single force.

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<sup>290</sup> Methodological thoughts, <http://www.web-books.com/eLibrary/NC/B0/B56/150MB56.html> (Retrieved on 29 August 2011).

However, the research methodology of fuzzy-sets does allow for co-dependence between variables. It explores whether certain outcomes only come up if two conditions are fulfilled. Moreover, in social capital theory, the structure, nature and expectations of relations are thought to reinforce each other. It may therefore be more appropriate to aim for variables which are not as such exclusive but distinct from each other. The different processes need to be well defined, but they may well still work together.

In sum, the six causal processes investigated are therefore the product of the following question: Are there differences in the structure, nature and expectations of the relations between the elite actors which could explain the different performance outcomes of the utilities? The resulting causal processes and their respective definition are presented in the tables below. In the following paragraphs, each of the processes will be explored further.

**Table 28 Definition of components and causal process investigations**

**Structure**

Rich description	Data set observations	Causal processes
Which actors are involved?	-Number of actors -Diversity of actors	<b>Relational Distance</b> -Involvement of many and diverse actors
What regime types are there?	-Control over tariffs -Legal status organisation	<b>Grid Governance</b> -Rigidity in observance of governance rules

**Nature**

Rich description	Data set observations	Causal processes
Are the resources evenly distributed?	Distribution of capital: Economic Cultural Symbolic Network	<b>Actor Dominance</b> -Presence of actor with much larger resource stock
Are there antagonistic divisions between the actors?		<b>Group Governance</b> -Degree of communality between governance actors

## Expectations

Rich description	Data set observations	Causal processes
What sort of expectations do actors have of cooperation?	Actors' views on: -Rules in organisations -Dynamics of interaction	<b>Engineering Mentality</b> -Dominant mindset towards organisation
What shapes the expectations of actors?		<b>Knowledge Availability</b> -Sharing of information between actors

### 7.3 STRUCTURE: RELATIONAL DISTANCE AND GRID GOVERNANCE

From the perspective of the structure of relations, social capital theory is mainly interested in which actors are connected to which, as in bonding and bridging capital, and how rigid these relations remain over time. When considering these two questions, the sixteen utilities showed interesting variations in the Relational Distance between the actors and the rigidity in the application of the governance rules.

#### 7.3.1 Relational Distance

The most obvious difference between the sixteen utility fields was the amount of actors involved in the governance of the utilities. Beyond the minister, CEO, director or permanent secretary, many other actors could be involved as well. The amount of actors was measured in chapter 5, yet it did not show a clear-cut relation between amount of actors and performance. Both very successful and very unsuccessful utilities had an above average amount of actors involved.

However, that was merely a counting exercise, rather than qualitatively measuring the relation between these outside actors. This neglects to check whether these extra actors actually represented extra perspectives. It is proposed that the concept of Relational Distance as developed by Black would be better equipped to capture these subtleties. Relational Distance measures not only the amount of actors involved in a field, but also the differences in position and attitude between them. For example, a

field with two directors of the same political party will have a smaller Relational Distance than a field with two directors from two competing parties.

### *Observations*

Many interviewees suggested that their performance was positively influenced by the role of people from outside their immediate circles. They would argue these outside actors provided more effective control of the governance of the utility. Indeed, the use of an ‘outside pair of eyes’ is often applied in good corporate governance.

The application of this principle could be observed when looking at the role of outside investors. A prime objective of corporatisation was the ability to attract capital to the utilities. When the investor bought an actual share of the company, they would gain the right to appoint a director. If banks provided a line of credit, they often also demand the right to appoint a director or the opportunity to audit the books.

The respondents were divided on the benefit of such an involvement of financial institutions. It was usually the CEOs that were more positive in their view on outside investors, whereas the political actors were less certain. On one hand, the banks introduced a level of professionalism to the supervision of the company, forcing the politically appointed directors to raise their game. One CEO comments: *‘Some of the directors on my board represent overseas investors, whereas the rest are appointed locally. I get [the local directors] into my office immediately to educate them on my business. I don’t want to them to look foolish in front of the external shareholders.’*<sup>291</sup>

In addition, investors would often stipulate certain conditions before giving their money to the government. These guarantees could include that the local commercial laws would be respected or promises that tariffs would rise. This could often be used as

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<sup>291</sup> Public manager 14

ammunition by the management in dealings with the government. In one case, a conflict erupted over a proposed hike in tariffs. The management wanted to raise the fees to cover the rising costs, while the minister feared a public outcry. The lender bankrolling the utility then issued a warning to the government that it would be forced to reconsider the loan if the tariffs were not raised.<sup>292</sup> The minister eventually had to concede defeat and the tariffs were increased.

Respondents within the government and community representatives were less satisfied with the role of financiers. They felt intimidated or side-lined by the external investors. In one case, the external investor was viewed as a Trojan horse: *‘[The external investor] was first welcomed as a white knight rescuing the company. The investors then appointed a special representative as chair of the board of directors in a meeting behind closed doors. [...] Yet this created a vicious circle of accountability. As a director, [the chair] would approve further loans between the utility and the financing institution he represented. This only increased their hold over the company. In return, the lender kept asking for his reappointment. It was impossible to break that connection. Even the government [as sole shareholder], was unable to fire him.’*<sup>293</sup>

Although these interviewees acknowledged that the external investor improved the process of governance, they felt this was done as the expense of the outcomes of governance. In this view, the investor’s particularistic concern with return on investment collided with the general interest of the community.

Next to external investors, there were other types of actors involved. Environmental groups, tourist boards, trade unions and business associations, would also play an active part in some utilities. For example, on all islands, the hospitality industry was involved in pushing for greater electricity capacity and reliability.

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<sup>292</sup> External actor 18  
<sup>293</sup> External actor 4

Trade unions also had some role to play through their high degree of organisation in many of the utility agencies. They would periodically flex their muscles in support of better pay. Yet compared to the dominance of trade unions in state enterprises across the world, their role seemed to be limited. Some enterprising CEOs or ministers would reach out to them, educating and motivating them to contribute towards the health of the utility.<sup>294</sup> In some cases, the unions would actually start striking when they felt the integrity of the governance of the utility was under threat.

A further group of actors would be experts brought in from consultancies. They would be called in regularly to provide expertise or an external opinion. Their independence could be disputed as they were all heavily reliant on the repeat custom of the government in these small economies. Another set of expert actors were brought in from overseas. For example, some utilities worked together with their counterparts in the region or in the Netherlands and the United Kingdom, exchanging knowledge and people. Several respondents were quite positive about these latter connections. *‘The control and performance of these agencies improved because of their collaborative partners. They have strategic links with actors in the Netherlands, who bring in capital or cooperate on strategic issues.’*<sup>295</sup>

### *Defining mechanisms*

The use of external actors seems to address the fundamental limitations of small societies; the lack of expertise and external opinions. It could be argued that through tying in these outside actors, the utility was subject to greater scrutiny. However, the nature of the relation between these actors needs to be considered as well, evaluating their closeness to the other actors also needs to be considered. Otherwise, this causal

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<sup>294</sup> External actor 19  
<sup>295</sup> Director 15

process does not move beyond the simple headcount executed earlier for the dataset observations.

It is proposed that the degree of distance and diversity of actors in the governance of the utilities be measured through the concept of Relational Distance as developed by Black.<sup>296</sup> A Relational Distance is considered small if two actors have met frequently over a long period of time, share many links in their networks and have a broad scope of issues covered by their interactions. The Relational Distance is considered large if they rarely meet, are isolated from each other's networks and have contact only on a narrow range of issues.

Rather than suggesting a specific Relational Distance will improve the governance, Black merely argues that the Relational Distance will affect the nature of the governance. For example, if people are close, their style of supervision is likely to be informal, if they are only distantly related, governance would be more formal. However, the dominant view of the respondents was that this distance would be favourable for good governance, echoing the prescription of the literature. It may therefore be worth testing whether a large Relational Distance in this case directly translates to better performance.

### **7.3.2 Grid Governance**

Next to considering which connections shaped the governance fields, it also seems relevant to explore how rigidly these relations were being policed. Many CEOs and directors argued that the degrees of separation in the governance model ought to be strictly observed, barring the political principals from overstepping their mark. These actors would constantly guard their own territory by stringently policing the rules of separation.

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<sup>296</sup> C. Hood et al. *Regulation inside Government: Waste-Watchers, Quality Police, and Sleaze-Busters*, (Oxford University Press, Oxford, 1999).

There was, however, a counter-current of the people highlighting how these rules serve merely as an inspiration for the overall idea of good utility management and consider the actual practice a more amorphous affair. These actors argue that bending the rules gives them the flexibility to produce the most public value. Cultural Theory, proposes to measure this mechanism by capturing the adherence to Grid Governance for all of the sixteen utilities. What is important here is approach generates the most success.

### *Observations*

Many of the CEOs hammered on the special legal position of their organisation, arguing that the private status of the public utility should keep direct political involvement out. *'There is no such thing as a public utility on this island. We are a private company whose owner happens to be the government,'* commented on CEO.<sup>297</sup> These respondents argued that the rules, often laid down in the statutes or a Code of Corporate Governance, were the one barrier between the island and anarchy.

Other actors argued that a more flexible approach was required to negotiate the difficulties of utility policy. This often took the form of a shortcut method, whereby the CEO and minister would work directly together, devising an informal cooperation contract bypassing the board of directors that formally stood between them. The actors involved with these arrangements argued that they had to take into account the needs of the other party and therefore needed to work closely together to create synergy.

From a structure of relations perspective, this shortcut method recognizes the proximity of the players within such a small community. It also deals with the paradox that these agencies are nominally privatised, whilst the minister will still be held

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<sup>297</sup> Public manager 31



accountable for their performance. On one hand, this then fits with a more hybrid view of civil servants, allowing them to step across the line between policy and politics to create a smoother interaction.

On the other hand, letting go of the rules of good governance, could also mean that all checks and balances fall by the wayside. A problem would be that such shortcut methods may exclude other rightful stakeholders. The rules were often designed to create a system of checks and balances that urge or compel the processes towards serving only the general interests. A distancing from the formal rules of engagement could lead to private interests taking over the policy process.

### *Defining mechanisms*

In sum, the impact of the way rules are used could have different consequences: Actors could ignore the rules and exclude, for example, the shareholder out of all business transactions. Or actors could ignore the rules and use that flexibility to work in different ways than strictly envisioned. Several authors have indeed proposed ditching the formal rules of governance when working on small islands, better whether that actually generated better results needs to be tested here.<sup>298</sup>

It is proposed to use Cultural Theory again, but this time for the whole set of actors per utility, rather than the individual ministers and CEOs. If the group of actors involved in the governance of one utility can be described as being strictly bound by the governance rules, the field could be typified as high Grid Governance. If actors feel less bound by the rules, they have developed a low Grid Governance style.

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<sup>298</sup> H.F. Munneke, *Ambtsuitoefening en onafhankelijke controle in de Nederlandse Antillen en Aruba: juridische en beheersmatige controle als waarborg voor deugdelijk bestuur*, (Rijksuniversiteit Leiden, Leiden, 1994).

## **7.4 NATURE: GROUP GOVERNANCE AND ACTOR DOMINANCE**

From a social capital perspective, the nature of relations is about the kind of cooperation actors practice and the degree of equality in the connection. From these questions, it was interesting to observe that different sets of actors had different beliefs about the cooperation. Some governance fields denied a shared interest, where others explicitly aimed for a positive sum outcome. Furthermore, some of the utilities were governed by individuals who control significantly more resources, whereas others groups were more egalitarian. The impact of these differences warrants further analysis.

### **7.4.1 Group Governance**

It was striking to observe the differences between the sense of communality or ‘team spirit’ across the sixteen utilities. Some sets of actors constantly considered their shared interest and were willing to share resources amongst each other. In other cases, there seemed to be a constant battle over the spoils of policy. Using the other axis of Cultural Theory, on belonging to groups, it is proposed to measure this sense of communality by looking at the Group Governance.

#### *Observations*

Some CEOs went quite far in placing themselves in the position of the minister. ‘*You have to recognize the responsibility of the political sphere. If the island is dirty, people will blame them, therefore you should work as closely as possible together.*’<sup>299</sup> Visiting European auditors were often quite uncomfortable with these sentiments, expecting that these sentiments equated to a tendency of civil servants to help and protect the minister beyond the realm of propriety and legality.

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<sup>299</sup> Public manager 20

However, the identification of a shared interest was not without reason. With the corporatisation of many of the utilities, the minister had nominally delegated most of his responsibilities. However, as evidenced by earlier quotes, the people will still hold the politicians accountable. At some utilities, the CEO would recognise this difficulty and work to help the minister where possible. This could range from having weekly phone conversations to update the minister on possible political flashpoints, to financing policy plans of the minister out with public utility revenue. They thereby went beyond their formal interactions, arguing that this would improve the policy outcomes overall.

Other actors felt that this identification with each other's interest would only lead to inefficiency and corruption. They argued that an intimate contact between CEO and minister was bound to degenerate into swapping favours, rather than building sustainable policies. The governance regimes would become governance cliques.

### *Defining mechanisms*

The rules of good governance seem to be written with a singular principal-agent relation in mind. Beyond that, some stakeholders may be involved, but it ultimately concerns line of command between individual players. However, as Talbot discusses, a more realistic perspective would be to acknowledge the complexity of the governance environment and its amorphous nature.<sup>300</sup> This would frame the governance relationship as a regime; a combination of actors which jointly steer the policy field.

It is again possible to use the Cultural Theory framework of Douglas and measure to what extent the set of actors form a group through the degree of Group Governance. This would draw on the frequency of actor's interactions, mutuality of relationships, scope of activities and tightness of the group boundaries. This causal process then

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<sup>300</sup> C. Talbot, *Theories of performance*, (Oxford University Press, 2010).

divides those fields where a majority of the elites think about their interaction from a broader sense of interdependence versus those where they are only concerned with the strict delineation within the legal principal. The question is then which of these configurations produced the best results. Although a strong team spirit may be welcome, it may also further entangle already convoluted relationships.

#### **7.4.2 Actor Dominance**

Another frequently mentioned effect was that a utility was said to be improved by a strong leader. A positive view would suggest that leaders with a large amount of capital at their disposal might bring their utilities to perform better. Although it may not explain how leaders end up at those positions in the first place, it may provide a key insight into how utilities turn from failures into success stories. The presence of strong actors could be measured via the distribution of resources between the people involved.

#### *Observations*

The reputation of strong leaders seems to be mixed. In the negative scenario, most respondents would argue that a dominant actor would take over the reins and forget about the general interest. For most of these cases, they were described either as political takeovers or bureaucratic hijacks, depending on whether it was the minister or CEO dominating the field. Either way, the nature of interactions becomes dominated once more by the hierarchical relations of the past.

Even when the strong player did not seek total dominance, they may still have it. The presence of constraining forces is sometime direly felt by unexpected sources, as one minister confessed: *‘Nothing in the system withholds me from asking private favour*

*in return for my public service. It is only my own values which prevent me from doing that.*<sup>301</sup>

The presence of dominant actors, however, is not solely associated with failing fields. Some success stories were ascribed to specific individuals. A fellow manager observed how a single official dramatically improved one of the worst public agencies on the island. *‘He found the organisation as a dumpster full of losers with nowhere else to go. He was able to bind them to his vision of creating a better company.’*<sup>302</sup> The corporation referred to was indeed one of the top performers in this data set.

The same civil servant actually argued that strength was a requirement for a success, reasoning that a strong leader could afford to be honest. *‘The fewer competencies you have, the more you need to compromise on your character. I want CEOs that are a master of all trades that would so turn around all the utilities.’*<sup>303</sup>

### *Defining mechanisms*

The literature is divided on whether the presence of disproportionately strong actors is a good or a bad thing. The negative view of actor dominance is a carbon copy of Putnam’s description of the Mafia-like relationships dominating Southern Italy. This power-driven mentality leads to a scramble to acquire the most capital. When a player has established himself on top of the pyramid, he can continue to make demands across the field, leading to an omnipresent and ominous role for politics.

From a positive view, Collins argues that a selfless leader can raise a company from good to great.<sup>304</sup> Although highly qualified, these business leaders put the organisation first and bring their environment up to their level. The presence of strong

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<sup>301</sup> Politician 9

<sup>302</sup> Public manager 30

<sup>303</sup> Public manager 30

<sup>304</sup> J. Collins, *Good to great: Why some companies make the leap and others don’t*, Random House Business, New York, 2001.

leaders also relates to the entrepreneurial advocacy as described by Moore when detailing strategies to create public value. However, Moore cautions that even when the intentions are good, the performance may still suffer when these strong leaders lose their sense of perspective.<sup>305</sup> It remains to be seen whether this occurred here.

The presence of a Dominant Actor can most conveniently be defined by looking at the distribution of resources between the actors. Taking cues from the measurements in the earlier chapters, it could be possible to distinguish utilities where all actors have similar amounts of capital from those where one actor has a distinct surplus over the others.

## **7.5 EXPECTATIONS: ENGINEERING MENTALITY AND KNOWLEDGE AVAILABILITY**

### **7.5.1 Engineering Mentality**

The expectations of relations can be dissected into how people view the world and what information shapes their perspectives. Looking at the worldview, the Cultural Theory framework already captures most of the possible variation in how actors view their peers and the group. One further element that still needs to be addressed is how actors looked at the business of government specifically. Within the interviews, there were those that took a very positivistic, techno-centric and rational viewpoint on the running of the utilities, and those who had a more organic mentality.

#### *Observations*

Many CEOs seemed to value a distinct approach the governance of their organisation: *‘The first thing you need to do is plan: What do you want, what is your vision, mission?’*

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<sup>305</sup> M. Moore, *Creating public value: Strategic management in government*, (Harvard University Press, Boston, 1995), p. 162.

*We drafted five years plans, all centred on that one question; what is our core business and how do we become excellent at it?*<sup>306</sup>

This planning approach was mirrored by some of the perspectives of political actors: *'You could say the CEOs were the main contributors to the successes, but I think that the politicians systematically delivered a good brief, saying; "This is your budget and you may do what you like." There was a shift in focus from throughput to results. This created a more professional relation with the government.'*<sup>307</sup> This would argue that setting clear goalposts for success, performance become more attainable.

Yet other CEOs would take a more nuanced perspective on the establishment of value in the public sector, arguing that *'Success is a deliberative concept.'*<sup>308</sup> This moves beyond the more rational and positivistic mind-set that success is a goals that can be described fully in numbers. It rather argues that success is a target which is susceptible to change as the times, viewpoints and actors change.

Each mindset could potentially contribute to better performance. An Engineering Mentality may be required in the delivery of utility, especially in such a chaotic environment. A lack of planning and rationalisation may open up the policy to a destructive process of perpetual tinkering. On the other hand, such flexibility and sensitivity to the context may actually be required in the given political context.

### *Defining mechanisms*

The contrast between two types of thinking touches on the juxtaposition often made between European versus non-European styles of thinking. Levi-Strauss, for example, famously distinguished the planning cultures of North-Western Europe from

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<sup>306</sup> Public manager 20  
<sup>307</sup> Politician 14  
<sup>308</sup> Public manager 15

improvising cultures (bricoleurs) of societal organisation.<sup>309</sup> Hofstede provide a measurement of cultural characteristics on a wider range of axis, but also points to cultural differences as the root of many management conflicts.<sup>310</sup>

This thesis does not aim to deconstruct the differences of thinking between different parts of the world, but merely hopes to capture the variation in how a small set of individuals approached their organisations. It may therefore be wiser to take a crisply defined perspective on the different worldview, capturing the essential differences. Harvey, for example, defines modern management thinking as ‘[t]he belief in ‘linear progress, absolute truths, and rational planning of ideal social orders’, characterised by a worldview that is ‘positivistic, techno-centric and rationalistic.’<sup>311</sup>

For the application to this causal process, which essentially about the distinction between organic and engineering approaches to governance, this definition seems to be workable. The prevalence of such an Engineering Mentality can be captured by measuring the degree of positivism, techno-centricity and rationalism amongst its actors. If these elements are weak, the worldview could be described as more organic and deliberative.

### **7.5.2 Knowledge Availability**

Next to the worldviews people already have, it is also important to measure what is changing their perspectives. Across the utilities, there seemed to be a marked difference between the amounts of knowledge actors could access. Listening closely to the stories of the elite players, their attitudes to information sharing seemed to vary greatly.

#### *Observations*

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<sup>309</sup> C. Levi-Strauss, *The savage mind*, (University of Chicago Press, Chicago, 1968).

<sup>310</sup> G. Hofstede and G.J. Hofstede, *Cultures and organisations: Software of the mind*, McGraw-Hill, New York. 2004.

<sup>311</sup> D. Harvey, *The condition of postmodernity*, (Blackwell, Oxford, 1990), p. 9.



Some respondents argued that information should only be communicated on a need-to-know basis to the other stakeholders. *'I tried explaining my policy to these people, but they just will not understand and get upset. Now I just keep a low profile.'*<sup>312</sup> Other actors sought to actively stimulate an open flow of information between the actors. *'The first thing there was that we had to get with the board and we needed a way of, you know, get the information flowing. Not only to the top, but also down and in.'*<sup>313</sup>

The cases which would be included for this process observation would be characterised by an open flow of information between the actors going beyond the mere formal requirements. However, this raises once more the questionable track-record of transparency. More information can also lead to more confusion, as contended by the likes of Fung and Tsoakas.<sup>314</sup> This brings to mind the comment referenced earlier of the director who felt that all his information was being spun around until the public was left more confused than before.<sup>315</sup>

The key difference might be whether people trust or value the expertise on offer. As a director put it; *'Very often, we have someone that knows what he is talking about, but the political guys will just shout him down.'*<sup>316</sup> By contrast, a public manager from another utility observed *'We do well because the minister knows the business. This does not only mean that he understands what we are doing, but he also understands the limits of his own expertise and values the opinions of others.'*<sup>317</sup>

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<sup>312</sup> Public Manager 18

<sup>313</sup> Director 7

<sup>314</sup> A. Fung, M. Graham and D. Weil, *Full Disclosure: The Perils and Promise of Transparency*, (Cambridge University Press, Cambridge, 2007). H. Tsoukas, 'The tyranny of light: The temptations and the paradoxes of the information society', *Futures*, Volume 29, Issue 9, November 1997, Pages 827-843.

<sup>315</sup> Director 6

<sup>316</sup> Director 14

<sup>317</sup> Public Manager 5

### *Defining mechanisms*

Describing the flow of information can be a tricky affair, mainly because knowledge is so elusive. It is proposed here to measure the knowledge sharing between the key individuals. This entails first detailing whether there is a lot of expertise or societal insight present in the system –drawing on the data set observations- and then to see whether the individuals holding this knowledge were actively sharing it.

The quality of the information here is important. Adler developed a system of knowledge hierarchy, holding that data is not information, information is not knowledge, and knowledge is not wisdom. The underlying idea is that the higher parts of the knowledge hierarchy are about pieces of insight that increasingly reduce more of the uncertainty while increasing the guidance on what actions should be taken.<sup>318</sup>

For example, different publications on pollution published by the electricity plant versus those of the environment agency might be contradictory and initially increase the debate. As the policy process confirms, weighs and prioritizes these inputs towards information and knowledge, the system generates a common wisdom on what to do with the air quality.

The idea is that the actors are bringing together knowledge to so create a better insight in the utility and foster consensus of what should be done. In the process of knowledge management, they are effectively pooling the information resource; ‘coordinating, assembling and retrieving knowledge’.<sup>319</sup> The cases with a high Knowledge Availability are then those where information would be actively pooled with other actors. Whether this effect actually took place and positively affected the performance outcomes will have to be assessed next.

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<sup>318</sup> See, for example: M. Adler, *Dialectic*, (Kegan Paul, London, 1927).

<sup>319</sup> N.I. Boer, *Knowledge sharing in organisations*, (Doctoral thesis for Erasmus University, 2005).

## 7.6 CONCLUSION

This chapter provided a first analytical look of the sixteen policy fields in motion, aiming to identify the processes which could potentially be significant for obtaining success. Two mechanisms were identified for each of the respective components of structure, nature and expectations of relations.

Each of the causal processes could theoretically have both a positive or negative impact on performance. The table below presents all of these processes again, but adds the effect on performance as predicted by the majority of the respondents. In sum, it is anticipated by most of the actors that utilities with a high incidence Relational Distance, Grid Governance, Engineering Mentality and Knowledge Availability, are more likely to produce government success. In reverse, cases with these effects absent and a high degree of Group Governance and Actor Dominance are more likely to fail.

**Table 29 Propositions for causal processes**

<b>Component</b>	<b>Causal process</b>	<b>Proposition</b>
<b>Structure</b>	Relational Distance	↑ Distance = ↑ Value
<b>Structure</b>	Grid Governance	↑ Grid = ↑ Value
<b>Nature</b>	Group Governance	↑ Group = ↓ Value
<b>Nature</b>	Actor Dominance	↑ Dominance = ↓ Value
<b>Expectations</b>	Engineering Mentality	↑ Engineering = ↑ Value
<b>Expectations</b>	Knowledge Availability	↑ Knowledge = ↑ Value

The significance of this list should not be exaggerated, the majority opinion might be wrong. Moreover, it is expected that it will be the interaction between the processes that determine the performance outcome. For now, the main aim is to provide an easy overview useful for later reference. Whether any of these effects actually took place, will be explored in the next chapter.

## **8. FUZZY-SET ANALYSIS: RECIPES FOR SUCCESS AND FAILURE**

### **8.1 INTRODUCTION**

#### *Purpose of chapter*

Having identified the causal processes that might potentially explain the differences between the successful and failing utilities, it is now time to put these intuitions to the test. This causal inference process needs to first categorise precisely which causal processes took place at which utilities and to provide clear measurements across the cases. It then needs to be assessed what the influence is of each of the processes on the outcome, or how they work together to create public value.

Fundamentally, this chapter seeks the recipes for creating government success at these public utilities. These should reveal what dose and combination of Relational Distance, Knowledge Availability, etc. was able to contribute to an effective service delivery. Conversely, it should also reveal what combination of ingredients creates failure.

The fuzzy-set Qualitative Case Analysis as developed by Ragin will be used to generate these recipes. It is felt that this method both allows for the rigid causal inference, as for the conceptual subtlety to capture all the nuanced differences between the sixteen utilities. However, there some weaknesses remain in the method, principally the danger of reversed causality and the lack of insight into development over time.

These weaknesses require some sensitivity analysis in this chapter and further exploration in the next chapter.

### *Content of chapter*

The method of fuzzy-set Qualitative Case Analysis is built on the theory of sets. The first step is therefore to determine which utilities are members of a set of successful utilities and which are outside this group. Using the public value scores generated in chapter 5, the sixteen cases are divided in- and outside this 'success set'.

Fuzzy-set Qualitative Case Analysis is called 'fuzzy' because cases can also belong partly to a set, rather than being either in or out. For example, a case with a public value score which is only just positive, Case 9 with a score of 0.3, should belong to the set of successful utilities as it does generate some public value. However, it is not as successful as Case 1, with a public value score of 5.5. To allow for this difference, Case 9 can be awarded a lower degree of membership than Case 1, reducing its impact on the causal inference, while still counting towards the set. This nuanced approach is felt to be specifically appropriate for the complex world of governance.

After determining the membership of the success set, the chapter moves on to consider how far the utilities were members of the sets of Actor Dominance, Engineering Mentality, etc. by weighing how strong these processes were at the respective utilities. In a similar manner to the success set, cases are awarded various degree of membership for each of the six causal processes.

This then clears the way for the actual casual inference, using the Boolean algebra central to fuzzy-set Qualitative Case Analysis. In essence, this method counts how often a causal process occurs when a positive outcome is also present; giving an assessment of how necessary this given process is for the generation of public value.

The analysis gives both a recipe for success and failure, detailing the processes that strengthens or undermines the creation of government success. The most important route to success seems to be the combination of Relational Distance *and* Knowledge Availability, although an absence of Dominant Actors and Engineering Mentality could also lead to success. Failure mainly seems to stem from a lack of Group Governance and/or Relational Distance between the governance actors.

## **8.2 CONSTRUCTING THE TRUTH TABLE**

### **8.2.1 Turning performance into sets**

The first step of the fuzzy-set Qualitative Case Analysis is to arrange the outcome variable into sets. Ragin suggests a number of different ways of categorizing fuzzy sets, awarding them different degrees of membership.<sup>320</sup> The most rudimentary forms would be to consider all cases either wholly in (1.00), wholly out (0.00) or neither in nor out (0.5). A more advanced form would be the four point fuzzy set, where cases are either fully in (1.00), more in than out (0.66), more out than in (0.33) or fully out (0.0). Finally, cases could be arranged along a continuous scale, whereby the small differences between cases are translated to different degrees of membership (i.e. 1.00, 0.93, 0.34, etc.).

The most important thing is to first consider the quality of the data available and select the scale accordingly. Very precise data would allow for the use of a more intricate scale, whereas a smaller data base suggests a rougher division into sets. However, this provides no guidance yet for how the cases should be distributed across the case. Case 1 and Case 2, for example, have a public value score of 5.5 and 3.5 respectively. Would this mean that Case 1 should be more a member of the success set than Case 2, even though both generate a lot of public value?

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<sup>320</sup> B. Rihoux and C. Ragin (editors), *Configurational Comparative Analysis*, Sage Publications, 2007, chapter 5.

Ragin addresses this problem specifically; ‘When constructing ordinal scales, researchers do not peg categories to degree of membership in sets; rather, the categories are simply arrayed relative to each other, yielding a rank order. For example, a researcher might develop a four-level ordinal scheme of country wealth, using categories that range from destitute to super rich.’<sup>321</sup> However, as Ragin explains, this sample might include the countries of Qatar and Luxembourg. Although there are considerable differences in their GDP per capita, both would arguably qualify as super rich countries. In this case, the researcher could say that any country with an income above USD50.000 GDP per capita per annum qualifies as super rich or 1.00 membership. Equally, both Liberia and Zimbabwe might qualify as destitute or 0.00 membership, as both their income is under USD1.000.

In a ranking exercise, rather than a set exercise, the cases would just be ranked according to their relative position. However, it is not important whether Case 9 is better than Case 10, but whether Case 9 adds public value and should therefore be taken into the success set. This means that there is an outside opinion on what constitutes good or bad performance, which needs to be introduced by the researcher, rather than deduced by ranking.

As Ragin continues ‘the specific translation of ordinal ranks to fuzzy membership scores depends on the fit between the content of the ordinal categories and the researcher’s conceptualization of the fuzzy set. This point underscores the fact that researchers must calibrate membership scores using substantive and theoretical knowledge when developing fuzzy sets. Such calibration should not be mechanical.’<sup>322</sup>

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<sup>321</sup> Benoit Rihoux and Charles Ragin (editors), *Configurational Comparative Analysis*, Sage Publications, 2007, p. 71-103.

<sup>322</sup> Benoit Rihoux and Charles Ragin (editors), *Configurational Comparative Analysis*, Sage Publications, 2007, p. 71-103.

In other words, the awarding of set membership requires due consideration by the researcher.

Ragin calls upon the researcher to first define three anchors in the process of calibration; the criterion for fully-in membership, fully-out membership and the tipping point. The tipping point is easily defined in the case of public value; if a utility attains a performance score of zero, it is neither successful nor a failure and should get a membership of 0.5. It is proposed to award full membership at a score of 3 or higher and award fully-out at a score of  $-3$  or lower. This means that case 1 and 2 receive a full membership of the success set at 1.00, whereas case 12 to 16 receive membership of 0.00. The other cases receive a score proportional to their public value attained, as presented in the table below.

Applying the fuzzy set along this scale has two advantages. Firstly, all of the cases classified as fully successful, have a score above zero even when taking their confidence interval into account. Similarly, all of the cases classified as fully failing, would not come close to a neutral score even with their confidence interval. In other words, there is a 90% certainty that further measurements would confirm that these cases are in the right set.

Secondly, the fuzzy membership of the cases in the middle reflects the degree of uncertainty over the public value delivered by these utilities. Case 9, for example, attained a public value of 0.3. However, a comparatively large confidence interval of  $\pm 2.7$  spanned both positive and negative public value scores. Its membership of the success set is 0.55, only a little more in- than outside the performance set, which reflects this uncertainty. This will in turn limit the weight of this case in the ensuing causal inferences.



**Table 30 Performance in sets**

<b>Case</b>	<b>Mean score</b>	<b>Confidence interval</b>	<b>Membership of success set</b>
1.	5.5	2.1	1.00
2.	3.5	2.0	1.00
3.	2.3	1.7	0.88
4.	1.3	1.9	0.72
5.	0.8	1.2	0.63
6.	0.8	3.1	0.63
7.	0.3	2.3	0.55
8.	0.3	2.5	0.55
9.	0.3	2.7	0.55
10.	-1.0	2.0	0.33
11.	-1.5	1.1	0.25
12.	-3.0	2.6	0.00
13.	-3.3	3.1	0.00
14.	-3.5	0.5	0.00
15.	-3.5	1.4	0.00
16.	-5.3	3.0	0.00

### **8.2.2 Relational Distance**

The next step is to convert the causal process observations from the previous chapter into sets. However, the data is here less precise than for the success set, suggesting a scale with fewer markers. Ragin proposes to use a four-point scale when the researcher has a rich set of data, but cannot be too precise in his allocation of membership. This scale of fully-in (1.00), more in than out (0.66), more out than in (0.33) and fully-out will therefore be used for each of the causal processes.

For each of the six causal processes, the membership per case will be determined in a similar manner. The calibration resumes from the more general discussion of the causal process in the first chapter. It then draws on concepts in the literature to provide a precise definition and measurement of the strength of the process.

In this case, Black suggests four indicators for the measurement of Relational Distance; Scope of contact between two actors, frequency of contact, age of the relationship and shared connections in the network.<sup>323</sup> These indicators could be applied to all of the actors involved in the respective cases and then added up per utility. For example, a politically appointed local director adds only little Relational Distance to the utility, because he meets frequently with the minister, discusses a large scope of issues and they share a lot of political connections. A director from overseas may score much higher on Relational Distance.

**Table 31 Relational Distance**

CPO	Full inclusion (1.00 member)	More in than out (0.66 member)	More out than in (0.33 member)	Full exclusion (0.00 member)
<b>Relational Distance</b>	>15 score on all actors involved	11 to 15 score on all actors involved	6 to 10 score on all actors involved	<6 score on all actors involved

For the calibration of the scores, it was then decided when a utility could be said to contain a lot of Relational Distance within its system and when not. The scores ranged from 4 to 18 Relational Distance characteristics, with an average of 11,4 per utility and standard deviation of +/- 4. It was therefore decided that utilities with over 11 characteristics were counted more in than out (0.66), with those over one standard deviation or more receiving a fully in score (1.00). A reversed pattern was set for those under 11, receiving (0.33), or one standard deviation below the mean (0.00).

<sup>323</sup> D. Black, *The behaviour of law*, (Academic Press, New York, 1976), p. 41.

### 8.2.3 Grid Governance

**Table 32 Grid Governance**

CPO	Full inclusion (1.00 member)	More in than out (0.66 member)	More out than in (0.33 member)	Full exclusion (0.00 member)
<b>Grid Governance</b>	4 characteristics	3 characteristics	2 characteristics	Less than 2 characteristics

Douglas and Mars developed four indicators for Grid sentiment; the degree to which classes of people are insulated from each other, the amount of autonomy they possess, the span of control over other people and the degree to which there is a negotiation over the rules.<sup>324</sup> If there is little space between the actors, yet a great deal of autonomy, control and rule negotiation, the Grid sentiment is considered weak.

For each of the sixteen cases, it can be assessed to what extent any of these four characteristics apply. The average score was 2.1 characteristics, with a standard deviation of +/- 1. It is therefore proposed that a case with all four of the Grid characteristics is marked as applying high Grid Governance (1.00 membership), decreasing the degree of membership with every characteristic they lack.

### 8.2.4 Group Governance

**Table 33 Group Governance**

CPO	Full inclusion (1.00 member)	More in than out (0.66 member)	More out than in (0.33 member)	Full exclusion (0.00 member)
<b>Group Governance</b>	4 characteristics	3 characteristics	2 characteristics	Less than 2 characteristics

Douglas and Mars also developed four indicators of Group Governance; the frequency of the interactions between the actors, the mutuality of their relationships, the scope of their activities and the tightness of the group boundary. If actors interact often, have a

<sup>324</sup> Spickard, 'The Background of the Grid Dimension', *Sociological Analysis*, vol 50, no. 2, 1989, p. 171-176.

two-way relationship, work together in a great variety of activities and in a group with clearly defined memberships, the governance system could be defined as High Group.

It was assessed for each the cases to what extent the four indicators applied. The average score was 1.8 characteristics, with a standard deviation of 1.4. If they have all four characteristics, the case will be categorized as High Grid, decreasing the set membership with ever characteristic missing.

### 8.2.5 Actor Dominance

**Table 34 Strong leaders**

CPO	Full inclusion (1.00 member)	More in than out (0.66 member)	More out than in (0.33 member)	Full exclusion (0 member)
<b>Actor Dominance</b>	>29% capital difference	20-29% capital difference	10-19% difference	0-9% difference

The measurement of capital in the data observations already indicated that there were significant differences in the amount of capital actors had at their disposal. It is proposed to divide the membership based on the capital gap between the strongest actor and the underlying party. On average, there was a gap of 17% between the dominant actors and the other party, with a standard deviation of +/- 13%.

If an actor had a more than 29% higher stock of capital than the surrounding players, the utility would be qualified as a fully-in Actor Dominance (1.00). If the difference was between 20 and 29%, the utility would be classified as more in than out (0.66). If the difference was only 10 to 19%, the case would be marked at more out than in (0.33). If the difference was smaller than that, it would be deemed insignificant and classified as fully-out (0.00).

## 8.2.6 Engineering Mentality

**Table 35 Engineering Mentality**

<b>CPO</b>	<b>Full inclusion (1.00 member)</b>	<b>More in than out (0.66 member)</b>	<b>More out than in (0.33 member)</b>	<b>Full exclusion (0 member)</b>
<b>Engineering Mentality</b>	3 characteristics	2 characteristics	1 characteristic	No characteristics

As discussed in the previous chapter, the Engineering Mentality of some of the utilities will captured by indicating the prevalence amongst the actors of positivism (belief in one truth), techno-centricity (breaking down problems to material issues) and rationalism (use of logic and planning to attain goals). The data was again drawn from the interviews and tested against the documents about the utilities when available.

On average, policy fields had 1.8 of the characteristics of Engineering Thinking, with a standard deviation of +/- 0.8. It was therefore decided that a policy field would be qualified as fully Engineering Mentality (1.00) if it had all three characteristics. With the decrease of every characteristic, the degree of membership would also decrease.

## 8.2.7 Knowledge Availability

**Table 36 Knowledge availability**

<b>CPO</b>	<b>Full inclusion (1.00 member)</b>	<b>More in than out (0.66 member)</b>	<b>More out than in (0.33 member)</b>	<b>Full exclusion (0 member)</b>
<b>Knowledge availability</b>	Much knowledge shared	Some knowledge shared	Little knowledge shared	No knowledge shared

The measurement of knowledge sharing requires two steps. It first needs to be assessed whether the expertise and insight is available. It then needs to be evaluated whether the knowledge is actually shared. The amount of knowledge was measured by adding the societal insight and expertise capital scores from the data observations. If the actors possessing this knowledge had a high Group worldview, it is argued that they could be

expected to also share this knowledge. To strengthen the consistency of these scores, they were tested against direct observations from the interviews.

This resulted in a sum of knowledge availability for each of the utilities. On average, the utilities shared 8.1 of knowledge, with a standard deviation of +/- 4.5.

The membership criteria were then calibrated around the fully-in, fully-out and cross-over point.

### **8.2.8 Filling in the truth table**

With the calibration of the different sets completed, all of the utilities can be awarded their memberships for the public value set and the respective causal processes. These results are captured in the table below. On the left hand side, the case numbers are listed, with their membership of the success set listed on the right hand side. The degree to which these cases displayed any of the causal processes is captured in the columns in between.

**Table 37 Overview of membership**

Case	Relational	Grid	Group	Dominant	Know.	Engine.	Public value
1.	1	0.66	1	1	1	0.33	1
2.	0.66	0.66	1	0.66	1	0.33	1
3.	1	0.33	0.66	1	1	0.66	0.88
4.	1	0.66	0.66	1	1	0.66	0.72
5.	0.66	0.66	0.33	0.66	1	0.66	0.63
6.	0.33	0	0.33	0.66	0	0.33	0.63
7.	0.66	0.33	0.33	0.33	0.33	0.66	0.55
8.	0.66	0.66	0.33	0.33	0.66	0.66	0.55
9.	0.66	0.33	0	0.33	0.33	0.33	0.55
10.	0	0	0.66	0.33	0.66	0.33	0.33
11.	0	0	0.33	0.66	0	0.33	0.25
12.	0.33	0	0	0.66	0.66	1	0
13.	0.33	0	0	0.33	0.33	0.66	0
14.	0.33	0.66	0	1	1	1	0
15.	0.66	0.66	0	0.33	0.33	1	0
16.	0.66	0.66	0	1	0	1	0

### 8.2.9 Relations between causal processes

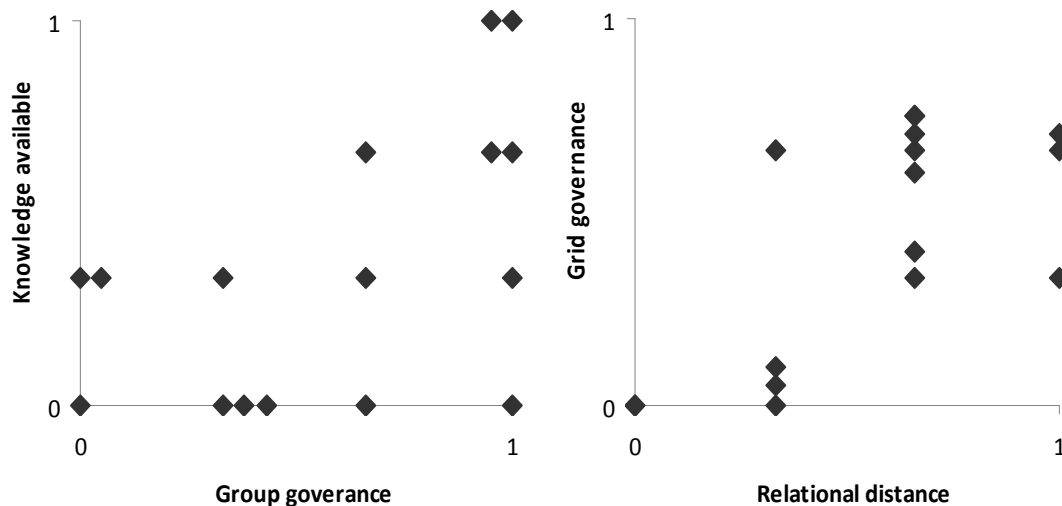
A final step before commencing the actual analysis is to check how distinct the variables are from each other.<sup>325</sup> This means that there should be no complete overlap between the effects of the variables, as they should simply be joined together in that case. It is still allowed for them to correlate, but this relation should not be deterministic. For example, it is acceptable for Engineering Mentality to be often high when Knowledge Availability is high. However, if Engineering Mentality moves up in

<sup>325</sup> C. Ragin, *User's guide to: Fuzzy-set/Qualitative Comparative Analysis*, September 2008, p. 48.

the very same steps as Knowledge Availability, these variables should be joined together in one causal process.

Tests have therefore been run on all the six variables and their respective relations. There were no correlations of note between most of the causal processes. However, the relation between Group Governance and Knowledge Availability and that between Grid Governance and Relational Distance did warrant extra addition. The figure below illustrates the relation between the two causal processes. The cases are mapped on the two axis of membership, if the cases overlap, their position was adjusted slightly to make them visible in the graph.

**Figure 20 Correlation between causal processes**



In the case of Knowledge Availability and Group Governance, it seems that cases with a great amount of information available to the actors necessarily had a high degree of Group Governance. It is possible to hypothesise about the underlying causation of this effect. Possibly, a greater amount of information is made available when actors share their knowledge more freely with the group. Taking the causation the other way, it could be the case that better informed actors choose to work together in groups.



The presented X/Y graph indicates a necessary-relationship between Group and Knowledge.<sup>326</sup> It is necessary to have Group Governance in order to have a high Knowledge Availability. However, as indicated by the cases in the lower-right corner, it was also possible to have a high degree of Group Governance without a corresponding high level of Knowledge Available. This means that high Group Governance is not sufficient to guarantee high Knowledge Availability.

This does not disqualify the two processes from the Truth Table, as there is still variance in Knowledge Availability even if Group Governance goes up, but does mean it should be remembered that Group Governance is necessarily present when Knowledge availability is high.

A more nuanced conclusion has to be drawn about the relation between Relational Distance and Grid Governance. Cases with a higher degree of Relational Distance are more likely to have a high degree of Grid Governance. Again, as indicated by the case in the lower-right corner, it is possible to have a low amount of Grid Governance while having a high degree of Relational Distance.

A closer look at the dynamics within the cases does not point to any clear answers yet, as it is hard to distinguish what the exact link is between Relational Distance and Grid Governance. Narrowly defining the relationship in necessary/sufficient terms seems to be too presumptuous at this point, the test on the distinct cases in the Truth Table will have to shed more light on the matter.

## **8.3 RECIPE FOR SUCCESS**

### **8.3.1 Truth table for success**

After having completed the preliminary steps, the fuzzy-set Qualitative Case Analysis can now turn towards the construction and analysis of the truth table. This tool allows

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<sup>326</sup> C. Ragin, *User's guide to: Fuzzy-set/Qualitative Comparative Analysis*, September 2008, p. 48.

for the consideration of two important effects. Firstly, the interaction between the causal processes might be more important than simply their singular presence. ‘How each piece of the puzzle is situated in a particular system matters greatly—far more than any individual piece.’<sup>327</sup> Jervis refers to it as the system effect; ‘The importance of interactions means that the common habit of seeing the impact of variables as additive can be misleading: the effect of A and B together is very different from the effect that A would have in isolation and added to the impact of B alone.’<sup>328</sup> By being able to track the importance of all the processes at the same time, it is possible to assess how they influence each other.

Secondly, the previous calculations did not yet take into account whether a possible combination of factors actually appeared in reality. Mathematically speaking, it is possible to have  $2^6 = 64$  different types of configurations; every one causal process could be absent or present while the other five or also either absent or present.<sup>329</sup> In reality, the variance will be limited by the number of the cases, in this case sixteen, and on whether each configuration of variables is actually a feasible occurrence.

The truth table, presented below, addresses these effects by putting the sixteen cases and the six causal processes in a variable. Every instance of a case belonging more than 0.5 to a causal process set is counted as 1, anything below that as zero. This reveals that out of the 64 configurations possible, only 14 are present in this sample. For example, at the top of the table is one case which is part of all the casual process sets. There was no case which was outside of all of the causal sets, so that configuration will not be tested.

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<sup>327</sup> C. Ragin, *User's guide to: Fuzzy-set/Qualitative Comparative Analysis*, September 2008, p.19.

<sup>328</sup> R. Jervis, ‘Timing and interaction in politics: A comment on Pierson’, *Studies in American Political Development*, vol.14, no. 2, 2000, p.95.

<sup>329</sup> C. Ragin, *User's guide to: Fuzzy-set/Qualitative Comparative Analysis*, September 2008, p.37-38.

**Table 38 Truth table for success**

Rela.	Grid	Group	Dom.	Know	Engin.	Case	Pub. value	Raw consist	PRI consist	Prod.
1	1	1	1	1	1	1	1	100%	100%	100%
1	1	1	1	1	0	2	1	100%	100%	100%
1	0	1	1	1	1	1	1	100%	100%	100%
0	0	1	0	1	0	1	1	83%	51%	42%
1	0	0	0	0	0	1	1	78%	19%	14%
1	1	0	0	1	1	1	1	78%	19%	14%
1	1	0	1	1	1	1	1	77%	43%	33%
0	0	0	1	0	0	2	0	74%	25%	19%
1	1	0	0	0	1	1	0	60%	0%	0%
1	0	0	0	0	1	1	0	58%	8%	5%
0	0	0	0	0	1	1	0	57%	0%	0%
0	1	0	1	1	1	1	0	57%	0%	0%
0	0	0	1	1	1	1	0	50%	0%	0%
1	1	0	1	0	1	1	0	50%	0%	0%
<b>Frequency cut-off: 1</b>										
<b>Consistency cut-off: 77%</b>										

The third column from the right indicates the raw consistency of the configuration with the membership of the Success Set. This consistency is an important measure for the reliability of the data. A low consistency shows that the case bears little relations to a positive outcome of the dependent variable, i.e. they should not really be considered as examples of successful utilities. For example, the first case is a member of all of the causal process sets and also happens to be a 100% member of the Success Set. The last

case in the list, which only qualifies for four of the six processes, is only a member of the Success Set for 50%.

Ragin recommends discounting any cases with a consistency lower than 75% or 80% as they are too unreliable.<sup>330</sup> For this exercise, the cut-off has been set at the lower end of this margin, translating to a consistency cut-off at 77% in this Truth Table, as that is the first configuration with a consistency higher than 75%. This level was chosen because it still includes seven different cases, whereas tighter boundaries would have only included four different cases which could have led to too little variation. In the sensitivity analysis conducted at the end of each solution, it will be shown what difference it would have made if another consistency cut-off had been chosen. For now, it means that these seven cases will be counted towards the Success Set and the other ones will be ignored as not being successful enough.

### **8.3.2 Solution for success**

The analysis of the Truth Table delivers a solution, which is best understood as a recipe for membership of the Success Set. Each recipe contains a description of which combination of ingredients could provide the best formula for success. The procedure developed by Ragin generates three solutions, distinguished by the amount of possible pathways to success they provide. The Complex Solution presents all the possible ways a result could be generated by the causal processes. A Parsimonious Solution tries to filter out as many of the terms unnecessarily complicating the recipe. The Intermediate Solution relies on some input by the researcher, indicating whether or not a certain variable is expected to aid a certain outcome.

The best recipe is primarily selected on the basis of its consistency. A recipe with a higher consistency, i.e. a great likelihood of finding success when selecting on this

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<sup>330</sup> C. Ragin, *User's guide to: Fuzzy-set/Qualitative Comparative Analysis*, September 2008, p.46.

recipe, is deemed to have the greatest validity. It was the Intermediate solution which had the highest consistency at 78%. The Complex and Parsimonious Solutions are presented in the appendix. The Intermediate Solution is presented below.

**Table 39 Intermediate Solution for success**

	<b>Cases</b>	<b>raw Cov</b>	<b>unique Cov</b>	<b>Consis</b>
<b>Knowledge*Grid*Relational</b>	1,2,4,5,8	59%	7%	84%
<b>Knowledge*Dominant*Group*Relational</b>	1,2,3,4	56%	9%	100%
<b>~Knowledge*Engine*~Dominant*~Grid*Relational</b>	9	22%	8%	78%
<b>Knowledge*Engine*~Dominant*Group*~Grid*~Relational</b>	10	23%	5%	83%
<b>Solution coverage</b>	81%			
<b>Solution consistency</b>	78%			

The intermediate solution attains a total coverage of 81%, which means that it accounts for 81% of the total public value produced by the sixteen cases. It also attains a relatively high consistency at 78%, meaning that 78% of the cases with one of these four formulas present would be successful.

The first thing that becomes apparent is that the combination of Relational Distance and Knowledge Availability seems to be particularly advantageous to obtaining success. These two elements are part of the first two formulas, which cover the most successful Cases 1, 2, 3, 4 and 5. In these recipes they do not create success just between themselves; they are supported by either Grid Governance or Group Governance in combination with Actor Dominance.

These causal processes could strike at the heart of the problem of governing in small-scale democracies. An increased amount of Relational Distance eased the constraints of working in a ‘strong ties’ environments. These utilities were building up

checks and balances around them in the governance by involving a rich diversity of actors. The role of Knowledge Availability might address the issue of information overkill and disbelief, aiding the creation of shared perspectives and knowledge which form the base for solid policy building.

However, Relational Distance and Knowledge Availability are also the two variables that related strongly to Grid and Group Governance respectively. They might be compound variables whose mechanism are quite complex. In this light, it is also interesting to see that the last two formulas do not have the combination of Relational Distance and Knowledge Availability. Instead only one of them is present together with a rich combination of other processes. Admittedly, this refers to the Cases 9 and 10, which attained a negative public value score and had the lowest consistency indicators.

When looking at the cases this recipe refers to, it must be noted that Case 6 and 7, with a respective public value of 0.8 and 0.3 are not covered by this solution. In other words, their specific configuration of factors could not be captured into a satisfying solution which was consistent enough. If the explanatory power of this recipe is taking at face value, it would suggest that Case 6 and 7 are only successful by chance. However, given the limited consistency of the solution, it may be more appropriate to conclude that the current solution has not yet revealed all possible pathways to success.

### **8.3.3 Sensitivity analysis for success**

As discussed, fuzzy-set analysis is not without its critics. Next to the issue about tracing variables over time, another set of criticism looks at the calibration of the data. Cooper, for example, argues that awarding of membership to cases is a subjective process, introducing the risk of cases being assigned to the wrong set.<sup>331</sup>

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<sup>331</sup> B. Cooper, 'Applying Ragin's crisp and fuzzy set QCA to large datasets: social class and educational achievement', *Sociological Research Online*, [www.socresonline.org.uk/10/2/cooper.html](http://www.socresonline.org.uk/10/2/cooper.html), (Retrieved on 30 August 2011).

One feasible way of testing against this effect is to change the level of consistency required in the truth table in order for cases to qualify as successful. If the consistency threshold is lowered, more cases can participate and the variance in the independent variables will increase along with it. This allows for a better test of which variables truly have an impact. Conversely, increasing the thresholds will eliminate cases on the basis of the dependent variable, removing cases that should not have been considered a success. Admittedly, this is still based on the scoring awarded by the same researcher, however, coding by other people was not possible for this thesis.

Although a full run-down of the alternative calculations will not be presented here due to the word limit, some highlights will be presented. In the current setup, seven cases qualified for the success set as they had a consistency higher than 75%. When this threshold is lowered to 70%, 65% and 60%, the amount of cases expands to eight and then nine cases. As expected, the Complex Solution and Intermediate Solution begin returning more formulas for attaining success. Relational Distance and Knowledge Availability do still seem to be the strongest combination when taking in the extra cases. Yet the predictive power of the formula quickly falls as well. One interesting note is that, at a threshold of 65% and 70%, the absence of an Engineering Mentality is a powerful precursor for success. At these thresholds, two-thirds of the public value created comes from cases without Engineering Mentalities.

When increasing the thresholds by one step to 80%, the selection of cases drops to four. The outcomes are also not significantly different. Relational Distance and Knowledge Availability retain a strong role, although the added benefit of also having high Grid or Group Governance becomes more pronounced. When increasing the threshold to 85% and higher, only three cases remain which are all 100% members of the Success Set, yet the results remain very much the same. The higher threshold means

that only 4 out of 64 possible process configurations are tested, which makes for a rather narrow view on routes to success in these circumstances. In addition, these four cases only cover about half of the public value produced which means that half of the local success is ignored.

On the whole, this sensitivity analysis gives credence to the observation that the combination of Relational Distance and Knowledge Availability is strong. The extra results did point out that the absence of an Engineering Mentality also seems beneficial to the utility. An analysis of the Failure Recipes might shine more light on this phenomenon.

## **8.4 RECIPE FOR FAILURE**

### **8.4.1 Truth table for failure**

Just as a recipe can be distilled to capture the causes of success, so one can be drafted to capture the causes of failure. The difference is that rather than looking at the shared characteristics of the successful utilities, it looks at the properties shared by the failing cases, comparing this group to the successful cases. The truth table and analysis is otherwise processed in a similar manner, as displayed in the table below.



**Table 40 Truth table for failure**

Rela.	Grid	Group	Dom.	Know	Engin.	Case	No value	Raw consist	PRI consist	Prod.
1	1	0	1	0	1	1	1	100%	100%	100%
0	0	0	0	0	1	1	1	100%	100%	100%
0	0	0	1	1	1	1	1	100%	100%	100%
0	1	0	1	1	1	1	1	100%	100%	100%
1	1	0	0	0	1	1	1	100%	100%	100%
1	0	0	0	0	1	1	1	92%	83%	76%
0	0	0	1	0	0	2	1	90%	72%	65%
1	0	0	0	0	0	1	1	90%	61%	55%
1	1	0	0	1	1	1	1	89%	61%	55%
0	0	1	0	1	0	1	1	83%	49%	41%
1	1	0	1	1	1	1	1	81%	54%	44%
1	1	1	1	1	1	1	0	53%	0%	0%
1	0	1	1	1	1	1	0	52%	0%	0%
1	1	1	1	1	0	2	0	47%	0%	0%
Frequency cut-off			1							
Consistency cut-off			81%							

Again, all cases with a consistency of 75% or higher with the absence of Public Value are counted as outside the Failure Set. For this truth table, this translates to a consistency cut-off of 81%. Only four cases are not counted, this being the top Case 1 to 4, which all had a Public Value membership higher than 0.72 in the initial Success Set.

### 8.4.2 Solution for failure

The intermediate solution is again the solution with the highest consistency and the other two have been copied to the appendix. This solution again builds on the intuition of the researcher that the lack of Group Governance and presence of Engineering Mentality will result in failure. This solution is built out of five formulas and achieves an overall coverage of 80% and consistency of 80%. The Parsimonious Solution obtained a consistency below the threshold, but the Complex Solution actually received the same score as the Intermediate Solution. However, because it contained one more formula than the Intermediate Solution, and was therefore more complex, it was discounted.

**Table 41 Intermediate solution for failure**

	Cases	raw cov	unique cov	Consis
<b>Engine*~Group*~Relational</b>	12,13,14	56%	4%	100%
<b>~Knowledge*~Group*~Grid*~Relational</b>	6,11,13	46%	4%	93%
<b>~Dominant*~Grid*~Relational</b>	10, 13	46%	4%	92%
<b>Engine*~Group*Grid</b>	5,8,14,15,16	43%	13%	83%
<b>~Knowledge*~Dominant*~Group*~Grid</b>	7,9,13	41%	2%	89%
<b>Solution coverage</b>	<b>80%</b>			
<b>Solution consistency</b>	<b>80%</b>			

When considering failure, it seems to be that the absence of Relational Distance and the absence of Group Governance are the most powerful factors. Referring to Cases 12, 13 and 14, the absence of this processes combined with a prevalence of an Engineering Mentality actually leads to failure in 100% of the occurrences. Engineering Mentality is the only process which presence is actually associated with failure, rather than success, all the other processes leading to failure when they are absent.

The fact that an absence of Relational Distance leads to failure may not be surprising, as it is an expression of the stifling effect of the many strong ties on policy making. The strongly negative effect of the absence of Group Governance is a little more surprising, as a clearer distinction between individuals could have potentially cut through all the amorphous interests. The negative impact of an Engineering Mentality, notably active in the worst cases of 14, 15 and 16 might suggest that these utilities are nominally regarded as machines, but that the governance structure does not match this efficiency.

Again, some successful cases are covered by the current recipe. Cases 5, 6, 7, 8 and 9 are covered by some of the process configurations. Admittedly, these are not the best performers and the listed factors may explain why they are not amongst the top. Conversely, it may also be that they are moving up or down the performance scale. Possibly, the effect of these negative processes was stronger in the past and they were succeeding to break free. Alternatively, these negative processes might be encroaching on these cases, dragging their performance down.

#### **8.4.3 Sensitivity analysis for failure**

As for the recipe for the success, a sensitivity analysis can be conducted for the formula for failure. There were four cases not counted towards the failure set at the current threshold of 75% consistency, this would have to be lowered all the way to 50% to include anymore. As a result, the alternative solutions are not nearly consistent enough, as they include both successful and failing utilities. This suggests that the current threshold is low enough.

When bringing the threshold to a higher level, in effect focusing on the utilities that were heavily failing, only seven causes are processed in the analysis. As a result, they cover on two-thirds of all the failures produced. Again, the results remain similar,

although the absence of any of the processes other than Engineering Mentality becomes a contributing factor towards failure. This suggests that all processes have at least some importance, albeit not always a positive one in the case of Engineering Mentality.

## 8.5 PRESENTATION OF RESULTS

The formulas presented above are precise in their reflection of the analysis outcomes, but can also be quite impenetrable when aiming to relate them to the research questions asked. There are several alternative ways of presenting the data, three of which are applied below. However, the emergence of these mechanisms over time will be considered in the next chapter.

### 8.5.1 Explored propositions

The chapter on causal process observation identified the six mechanisms that were thought to matter most to the performance outcomes of the utilities. At the end of the chapter, a rough list of propositions was generated, reflecting what influence these mechanisms were thought to have. As demonstrated in the fuzzy-set analysis, it is actually the interaction between the variables which is most important, rather than their effect in isolation, but a brief reflection on each distinct variable might still be appropriate. The results are presented in the table below.

**Table 42 Propositions revisited**

<b>Component</b>	<b>Causal process</b>	<b>Proposition</b>	<b>Outcome</b>
<b>Structure</b>	Relational Distance	↑ Distance = ↑ Value	<i>True</i>
<b>Structure</b>	Grid Governance	↑ Grid = ↑ Value	<i>True</i>
<b>Nature</b>	Group Governance	↑ Group = ↓ Value	<i>False</i>
<b>Nature</b>	Actor Dominance	↑ Dominance = ↓ Value	<i>Undecided</i>
<b>Expectations</b>	Engineering Mentality	↑ Engineering = ↑ Value	<i>False</i>
<b>Expectations</b>	Knowledge Availability	↑ Knowledge = ↑ Value	<i>True</i>

The process of Relational Distance was thought to have a positive effect on performance and it was indeed often associated with successful cases. However, this effect was only a strong predictor of success when combined with a high Knowledge Availability. Both the propositions for these two variables were right, but their interaction was very important.

Grid Governance was thought to positively influence performance and a rigid application of rules was indeed present at many successful utilities. Interestingly though, some success was also produced in cases that were less strict. This might relate to the positive effect of Group Governance. Although the expectation was that this blurring of interests and boundaries might be disadvantageous, the effect of Group Governance seemed mostly positive.

The effect of Engineering Mentality was often observed at the poor performers; it was the only variables which was present, rather than absent, at failing utilities. This mindset was thought to help with effective management, but the opposite was true. The role of Dominant Actors, thought to be a real problem for these utilities, was not so pronounced as anticipated. Dominant Actors showed up in both good and poor performers, which may indicate that there might still be a role for strong individuals.

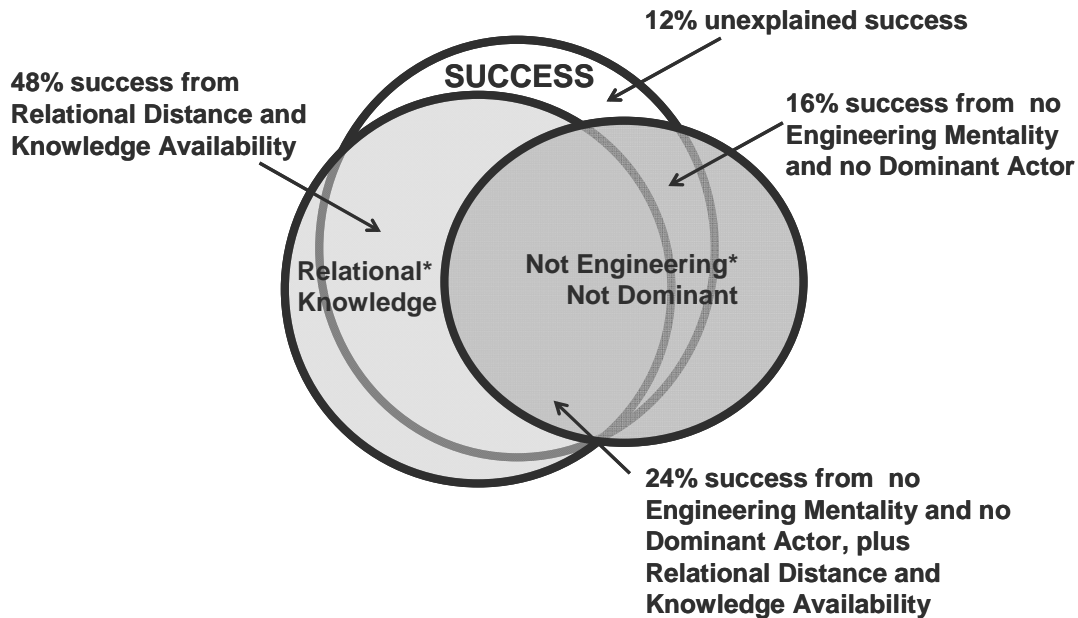
### **8.5.2 Proportional Venn-diagram**

A more appropriate way of presenting the results might be the use of Venn-diagram. Firstly, this is consistent with the logic of sets underpinning fuzzy-set Qualitative Case Analysis as overlapping circles make it possible to show how various variables interact to create a certain effect. Secondly, the area of the different circles could also illustrate how important the role of different variables is.

One problem is that a presentation of the Intermediate Solution, with its many formulas, might be too complex. Instead, the Parsimonious Solution has been selected

to be translated to a Venn-diagram. This solution had a consistency just below the threshold at 72% and consisted of two pairs of explanations.

**Figure 21 Parsimonious solution for success**

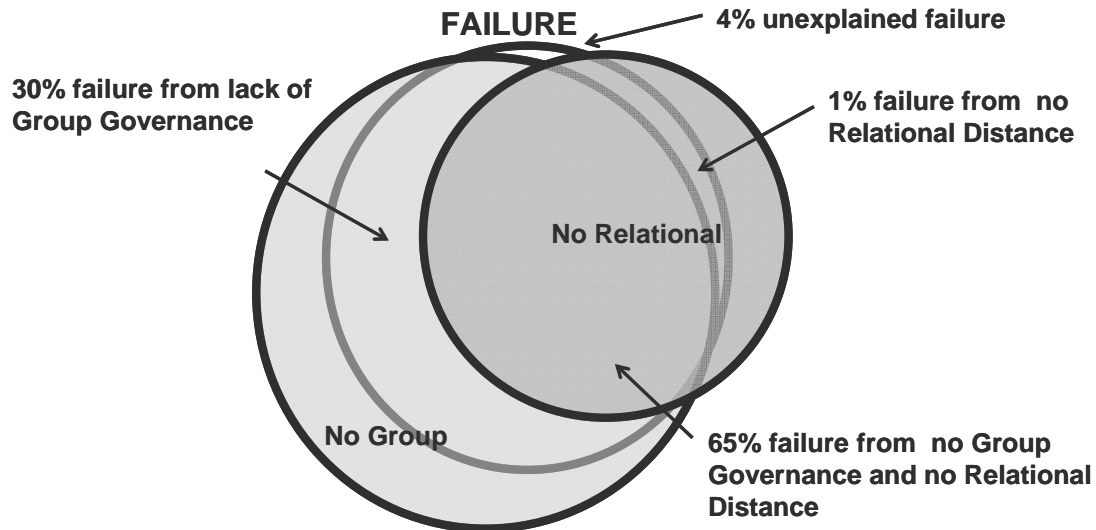


The figure above presents the Venn-diagram for the Parsimonious Solution for the membership of the success set. It shows that the combination of Relational Distance and Knowledge Availability alone applied to 48% of the success set. The absence of Engineering Mentality in combination with the absence of a Dominant Actor can on its own explain 16% of the success. There is an overlap between these two configurations, the combination of all these factors accounts for 88% of the public value created. On the whole, this leaves 12% of the success set unexplained, meaning there are still alternatives routes to success not covered by this recipe.

The figure below shows a similar diagram for membership of the failure set. This figure is again based on the Parsimonious Solution, which had a consistency of 74%. The absence of Group Governance alone explains 30% of the failure members, whilst the absence of Relational Distance explained an additional 1% of the failure. A further 65% of the failure can be explained by both Group Governance and Relational Distance

being absent. In total, this leaves only 4% of the failure unexplained, suggesting that the causes of faltering performance are relatively well-understood now.

**Figure 22 Parsimonious solution for failure**

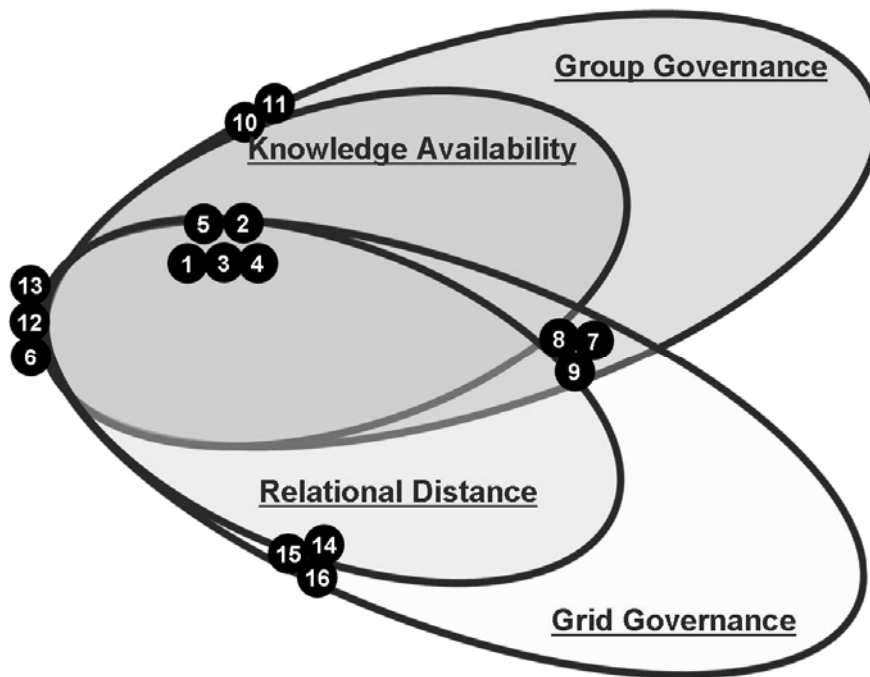


### 8.5.3 Case-based Venn-diagram

A final way is to base the diagrams on the presence of the actual cases. This also gives the opportunity to integrate the different variables with each other, like revealing the overlap between Group Governance and Knowledge Availability. This form of presentation also makes it possible to look at the causes of success and failure at the same time.

Again, one limiting factor is that the diagram cannot be too complex, meaning that the processes of Engineering Mentality and Actor Dominance have been left out as they bore the least relevance for attaining success.

**Figure 23 Case-based Venn-diagram**



The distribution of the cases across the circles shows up certain clusters of effects, although allowances have to be made for the fact that the lower degrees of membership could not always be mapped. At the heart of all four processes, lie the very successful Cases 1 to 5. Cases 7, 8 and 9 all have quite strong Group and Grid Governance, but were not yet able to convert this to strong Knowledge Availability and Relational Distance. Case 10 and 11 are weak on Relational Distance and Grid Governance, but have developed some Group and Knowledge dynamics.

Cases 12 and 13 are hardly covered by any of the processes, which could explain their poor performance, although Case 6 is in a similar situation. Cases 14, 15 and 16, the very worst performers, have no sense of Group Governance or Knowledge Availability and instead rely on much Grid Governance and a little Relational Distance. This rather strict approach to governance did seem to hamper their performance.



## **8.6 CONCLUSION**

The application of the fuzzy-set Qualitative Case Analysis framework has allowed for the identification of causal relations between the processes and the public value delivered. Importantly, this is not understood to be a linear connection –i.e. more of ingredient X means more success- but rather in terms of conjunction - different variables are required to act together in order to achieve a better performance. The most powerful combination seems to be that of Knowledge Availability and Relational Distance. Conversely, a lack of Group Governance and Relational Distance translated to poor performance. In addition, an Engineering Mentality seemed to have a markedly negative impact on public value.

## 9. DISCUSSION: STRATEGIES FOR PERFORMANCE

### 9.1 INTRODUCTION

#### *Purpose of chapter*

This chapter takes the results from the fuzzy-set analysis and relates them to the three principal components of social capital theory. Putnam gave some prescriptions on how the structure, nature and expectations of relations should be configured for government success to occur. It can now be demonstrated how the utilities followed or deviated from these guidelines, and whether the alternative arrangements might have been key to achieving success. One disadvantage of this compartmentalised discussion is that the three components have to be discussed separately, although the effects are very much co-dependent. These strands will therefore be drawn together in the next chapter.

#### *Content of chapter*

The chapter looks respectively at the expectations, structure and nature of relations in these utilities. In all cases the question is how governance was organised for each of these components at the successful utilities. For each of these parts, the discussion will first restate the ideal situation as detailed by social capital theory and the actual problematic situation as encountered on these islands. The discussion will then show through the evidence of the fuzzy-set analysis how alternative arrangements could still secure government success. After relating these findings to some concepts in the

literature, these mechanisms will be defined more precisely by outlining their critical distinctions from similar behaviours.

For the component of expectations, a high Knowledge Availability seemed to make the most difference; distinguished by a constant effort to upgrade the information in the policy field, active framing of contradictions and push to convert words into action.

For the element of structure of relations, it was Relational Distance that was instrumental to success; defined by a use of rules to include as many people as possible, involvement of a diverse set of stakeholders and active support for opponents.

The element of nature of relations was most affected by the Mentality and actions of the Dominant Actors; characterized by an emphasis on strengthening the system, reflexive engagement with stakeholders and use of several policy languages to bring the message across. The table below presents these three components and their distinctive characteristics.

**Table 43 Components of social capital and strategies for success**

<b>Component</b>	<b>Key mechanisms</b>	<b>Critical distinctions</b>
<b>Expectations of relations</b>	<i>High Knowledge Availability</i>	Keep adding better information Frame contradictions Actions speak louder than words
<b>Structure of relations</b>	<i>High Relational Distance</i>	Strive for distance through diversity Use rules to include, not to exclude Distinguish opponents from enemies
<b>Nature of relations</b>	<i>No Engineering Mentality</i>	Strengthen the system Reflexive policy languages

## 9.2 EXPECTATIONS: USING RULES TO CREATE ROLES

### 9.2.1 Effect of sharing information

In Putnam's framework, the key strength of social capital societies is that their citizens have good expectations of cooperation.<sup>332</sup> Due to their positive experiences in earlier interactions, they expect to benefit from a fair interaction with other people. By contrast, the expectations of the actors of the utilities of Aruba, Curacao and St Kitts were often quite negative; anticipating rampant nepotism, harsh treatment by superiors and overall poor outcomes for the collective. The results of the analysis suggest that these negative expectations could be addressed chiefly by upgrading the level and amount of knowledge available.

In combination with Relational Distance, the presence of Knowledge Availability was a clear prerequisite of success. An 82% share of the public value was created by utilities which had high Knowledge Availability in combination with high Relational Distance. The top five cases all had a ready supply of information available to their governance actors, whereas the poor performers of Case 9, 11 and 13 were hampered chiefly by a lack of knowledge. This effect clearly deserves some further attention, although its intrinsic connection with Relational Distance must not be forgotten.

Knowledge Availability may be so powerful because it is the only way to address the negative expectations of people. Ideally, the memory of negative experiences can be countered by new positive experiences. However, those are hard to realize in such politicized settings and will take time to materialize. Moreover, the financial and political cost of any new policy will also be carried by all actors, which often means that their support needs to be secured first. This leaves information as the starting point of a pathway to improvement. As one CEO commented; *'The management of perception is*

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<sup>332</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

*the only lever [public utilities] can really work. Those that have done this well, were guaranteed a stable position.*<sup>333</sup>

New and credible information might convince actors that something is to be gained from working together, dissuading them from opting for the old patterns of patronage. This information could directly attack the underlying despair with the performance of government: If actors have low expectations they will still opt for the relative predictability of the patronage system. When actors believe that they could win more by different means, they might make an attempt. As Bernanos observed; ‘The power and weakness of tyrants is that they have made a contract with the desperation of the people.’<sup>334</sup> When the desperation is broken down, the patron might come down with it.

### **9.2.2 Related concepts**

However, ready availability of data does not have a universally strong track record in the government literature. As Tsoakas argued, more information will simply lead to more confusion.<sup>335</sup> Indeed, as discussed before, many of the actors complained about the flood of irrelevant, unreliable and contradictory data washing over the policy fields. Respondents complained that their expert opinions were twisted or ignored in the political debate.<sup>336</sup> It then seems likely that a new reasonable voice, spreading the good tidings of more gain through fair cooperation, will just drown amidst the cacophony of political and societal debate.

The emerging study of the role of knowledge in democracies addresses these problems in two ways. Firstly, rather than aiming to ignore the seemingly trivial

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<sup>333</sup> Public manager 30

<sup>334</sup> ‘La force et la faiblesse des dictateurs est d’avoir fait un pacte avec le désespoir des peuples’ G. Bernanos, *Nous autres Français*, Gallimard, Paris, 1982.

<sup>335</sup> H. Tsoukas, ‘The tyranny of light: The temptations and the paradoxes of the information society’, *Futures*, Volume 29, Issue 9, November 1997, Pages 827-843.

<sup>336</sup> See earlier quote of Director 6

information of local sources, an effective knowledge system incorporates these voices into the dialogue. As observed by Turnhout, effective knowledge production emphasizes ‘the importance of so-called lay or local knowledge next to scientific knowledge. [...] Stakeholders should be allowed to have a say not only in the decision-making process, but also regarding the knowledge relevant to those processes.’<sup>337</sup> Rather than wasting time on fighting all the myths or gossip, effective actors integrate the different stories.

Yet this model is not intended to illustrate one harmonious dance by unified actors, but rather to examine the points where there is friction. Effective knowledge systems should avoid an unproductive exchange of facts.<sup>338</sup> To achieve this interaction, knowledge democracy is also about participation. As Turnhout continues; ‘Participatory knowledge production produces knowledge that is seen as legitimate by all involved and that is more likely to be used. [...] So what the concept of knowledge democracy does is supplementing the speaking truth to power model with a participatory ideal.’<sup>339</sup>

Knowledge Availability is therefore not only about producing more information, but creating a good system to generate and combine information. This could be why Knowledge Availability had to be combined with Relational Distance in order to have the best outcomes. This might shed new light on the fundamental problem of agencies in small-scale societies: In the absence of a network of civic associations transmitting positive experiences, they need to develop a network of knowledge building positive expectations.

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<sup>337</sup> R.J. In 't Veld (ed.), *Knowledge democracy*, (Routledge, London, 2010), p. 23.

<sup>338</sup> R.J. In 't Veld (ed.), *Knowledge democracy*, (Routledge, London, 2010), p. 5-6.

<sup>339</sup> R.J. In 't Veld (ed.), *Knowledge democracy*, (Routledge, London, 2010), p. 23.

### 9.2.3 Critical distinctions

The above discussion is somewhat imprecise in its definition of good information sharing. The final part of the discussion therefore focuses on the critical distinctions between effective and ineffective strategies for strengthening Knowledge Availability.

#### *Keep upgrading knowledge*

As observed, all sixteen policy fields were awash with irrelevant or contradictory observations, gossip, statistics, stories and memories. Yet in order to form decisions, for example, on the investment into a new electricity generator, there needs to be at least some consensus on certain facts between the key actors involved. Admittedly, some contradictions are allowable, as parties may arrive at the same conclusion from different angles, but these perspectives need to be integrated at some point.

Increasing the Knowledge Availability is effectively not just about adding new information. It is rather about making sure that the information process brings forwards the pieces of knowledge which are relevant for the decision and the motives of the actors involved. This requires hard work and constant reflection on what is going on in the information field. It was the CEOs of the failing agencies who confessed in the interviews that they had given up on ‘explaining it every time.’ The CEOs of the performing agencies would stress that they would always be ready to ‘go through it one more time.’

In this process, it is important to realize that all information going around the policy field has to be dealt with. Some CEOs take a very narrow view on their role in the debate, arguing that ‘[the constant provision of knowledge] *is way too broad; it is about corporate governance and looking at what the rules say about whom you have to*

*inform.*<sup>340</sup> Yet the debate over a public utility will not be based on the annual report alone, it is more likely that the latest news report, talk show broadcast or political clash will provide the frame for the presentation of the numbers. The constant work of the effective actors seems to suggest that the policy makers should manage the flow of information at all times.

### *Framing contradictions*

The availability of knowledge does not necessarily mean that one story has to win the debate. In most of the best performing utilities, there was still disagreement on certain facts or even on the direction an organisations should take. The key difference with the underperforming utilities was that the officials knew what they were disagreeing about.

In these policy fields, it was clear which were the different policy options available. For example, in the case of one of the waste management corporations, all the actors spoke about finding the right balances between the environment –keeping the island clean- and the economy –applying a low levy on each household. They mostly disagreed on where the organisation should place its emphasis. However, when the debate has been captured between these poles, the discussion focuses on finding the right balance, rather than on what the question should be.

Naturally, there are some dangers to this approach. The contradiction between the two goals might be false. For example, in the case of touristic islands, a clean environment is a requirement for the tourist economy, not a competing goal. Furthermore, an effective orator could hijack the policy debate by forcing it into a certain direction under the cloak of framing contradictions. This might explain why Dominant Actors and a strong Engineering Mentality, where one actor could force

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<sup>340</sup> Public manager 15



through a singular worldview, were often associated with failure. Good knowledge systems rely on strong systems of diverse actors.

*Actions speak louder than words*

Having spent all these words on words, it is important to stress that the successful utilities were very active in achieving and promoting tangible successes. New information and structured arguments may go a long way to change expectations, but actions still seem to speak louder than words. However, as the large policy outcomes –moving the port, constructing a new terminal, buying ten new trucks- might require a lot of investment and take time to materialize, the emphasis on small wins is important.

The key is to change the vicious cycle of underperformance: Actors have low expectations of cooperation and opt for clientelist arrangements. This leads to a poor collective outcome which reinforces the negative expectations. Starting with knowledge of possible or achieved success, actors learn about better possibilities and heighten their expectations. This may lead to a small cooperative overture and a corresponding collective success, which bolster expectations once again. In this way, ‘small wins can churn old routines into new learning.’<sup>341</sup>

Naturally, changing the negative patterns demands great efforts and the consequences of disappointment may be large as well. This might explain why performing utilities often had Dominant Actors, as they had the skills and resources to deliver upon their word. Yet a key part of this was to convince others to take the first step with them. As Marcha and Verweel argue, government success in the Caribbean does not require more reform skills, but rhetorical aptitude.<sup>342</sup>

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<sup>341</sup> K.E. Weick and F. Westley, ‘Organisational learning: Affirming an oxymoron’, in S. R. Clegg, C. Hardy and W. R. Nord (eds.), *Handbook of organisation studies*, (Sage, London, 1996), p. 440-458.

<sup>342</sup> W. Marcha and P. Verweel, *The Antillean Way of Life*, (SWP, Curacao, 2000).

### 9.3 STRUCTURE: FIRST ROLES, THAN RULES

#### 9.3.1 Effects of inclusive governance

Social capital theory prescribes that the relations within a polity should count many ‘weak ties’ cutting across different groups. This sentiment is echoed in the good governance literature by the concern with supervision from a distance. The policy settings studied were chiefly characterised by entangled and convoluted relationships, where politicians, civil servants, public managers and external actors would form one amorphous heap of connections. Successful utilities added extra players for more accountability, but interestingly, distance was not the key element.

In combination with Knowledge Availability, Relational Distance was the most powerful process for creating public value. Next to producing 82% of the success, the absence of Relational Distance was also heavily associated with the occurrence of failure. However, the lack of Group Governance, whereby actors do not consider themselves part of a collective with shared interests, was more strongly associated with failure. This might suggest that Relational Distance is a good thing, but that a strong shared spirit of co-dependence is also important to public value.

Increasing the Relational Distance in such small societies seems an obvious remedy for nepotism and clientelism. However, the exact mechanism might be different than expected. Firstly, it seems not as much to be about introducing *distant* actors, like auditors from the Netherlands and the United Kingdom, but about involving *diverse* actors from the local communities, like trade unions, community watchdogs, tourist boards, etc. Both successful and failing utilities had on average more actors involved in the governance, but this group was much more diverse at the performing agencies.

Secondly, the involvement of so many actors could also degenerate into a free-for-all, where the lack of separation means that everyone can barge in to take their

share. Instead, the successful utilities seemed to address this by applying a combination of tough Grid Governance with communality oriented Group Governance. Giving all these actors specific roles turned them from a mob into a governance regime.

### 9.3.2 Related concepts

The involvement of many actors links to several themes in the literature on governance. Primarily, it fits with the age-old concern with checks and balances, usually constructed by spreading different roles across different people. However, this usually works on the assumption that distance will create more effective forms of control.<sup>343</sup> In this case, the actors still had a direct interest in the policy, but it was the increase in numbers of the actors that did the trick.

The configuration of actors, with their underlying emphasis on Group Governance, seems to relate more closely to Talbot's recent work on performance regimes. Rather than conceptualising governance in terms of a single chain of principal-agent transactions, it looks at all the surrounding actors jointly creating a regime to support the organisational performance.<sup>344</sup> For example, a utility does not need to be governed only by the shareholder and the directors; customers, employees and concerned citizens have a role as well. These were not people who stood at a distance from the utility, but rather represented the diverse interests of the community.

This wide range of actors involved might make the field ungovernable, especially when they are all seeking to safeguard their interest. Alternatively, it could be argued that all these diverse interests should just focus themselves on the island council as the designated political arena. However, Linksky and Heifetz advise public sector leaders to keep 'thinking politically' and appreciate that their policy execution is still part of the

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<sup>343</sup> D. Osborne and T. Gaebler, *Reinventing government: how the entrepreneurial spirit is transforming the public sector*, (Adison-Wesley, Reading, 1992).

<sup>344</sup> C. Talbot, *Theories of performance*, (Oxford University Press, 2010).

political game. A difference is perhaps that they are not as such focused on winning specific battles, but rather ‘orchestrating the conflict’ as a whole.<sup>345</sup> This might explain why CEOs of strong utilities continued to emphasise Grid Governance, in the expectation that observance of the rules prevents a free-for-all and raises the quality of the game overall.

### 9.3.3 Critical distinctions

#### *Strive for distance through diversity*

As emphasised above, Relational Distance was not increased through introducing overseas actors, although this was done as well, but by increasing the diversity of the actors. Every small step removed from the utility or different perspective added to the overall high score of Relational Distance.

The key actors were drawing in representatives from across the community into the management of the utility. They hereby address the lament of Baldacchino that there is little separation between civil society and government in small islands.<sup>346</sup> Yet rather than creating an artificial distinction between people, who are in any case connected by several relationships, they involve everyone directly in the governance of the utility.

There are two possible problems with this approach. The first problem might be that there are still selection effects on who is allowed to contribute. Participation tends to be the domain of the organised and leisured classes who have the resources and time to involve themselves with governance.<sup>347</sup> Even worse, the patronage formula may be replicated between these supposed external actors and their own clients.

It could be countered to this point that, for example, trade unions leaders, community activists, represent the wider interests of the people who could not make it

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<sup>345</sup> R.A. Heifetz and M. Linsky, *Leadership on the line*, (Harvard Business Press, 2002).

<sup>346</sup> G. Baldacchino, ‘Human Resource Management Strategies for Small Territories: An Alternative Proposition’, *International Journal of Educational Development*, vol 21, no. 3, 2001, p. 205- 215.

<sup>347</sup> R. Rhodes, ‘Governance and public administration’, in J. Pierre ed., *Debating governance*, (Oxford University Press, Oxford, 2000), p. 53.

to table. Moreover, when the electricity corporation, for example, polls all of the households it services, it will actually reach more people than come to vote. Importantly, the successful utilities with strong senses of Group Governance would still have low boundary permeability, meaning that new actors could join quite easily.<sup>348</sup> This suggests that the governance style was truly inclusive.

Unfortunately, the current research design does not investigate the constituencies of the different leaders, so the exact mechanism remains obscure. What can be noted is that the diverse groups of actors created more public value than those utilities with fewer and more homogenous representatives. In an optimistic assumption, the continuous encounter of all these other perspectives, like the trade union talking to the business community about rising electricity prices, will balance out policy overall. This may explain why Relational Distance must coincide with a high Knowledge Availability in order to create the best effect.

A second problem could be that, as Rhodes notes, ‘accountability disappears in the interstices of the webs of institutions that make up governance.’<sup>349</sup> The diverse web of actors makes the arrangements so obscure that it is no longer clear who is responsible for what and who should take the blame when things go wrong. This might be one of the reasons why strong utilities with many actors involved, scored high on Grid Governance as well. A clear explanation of the rules may have kept the lines of accountability visible.

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<sup>348</sup> J. Gross and S. Rayner, *Measuring culture: A paradigm for the analysis of social organisation*, (Columbia University Press, New York, 1985).

<sup>349</sup> R. Rhodes, ‘Governance and public administration’, in J. Pierre ed., *Debating governance*, (Oxford University Press, Oxford, 2000), p. 77.

*Using rules to include actors, rather than to exclude*

Across the sixteen cases, all CEOs would stress the importance of the rules of good governance. What was strikingly different though, was that all the CEOs of failing organisations, stressed the private legal status of their utility. To repeat the words of a CEO of a failing corporation: *‘There is no such thing as a public utility here on the island. We are private agencies whereby the shareholder happens to be the government.’*<sup>350</sup> These CEOs would turn to the use of private corporate governance rules to minimise the role of outside actors. This then left little scope for involvement for the government in its limited capacity as shareholder.

By contrast, all the leaders of the high-performing utilities recognized the public nature of their utilities and realised their actions would have to take place in a public arena. Rather than taking a limited view of the potential partners, they were keen to involve as many actors as possible.

Interestingly though, these same CEOs would still emphasise the importance of the rules of governance. However, instead of using them to push actors out, they were employed to give as many actors as possible a clearly defined role. For example, one CEO spent a lot of time explaining to dissatisfied customers which avenues they could use to pressurise the government and the company.<sup>351</sup> Again this could be interpreted as crafty rent-seeking, but the higher public value scores would contradict this.

*Distinguishing opponents from enemies*

It would be naïve to say that only actors with the best of intentions would try to exert influence in the governance process. Many might be motivated by the more malign motive of solely benefitting personally. However, it is equally short-sighted to assume

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<sup>350</sup> Public manager 31  
<sup>351</sup> Public manager 26

that everyone with a deviating opinion is a crook. However, the public discourse on the islands tended to degenerate into the first of the oversimplifications. In failing utilities, a war of all against all seemed to dominate. Everyone was regarded as a threat, and voicing a different opinion was a betrayal. Disagreeing actors were therefore removed from the debate by Dominant Actors as quickly as possible and by any means necessary.

Yet senior officials at the performing utilities were able to work with, or even mobilize, opponents. For one successful utility, the company actually sponsored a citizen watchdog to scrutinize the utility's performance, with interesting effects. When talking to various respondents in 2007 about the performance of this company, the general opinion was that they performed admirably. Yet with the visits in 2009 and 2010, the view seemed to have deteriorated.

A closer look revealed that actual performance had not fallen, but that the expectations had increased. People expected this company to move to a new level of quality and work still greener, cheaper, etc. Interestingly, people echoed the sentiments broadcasted by the company-sponsored interest group, including their demand –and here is the nub- for more investments in the utility. By facilitating citizens in raising expectations, the company actually strengthened the importance of this policy field. This could be cynically labelled as rent-seeking, where the enterprise uses citizens to expand its remit. Although this may have played a part, the overall public value was higher.<sup>352</sup>

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<sup>352</sup> While writing this thesis, judge Bob Wit made a similar plea to distinguish between enemies and opponents. Amigoe, 'Constitution is a product of broad participation', *Amigoe*, 5 July 2011.

## **9.4 NATURE: STRONG PEOPLE IN STRONG SYSTEMS**

### **9.4.1 Effect of dominant actors**

From a social capital perspective, the nature of relations should be characterised by an egalitarian division of rights and duties, combined with a shared pursuit of positive sum outcomes. On these islands, the real situation was characterised by grave imbalances in the resources of different actors. In addition, there was a tradition of Dominant Actors claiming all the spoils, a skewed division which was accepted even by the underlying party.

When looking at the analysis, the track-record of Dominant Actors remained mixed. The three bottom cases all had strong CEOs and the three next worst all had a strong minister. However, the three best performing utilities also had Dominant Actors. Looking more closely at their mentality might reveal the critical differences. Especially when lowering the thresholds for public value, paradoxically both the absence and presence of Dominant Actors became precursors of success.

This paradox could be explained by the fact that both the very successful and deeply failing utilities had strong CEOs. On the whole, there was then a 50/50 chance, a mere coin toss, of a utility with a very strong leader being very successful or being very flawed. The effect could be predicted more accurately when taking into account the prevalent worldview of the utility. If the prevalent mindset was an Engineering Mentality, the strong actors seemed to steer their utilities towards failure. When the system emphasized involving and informing other actors, the outcomes were generally better.

### **9.4.2 Related concepts**

On one hand, the story of strong CEOs turning the utilities into little empires resonates with the mechanisms predicted for low social capital settings. The old patronage



relationships are recast into the arrangements around the dominant CEO or minister. On the other hand, the fact that strong actors could also steer the organisations the right way, over an extended period of time, might suggest that the patronage formula is not always replicated exactly as social capital theory suggests.

The negative effect of strong leaders can be explained through two concepts. Firstly, good kings may turn bad. As all power corrupts, the license on offer may lead to arrogance and bad decisions. As they seized large part of the government during their expansion, the cost in terms of public value of their fall will also be greater. Secondly, there is the dilemma of the empty throne. Even if a CEO or minister rules as a benign king, he will expire eventually and leave the throne empty. In a system emphasising the power of certain offices, this position can now be seized by least qualified individuals. Even if the court jester could so come to rule.

In the light of the supposed determinism of such vicious mechanisms, it remains strange that some systems with Dominant Actors were still performing. Moore provides one possible narrative by showing how managers of organisations who are also leaders of their communities can generate the most value.<sup>353</sup> However, this does not yet capture the differences in mindset, signalled by the strongly negative effect of an Engineering Mentality on performance.

Helgeser argued that this may come down to clash of leadership cultures, whereby the European norms were applied to the Caribbean without considering what works. 'If benevolent leaders and devoted (but) demanding followers are the accepted social relationships, what reason is there for pushing an impersonal, legalistic system forward,

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<sup>353</sup> M. Moore, *Creating public value: Strategic management in government*, (Harvard University Press, Boston, 1995).

insisting on individualistic participation? If it is to "pass the exam" of practicing Western democracy, it is hardly worth it.'<sup>354</sup>

It does seem strange indeed that many formalistic measures are applied to keep strong individuals in check while society could also monitor them by more direct means of observations and participation. By shackling these skilled individuals, the islands may lose some of the few individuals that could make government work for the community. Instead, rather than only looking at the individual, it may make sense to look at the place of strong leaders within their larger systems.

### 9.4.3 Critical distinctions

#### *Strengthen the system*

When Dominant Actors occurred in high performing utilities, they were always accompanied with high scores in Relational Distance and Knowledge Availability. In other words, although these actors would often command the most resources within the set of players, these actor groups would be large, diverse and well-informed. This addressed the concern voiced by several strong actors that there was no-one to contradict them, making it lonely on the top.<sup>355</sup> By introducing Relational Distance and Knowledge Availability, they are in effect introducing their own opposition and strengthening the system.

One CEO of a successful utility explained that he worked hard on creating an environment where one's own power is checked and even employees are no longer afraid. *'I couldn't do something to them anymore; that is the culture we jointly created. Furthermore, if you are not afraid of the big men outside, they will not be so either.'* He did caution, however, that fear could still come back easily; *'Even though fear has little*

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<sup>354</sup> G. Helgeser in O. Nauta, *Good governance in the West – institutional and social relations for good governance in the Caribbean overseas territories*, (Doctoral thesis for Utrecht University, 2011).

<sup>355</sup> Politician 19

*place, it is easily reinstated; if someone from a different status or colour comes in, people will defer to that perceived rank.*<sup>356</sup>

An obvious benefit of a strong system is that strong actors did not have to police the governance by themselves. In one example, a mechanic of one of the utility's truck workshop reported that all of the agency's trucks were in a state of disrepair. This was based on his observation that he kept having to fix cars all day (an academic might have remarked that there was a certain bias in his sampling as he worked in the garage). Rather than the CEO having to correct the story, a neighbourhood group phoned into a radio show to tell them that the service was still fine, while the foreman quietly resolved the issue with the mechanic in question.

A further benefit could be that the system will groom their successor. This harks back the observation of humanist scholars that good leaders create strong laws which will go on to produce new good leaders. At several of the performing cases, a change of the CEO took place during the period researched, with little difference in the policy process. By contrast, the dominant actors in the poor utilities would usually have to be forced out, after which the direction of the utility would usually change radically.

### *Reflexive policy languages*

The emphasis on strong systems does still leave the question of the negative influence of an Engineering Mentality. This was the only process which presence, rather than its absence, was a precursor for failure. It poses the question what type of mentality is useful for elite actors in the governance of these agencies.

The alternative view to Engineering Mentality holds that success is a more deliberative concept, which had to be constructed time and again from the different

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<sup>356</sup> Public manager 20

preferences of the actors involved. However, even the actors which would be characterized by such an organic approach would still qualify as ‘planning officials’, one of the sub-categories of an Engineering Mentality. This might suggest that they were able to mix both planning and organic views on the world. Perhaps effective operators were those that could command several sorts of policy languages; speaking technology with the engineers, policy with the politicians and business with the bankers.

Beyond reflecting the style of their interlocutor, they might also be better at taking in the opposite perspective, rather than just explaining their viewpoint. A distinction might be the difference between a preaching versus a reflexive leader. A preaching leader nearly emits all the opinions he has, where a reflexive leader will also take on board what he hears back.<sup>357</sup> This switches the emphasis from leading to responding. This leader is constantly in doubt and dares to share that sentiment with his followers. As one respondent put it, referring to his role as a community leader; *‘I do hope to be an apostle. But more precisely to be the apostle Thomas; the one who was always in doubt and asking questions.’*<sup>358</sup>

## 9.5 CONCLUSION

When expanding on the outcomes of the fuzzy-set analysis, it emerges that the successful utilities found different ways of filling in the components of expectations, structure and nature of relations.

From the expectations perspective, negative experiences were countered with a steady stream of knowledge, which was supported by a strong system of actors. From the structure perspective, successful utilities actually opted not to cut through all the convoluted relationships. They rather strengthened this dense network by involving diverse actors and through the inclusive application of the governance rules. From a

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<sup>357</sup> P. Verweel, private correspondence, spring 2011.  
<sup>358</sup> External actor 30

nature perspective, dominant actors were not the universal culprits as they were sometimes branded, being instrumental to the success of the higher performing utilities. What distinguished them from failing utilities were their efforts in strengthening the system around them and the ability to consider diverse perspectives on policy.

## **10. CONCLUSION: TURNING THE TIDE**

### **10.1 INTRODUCTION**

#### *Purpose of chapter*

Having completed the analysis and discussion of the empirical data, it is time to return to social capital theory and its unanswered question: How can public value be created in weak social capital settings? The empirical results generated by this thesis identify some alternative pathways to success as developed by local officials. In the case of these three islands, it emerges that the traditional designs of government are not able to hold back the flood of disinformation unleashed upon small-scale societies with weak social capital. Only those senior officials that devised a flexible and inclusive style of governance managed to turn the tide and create public value. The question then is whether these processes may have some relevance for the concept of social capital at large.

#### *Contents of chapter*

This chapter is structured around the three main contributions the thesis hoped to make. The first goal of the thesis was to provide a systematic analysis of the conditions for success in public utility performance under challenging social capital conditions. Drawing together the discussion from the previous chapter, the outcomes of this analysis are presented by dividing the observations between four types of governance arrangements. Each dealt differently with the structure, nature and expectations of relations.

The second aim of the thesis was to contribute new knowledge towards a perceived gap in social capital theory. Taking cues from the dynamics observed, the second part of the chapter discusses what the research outcomes mean for the understanding of social capital. This introduces a fresh diagnosis on what is happening in societies without social capital, emphasising the role of information, and debates whether the current concept of trust used by social capital theory is still appropriate.

The third ambition of this thesis was to link the literature of social capital theory to that of public management. After a brief evaluation of the results of this approach, some further research questions are formulated for future endeavours. These questions all focus on the way public service organisations deal with their societal setting.

## **10.2 MAKING GOVERNANCE WORK IN SMALL-SCALE DEMOCRACIES**

The first aim of this thesis was to provide a systematic analysis of the conditions for effective service delivery under challenging social capital conditions. Beginning with the literature on social capital as defined by Putnam, the thesis identified the three main components of the socio-cultural circumstances; the structure, nature and expectations of relations. The research design then traced these components at the sixteen cases and assessed which configurations best served the creation of public value.

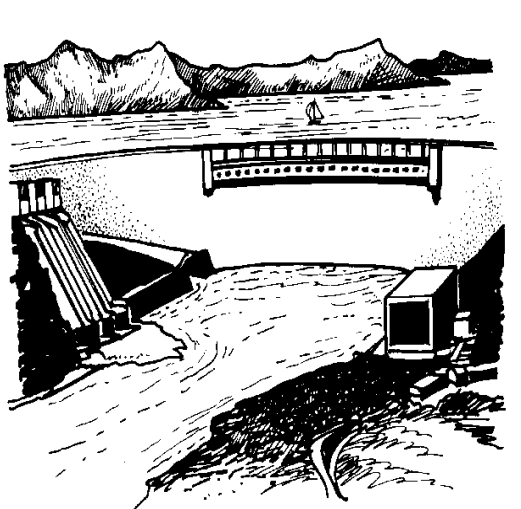
Having discussed the impact of different processes for each of the three components separately in the previous chapter, these themes are brought together here one last time. It is proposed that the different arrangements observed can be captured in four images of governance styles. The four types each arranged the structure, nature and expectations of relations in different ways, and subsequently achieved very different performance outcomes. Some utilities did not fit neatly into one type, but the overall division does shed some light on the main differences between the cases.

### 10.2.1 Ideal picture: Dam good governance

The first image of governance arrangements is not a representation of what actually happened on the ground, but rather a mirage considered to be the ideal standard by many of the actors. In this ideal type of governance, government was viewed as a very clear structure; each actor, rule and structure formed part of a seamless system of service delivery.

A clearly-structured system of connections guides the relevant information towards the pool of knowledge from which the policy makers draw their conclusions. A large dam separates the politics from the execution. It prevents irrelevant information, or information deemed irrelevant, from passing through. A carefully filtered stream of valid and consolidated information surges through the policy process, powering the flow of the state. Invisible to the public eye, officials work hidden away in the control room, addressing any glitches which may arise.

**Table 44 Ideal type of governance arrangements**

<b>Expectations</b>	
Only relevant & valid facts are considered Contradictions are quickly resolved	
<b>Structure of relations</b>	
Actors are distinct from each other Actors are considered complimentary	
<b>Nature of relations</b>	
Strength of actors is defined by rules	
<b>Public value</b>	
Not applicable; fictional arrangements	

#### *Expectations of relations*

The overall characteristic of this model is clarity. Actors are assumed to have clear expectations of the cooperation around the utility. The different briefs for the government as shareholder, directors as representatives and CEOs as managers are



considered to be clearly defined and distinct. The system is quite hierarchical in the sense that the positions are clear, but is also egalitarian as each player has a clearly defined mandate and competency.

On the whole, there is a strong Engineering Mentality towards the running of the government. The policy debate only considers facts which are of a technical or economic nature, all in pursuit of the most efficient delivery of the public service. When contradictions do arise, these are believed to be based on a lack of knowledge. The well-structured network of channels then brings forward the relevant information, making for high overall Knowledge Availability.

#### *Structure of relations*

As envisioned by Putnam's civic associations, a dense network of interest groups, community clubs and professional organisations feed into the management of the utility. With the various actors sticking to their formal briefs, the overall Relational Distance between the owner, supervisors and agents is deemed to be high.

This system is functions through a strict adherence to the corporate or administrative governance rules, making for a high degree of Grid Governance. Actors are not considered to collide with each other, but complement one and other in the governance system. To repeat one CEO's words; *'There is no conflict of interest; the government sets the policy, we execute.'*<sup>359</sup> Should disagreements over decisions still arise, these conflicts are resolved through the appropriate legal mechanisms.

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<sup>359</sup> Public manager 8

### *Nature of relations*

Within this clearly defined structure of government, actors are not unequal to each other as such, but simply positioned in a clear hierarchy of rights and duties. The rules of corporate governance or administrative law delineate the power base of the different actors. As a result, there are no Dominant Actors, but rather individuals who have the mandate over a given question. The ideal official is then a technocrat who calmly does his job and irons out any glitches. As convoluted mission briefs are avoided in order to minimise conflict of interests between parties, which would make for a low overall Group Governance.

### *Public value*

This mirage of well-structured governance was never actually observed in any of the cases studied here. It did feature prominently as the ideal standard for utilities in the interviews with many respondents. Even though it bore little relation to the actual situation on the ground, some conceptual problems of this model can still be identified.

Firstly, even the most avid preachers of this governance model would often have a rather narrow understanding of it and use it as an excuse to exclude stakeholders. For example, even though the World Bank pleaded for a clear hierarchy in governance matters, it also emphasised that a lively civil society is required to counterbalance state institutions.<sup>360</sup> Similarly, the orthodox supporters would argue that the government should leave the utilities alone because they are nominally private companies. Others would argue that these monopolies required at least the supervision of a public regulator.<sup>361</sup>

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<sup>360</sup> See: World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,pagePK:220469~theSitePK:228717,00.html>, (Retrieved 30 August 2011).

<sup>361</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009).

Secondly, this stylistic view of governance ignored many of the political and business realities of the islands. By transplanting a large bureaucratic apparatus to a small-scale democracy setting, the machinery of governance would be disconnected from the actual sources of power in the local community. The governance structure could be so detached that the local streams of politics simply flowed past them. This effect was already visible in how the board of directors was frequently ignored. In many utilities, most decisions would be made directly between the minister and the CEO. Only when a board represented a wider segment of society, including members of the opposition and industry experts, did they actually feature in the governance process.

However, the ideal type did have one positive effect, as it raised the expectations of the actors. Even if the daily reality was different, the ideal enshrined the standard of fairness and due process within the governance mindset. *‘Of course it is difficult to get good governance here, but there is no reason why it shouldn’t still be of high quality. We just have to find our own way of achieving it,’* commented one local observer.<sup>362</sup> However, without such a translation to the local circumstances, this ideal type of a dam of separated governance comes under increasing pressure from local circumstances. This may actually lead the dam to burst.

### **10.2.2 Actual situation: Data deluge**


Moving into the reality of the sixteen utilities, it seems that in many cases the dam had indeed collapsed. Entangled connections, rather than the orderly channels imagined, brought in too much information, which also was of a highly variable quality. As a result, the policy fields were flooded with a torrent of invalid and irrelevant data. Rather than a neatly ordered process of interaction between distinct actors, everyone and

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<sup>362</sup> External actor 17

everything was drawn together in a maelstrom of confusion. Amidst this deluge, the senior officials of the utilities were left clinging on for dear life.

**Table 45 Actual situation: Data deluge**

<b>Expectations</b>	
No distinction between valid and invalid	
<b>Structure of relations</b>	
Clinging to rules or discarding them All other actors are threats	
<b>Nature of relations</b>	
Continuous struggle from all against all	
<b>Public value</b>	
Negative results	

*Public value*

Several cases seemed to fit this description; in particular cases 10, 11, 12 and 13 could be categorized as policy fields flooded by a stream of unstructured information. However, the threat of confusion and anarchy was never far away for all of the utilities. As even a CEO of a very well-structured governance field admitted; *‘The politics will always keep on trying to take over.’*<sup>363</sup>

For the utilities without an effective mechanism to counter this flood, a negative public value score followed. However, perhaps surprisingly, the very worst performers of Cases 14, 15 and 16, had different arrangements altogether. They seemed to suffer from something else than a flood, something creating much more damage. It might have actually been a saving grace for the flooded policy fields that little gets done, which also meant that little harm can be done.<sup>364</sup>

<sup>363</sup> Public manager 20  
<sup>364</sup> See Appendix IV for discussion on how efficient organisations can create the most damage.

### *Expectations*

Ironically, even though the field was awash with data, there was a perceived shortage of information. The main problem was that actors were unsure which information was reliable. To repeat the lament of one director, '*People hear all these different stories and do not know what to believe anymore.*'<sup>365</sup> As a result the Knowledge Availability was low.

Different types of Mentality were found amongst the officials, ranging from engineering to organic, but that seemed to make little difference. Outside circumstances dictated their actions. There was no clear narrative as to what the utility was doing or what it was supposed to do. The different actors of these organisations would contradict each other in the interviews and even external auditors would be unsure of what was going on. This left little option for the senior officials but to work on incomplete information, scooping up any random fact to support the argument they were trying to make.

### *Structure of relations*

There was often little system to the relations in this field, with formal connections either entangled with other interests or wholly ignored. Very few actors were actually closely involved, possibly because there was little to gain. With a low overall Relational Distance in Cases 10, 11, 12 and 13, these utilities were left unloved and underperforming. The policy field resembled a flooded area with a few officials scattered and isolated across different rooftops.

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<sup>365</sup> Director 6

The remaining officials would usually either cling to governance rules as life buoy or discard them as ballast. Those who stuck to the rules saw it as the one way out of their troubles. They argued that if only the institutional setup would be respected, the misdemeanors would disappear. As one public manager commented, *‘The problem is not institutional corruption, but undue institutional influence. Through friends, people get things done with the minister that shouldn’t be done.’*<sup>366</sup> Other parties simply gave up on the idea of order in these circumstances, arguing that the islands were just not cut out for good governance. The belief in Grid Governance could be either high or low, but the actual observance of rules was still low in practice at these organisations.

#### *Nature of relations*

Amidst this confusion, the position of officials was extremely precarious. Amidst all the confusion, it was hard to link effort to impact, reward to achievement. The information and relations were so distorted that the likelihood of reward following resorts was very slim. One CEO complained; *‘I still have to do all the work. And when I get it done, they don’t praise me, but [the minister].’*<sup>367</sup>

Amidst this confusion, the daily concern was with staying in office, rather than working towards public value. As a result, few strong Dominant Actors would emerge in these fields and little sense of Group Governance remained. As a result, the senior officials in these circumstances were mainly concerned with managing their own reputations. Their constant window-dressing would then add even more opinions to the swamp of data, perpetuating the problem.

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<sup>366</sup>

External actor 5


<sup>367</sup>

Public manager 23

### 10.2.3 Worst case scenario: Monopolizing information

As mentioned above, the worst performance did not occur in the aforementioned data swamps, but in fields that had degenerated one step further. Amidst a flood of invalid data, high quality knowledge becomes a precious good. In this worst case scenario, a few selected actors had been able to monopolize key sources of information and takeover the entire policy field. These actors would tightly control the release of data, using their knowledge advantage as a bargaining chip. Information on public utilities so became a private resource.

**Table 46 Monopolizing information**

<b>Expectations</b>	
Valid information is jealously guarded	
<b>Structure of relations</b>	
Rules are used to keep others out Other parties are seen as threats	
<b>Nature of relations</b>	
Persisting patterns of patronage	
<b>Public value</b>	
Strongly negative results	

#### *Public value*

The worst performing cases were those where one actor had seized full control of the information source. For Cases 14, 15 and 16, the CEO capitalized on his industry knowledge and assumed complete control of the business processes. As discussed in chapter 9, this initially led to quite efficient business processes, yet ultimately their decision-making would stray from the public interest.

Often enough, the utilities with information monopolies maintained a clean and stable reputation over sustained periods of time. However, as could be observed in two

of these worst performing cases; when negative information was released accidentally, this would typically open the floodgates. The problem was that, even in a time of crisis, the CEOs attempted to limit the flow of information and lost control over the debate. Without a system ready to deal with the information, there were no commentators available to separate fact from fiction or frame the debate. The onslaught of bad news would force the politicians to intervene, often quite disproportionately, sending the governance of the utility into a tailspin.

### *Expectations of relations*

Case 14, 15 and 16 were characterized by CEOs with a strongly business-oriented view on the running of a utility, epitomising an Engineering Mentality. These managers would consider it their mission to obtain the largest share of the market while minimizing the costs, although some defined their mission as attracting new business to the island. As the utilities were already full or near monopolies, such ambitions often led to abuses of market power.

As said, the chief characteristic of these utilities was restricted Knowledge Availability. These cases would fence off large parts of their business from the public eye. For example, they would conduct consumer surveys or regional benchmarks, but not share this information publicly. Commenting on how little was known about the running of these utilities, one expert sighed; *'They are running it as a family company.'*<sup>368</sup>

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<sup>368</sup> External actor 26



### *Structure of relations*

Interestingly, there were more actors involved with these worst three utilities than with the mediocre performers of Case 5 to 10, making for a slightly higher Relational Distance. However, these actors were far less diverse, presenting more narrow interests in the utilities. For example, this included specific businesses looking after their own bottom line. As hypothesised earlier in Chapter 5, these might form a part of the patronage structures, circling the failing utilities like vultures.

Outwardly, there was a strong emphasis on the governance rules and therefore a high Grid Governance. Yet it seemed that these rules were implemented mainly to keep unwanted onlookers out, using the private status of the organisation as tool to avoid public scrutiny. To repeat one CEO of such a utility; *‘There is no such thing as a public utility here on the island. We are private agencies whereby the shareholder happens to be the government.’*<sup>369</sup>

### *Nature of relations*

These three worst performers all had strong Dominant Actors. In addition, there was a small sense of Group Governance, illustrated by how little information was shared between the actors. Sometimes, there was some fraternity between the actors, but this more resembled being partners in crime than a benign collective. In effect this ‘team spirit’ usually amounted to buying support through some minor payments in money or products.<sup>370</sup> As in other patronage relationships, this was rather a mark of the inequality of resources between the Dominant Actor and the follower, rather than an equal role in the governance process.

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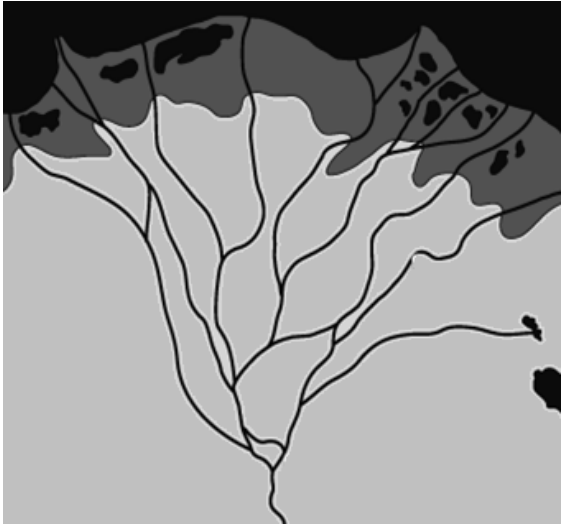
<sup>369</sup> Public manager 31  
<sup>370</sup> Director 5

### 10.2.4 Best case scenario: Delta of governance

Between an ideal governance type that is not attainable and two types that actively harm the public interest, one could be forgiven for despairing whether success can be achieved at all in these poor social capital circumstances. However, public value creation did occur. This was not achieved by reducing the governance system to rigid structured as prescribed by the ideal type, but rather by nurturing a rich delta of information and actors.

In this governance style, the data channels are not neatly ordered. Instead official streams of information are mixed up with streams of gossip and opinions. Equally, the relationships are not always distinct from each other; involvement is applied more often than exclusion. Quite often, part of the policy system goes out of bounds, yet the aim is not to achieve progress through stability, but through a dynamic equilibrium between the different actors. The opposing forces were not locked into distinct positions, but allowed to quite vehemently counteract each other. The resulting overflow provided the fertile ground for the creation of public value.

**Table 47 Delta of information**

<b>Expectations</b>	
Keeps adding information Frames the contradictions Translates debates to actions	
<b>Structure of relations</b>	
Uses rules to include Distinguishes opponents from enemies	
<b>Nature of relations</b>	
Strengthen the system Reflexive in dialogue	
<b>Public value</b>	
Positive public value	

### *Public value*

The successful Cases 1, 2, 3, 4 and 5 corresponded to a large degree to this model, whereas Cases 7, 8 and 9 approximated some of its principles. The high performing cases were not only successful in creating an efficient business process, but also in directing this value towards the community at large. They achieved their high scores not only by attaining good levels of service and insight, but also by keeping to costs down. Possibly, the involvement of these many actors allowed for the stability and synergy needed to minimize the draw on society.

### *Expectations of relations*

These cases distinguished themselves through a high degree of Knowledge Availability. There was no strict separation between the valid and invalid data, as in the ideal type. Neither was there a restriction of the flow of information, as in the monopoly scenarios. Instead, all information was involved in the debate. The main aim was not to filter out what was relevant, as within a small intra-connected community anything was deemed to be relevant, but to upgrade the quality of the discussion overall.

An additional difference with the flood image was that the broadcasting of information was always combined with a constant cultivation of the environment in which the knowledge had to be received. The officials of these utilities would be comfortable working across different networks, ranging from meetings with the Central Bank to participating in the local Carnival Troup. They hereby acted as boundary spanners between different settings.<sup>371</sup> Moreover, they created new networks to increase the flow of information. For example, the community watchdog founded to monitor the

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<sup>371</sup> See: P. Williams, 'The Competent Boundary Spanner', *Public Administration*, no. 80, 2002, p. 103-24.

utility not only harvested extra information, but also educated its followers on how this data should be interpreted. Information was therefore closely married to participation.

This model in some ways also resembles the ideal type of the dam, through its wide network of information channels across societies. There is an important difference, however, in how the delta dealt with truth and consensus. Different opinions were not allowed to fest in isolation, leaving ‘to each its own’, but actors were encouraged to confront each other. As one CEO said, ‘*success is a deliberative concept,*’ and effective officials would constantly engage in this deliberation with all the actors.<sup>372</sup> This meant that they did not expect to arrive at one consolidated view on the utilities, as someone with an Engineering Mentality would, but rather anticipate that the expectations of the utilities change depending on time and perspective.<sup>373</sup>

Despite its organic appearance, this approach only seemed to be successful through effective planning. Although the effective officials all scored low on Engineering Mentality, they did all spend a lot of time planning. Next to planning the production and distribution of their goods, this was also about ‘orchestrating the conflict’; planning when which parties should or will collide over the policy.<sup>374</sup> The model so created public value through friction rather than smooth interaction.

### *Structure of relations*

The information initiatives described above were accompanied by efforts to widen and structure the participation of other actors. The successful cases all had a high Relational Distance, with many groups of actors contributing to the policy streams. They were

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<sup>372</sup> Public manager 15

<sup>373</sup> This relates closely to the recent work of Verweij and Thompson on formulating clumsy, multi-interpretatable solution for complex problems, rather than looking for one silver bullet. See: M. Verweij and M. Thompson, *Clumsy solution for a complex world*, (Palgrave MacMillan, London, 2006).

<sup>374</sup> R.A. Heifetz and M. Linsky, *Leadership on the line*, (Harvard Business Press, 2002).

involved across the different stages of policy execution, and did not strictly distinguish between politics and execution.

Importantly though, especially in Cases 1, 2 and 3, this inclusive style of governance was combined with a strict observance of the rules, scoring high on Grid Governance. However, in contrast to the monopolizing governance systems, these rules were used to give as many people as possible a role, rather than to exclude them. Actors who wanted to join the debate were welcomed, but there was explicit discussion about what their legitimate role would be.

#### *Nature of relations*

The maintenance of Knowledge Availability, Relational Distance and Grid Governance required a lot of skills from the officials. The successful utilities did indeed have strong individuals, with some Dominant Actors possessing considerably more expertise and resources than their peers. The fact they were strong would probably make it easier to navigate the many temptations and pressures on the road to success. To repeat the acute observation of one civil servant: *'The fewer skills and capacities you have, the more you have to rely on your own character.'*<sup>375</sup>

However, even from these positions of strength, the Dominant Actors would still seek to nurture their own countervailing powers. This could be done by nurturing opposing actors, such as community watchdogs or competent colleagues, or through creating an overall culture of rights and respect. As one strong CEO commented; *'I couldn't do something to them anymore; that is the culture we jointly created.'*<sup>376</sup>

This overall strengthening of the system addresses the main weakness in the delta systems. As opposing forces are allowed to roam relatively freely, the governance

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<sup>375</sup> Public manager 30  
<sup>376</sup> Public manager 20

arrangements are still relatively unstable. To avoid some forces gaining too much momentum, as they did in the case of the data deluge, there needs to be an extensive, yet dynamic, system of checks and balances. It may be tempting to still opt for the relatively predictability of the ideal type or the data monopoly. However, considering the consistently better performance of utilities which followed this recipe, the evidence indicates that a more dynamic system generated better results.

### **10.3 REVISITING SOCIAL CAPITAL THEORY**

The second aim of the thesis was to address a perceived lacuna in the social capital literature. More specifically, the thesis wanted to answer a cry of frustration of an official of a regional government in Southern Italy. He considered Putnam's diagnosis a 'counsel of despair', as it basically meant that certain communities were condemned by their histories to underperformance.<sup>377</sup> The paragraphs below first present the evidence that public value can be created, but also reiterates the many limitations of this research design. The final paragraphs summarize what the result may show about the mechanisms of social capital, focusing mainly on the role of information and trust.

#### **10.3.1 Creating public value in adverse social capital conditions**

The research project found several public utilities that overcame their limiting social capital circumstances and added significant public value to their communities. As detailed in the chapter on data observations, at least three utilities were successful, even when taking into account a 90% confidence interval. Further evidence for success was found for another six utilities, although the large confidence interval suggests that their performance was less strong.

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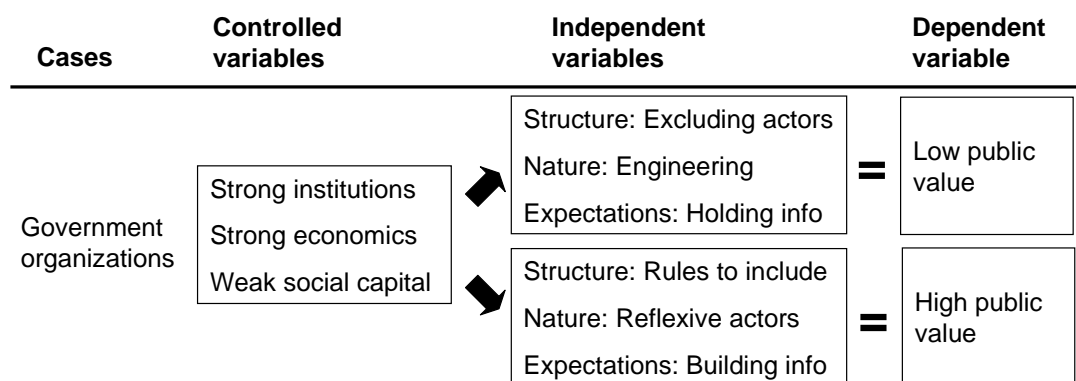
<sup>377</sup> R. Putnam, R. Leonardi, and R. Nanetti, *Making Democracy Work*, (Princeton University Press Princeton, NJ, 1993), p. 183.

However, even when only considering the top three cases as successful, the results show that success is attainable in these circumstances. Revisiting the diagram as drafted in Chapter 1, the different variables can now be filled out as done in the figure below.

The institutional, economic and societal circumstances formed the controlled variables and were kept as constant as possible for the sixteen cases. The dependent variable of performance was then measured through applying the public value framework, generating the scores of the utilities as detailed above. The independent variables focused on elite behaviours.

Roughly speaking, it can be concluded that failing utilities were hampered by an exclusion of outside actors, prevalence of an engineering approach to management and monopolization of information. By contrast, successful utilities used the governance rules to include as many actors as possible, were led by more reflexive officials and on the whole improved the quality of information available.

**Figure 24 Testable theorem**



### 10.3.2 Limitations of the research design

As already discussed in the opening and methodology chapters, there are some important limitations to the validity of these results. A first restriction is that it is still possible that the analysis overlooked the effect of an unknown variable. A relatively small sample of sixteen agencies across three islands is not yet sufficient to rule out the importance of other circumstances. For example, focusing more on path dependency,

the success of these utilities may have been based on events beyond the timeframe of this research exercise.

However, the consistency of the fuzzy-set analysis was quite high. This suggests that the main variables were mostly captured. The formula for success obtained a 78% consistency and failure 81%. This suggests that the mechanisms identified would lead to the predicted results in four out of five times. Admittedly, adding more cases would have increased the solidity of this analytical process. Although adding an additional sixteen cases would have required another hefty investment considering the amount of time it took to collect the present sample.

Another limitation is that the research design looks at a specific part of government. General pronouncements about the state as a whole may therefore not be appropriate. As discussed earlier, public utilities are a particular type of government due the more goods and services oriented nature of their product. The fact that most of the agencies were nominally private entities may have made a fundamental difference as well.

A final question would be what the relevance of these findings is for other societies. The Caribbean mix of factors might have been unique. The subsequent strategies to create public value may not therefore work in other settings. An obvious next step would be to see how comparable these dynamics are to Pacific and Indian Ocean island communities. It is possible that similar patterns could also be observed in larger scale polities, as the data flood problem may also be a problem there as well. However, these mechanisms have been put to the test in different circumstances, great caution is warranted.



### 10.3.3 What goes wrong in the absence of social capital

When taking these limitations into account, several points about social capital theory in general can still be explored. The first observation concerns what exactly goes wrong in these societies due to the absence of social capital. The fundamental characteristic of social capital as defined by Putnam is that people have positive expectations about cooperation.<sup>378</sup> These optimistic expectations are produced through positive experiences gained in civic associations.

The most obvious characteristic of the three described societies are the missing civic connections within the polity at large and the utilities in specific. In line with the predictions of Putnam, cases which built up these connections, outperformed their more reclusive counterparts. In a sense, these successful cases built the bridges around them that would have otherwise been provided by social capital.

However, Relational Distance was only a powerful mechanism when combined with Knowledge Availability. The existence of these channels alone was not a recipe for success, a constant flow of information was needed to improve the governance outcomes. This might suggest that next to building new connections to reach actors, successful cases would need to information to change the expectations of these outside actors.

Because positive experiences are very hard to create, a change in attitude needs to come from positive information. Officials needed to entice actors to enter the cooperation on the basis of positive *information* rather than good positive *experiences*. The question is then whether the sum of Relational Distance and Knowledge Availability still counts as social capital, or at least its rudimentary beginnings, or whether the actors have generated an alternative fuel for cooperation.

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<sup>378</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

### 10.3.4 What can replace interpersonal trust in these circumstances

To establish whether these societies have generated an alternative to social capital, the desired positive expectations of cooperation need to be clearly understood. The essence of positive expectations of strangers, or interpersonal trust, is that people make an optimistic pronouncement about something which is unknown: ‘I do not yet know this person, but I will assume that our cooperation will work out’ or ‘I do not know exactly what my members in parliament are doing, but I will assume they are doing their best.’<sup>379</sup> In sum, actors extend their good faith beyond the line of sight.

The difference is that in small-scale democracies a far greater part of the public sphere is *within* the line of sight of citizens. They continuously hear personal stories about their politicians, see their actions for themselves and know, or think they know, everything that is happening. Arguably, a similar effect could be observed today in much larger societies, where the omnipresence of the the media has collapsed the walls of privacy or deference around the political sphere. As suggested by Fung and Tsoakas, this flood of information does seem to lead to an increase in confusion and decrease in trust of institutions and officials.<sup>380</sup>

Some of the utilities studied tried to stop the flood by excluding actors, asking them to only listen to the official reports and to let the professionals get on with their work. These officials would argue that government cannot work under the constant scrutiny of the public. This approach assumes that democracy can only work if people put their trust in other actors beyond their line in sight. If this confidence is not present, trust is assumed to have gone missing completely.

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<sup>379</sup> C. Boix and D. Posner, ‘Social capital: Explaining its origins and effects on government performance’, *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

<sup>380</sup> H. Tsoukas, ‘The tyranny of light: The temptations and the paradoxes of the information society’, *Futures*, Volume 29, Issue 9, November 1997, Pages 827-843. A. Fung, M. Graham and D. Weil, *Full Disclosure: The Perils and Promise of Transparency*, (Cambridge University Press, Cambridge, 2007).

However, there are other forms of trust. Most significantly here, the object of trust may be different. In Putnam's definition, trust is placed in other people. This specific trust is also generalized towards trust in the community and its government at large. As Hayek observed, people can also decide to put their faith in rules, relying on good process. Or merely put their faith in ends, only relying on their own assessment of the outcomes of the process. Relevant to this particular context, Hayek argued that in tight-knit networks, the trust would be in the ends. In small groups, people do not need to rely on rules to make sure people beyond their line of sight are trustworthy. Instead they can directly observe whether they are getting a fair share of the deal.<sup>381</sup> A similar mechanism of trust may have been generated by the successful utilities.

In the traditional forms of governance, external actors were asked to imagine the public utilities as a black box. They can give limited inputs and receive limited information through the official reports. They are asked to put their faith in the good intentions of the actors working inside the black box. However, in small-scale societies, this black box is much more transparent, or at least seems to be. Most of the action happens within the line of sight or else stories continuously leak out. Yet the traditional officials would still ask actors to ignore whatever they heard and keep putting their blind faith in the process.

From the viewpoint of the outside actors, it might make more sense to directly observe the interactions and strive to intervene where appropriate. It is no longer necessary to *assume* government is running well, one can *observe* whether it is or not and *intervene* accordingly. Trust now has taken the form of a reliance on direct information and participation.

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<sup>381</sup> F.A. Hayek, *Individualism and economic order*, (University of Chicago Press, Chicago, 1948).

This argument does not suggest that trust is not important; the research might simply show that trust has taken a different form. Actors still need to have faith in the information and participation, but will take less for granted and rely more on themselves. Yet to keep measuring the blind faith in the black box is applying an anachronistic concept of trust. Patients that stop trusting witch doctors have not necessarily lost all forms of faith. Instead, their object of trust may have shifted towards the medical profession.

There are some problems with this shifting notion of trust. Firstly, even within small societies, some processes will still need to be entrusted to a black box. For example, the deliberations between judges are by definition limited in the scope of participation they can offer to external actors. Furthermore, in times of crisis, officials may not have the time to inform and involve all the citizens. However, different forms of trust may be useful in different circumstances. In the case of these utilities, trust in direct information and participation proved to be most useful.

A second problem is that this form of trust relies on an effective marriage of participation and information. However, this might well be an elite process, only producing good results when relying on generally well-informed actors with clearly understood interests. As this thesis only looks at the elites that might well be a possibility. Further research may be the best way of answering these questions.

#### **10.4 FURTHER RESEARCH**

The final aim of this thesis was to link the literature of social capital with that of public management, connecting grand social theories with the daily realities of government. Perhaps this goal was too ambitious for a research project limited in time and resources. Most prominently, it may have fallen short on working from a profound understanding of both social capital theory and the public management literature. Specifically, the

connection between the different concepts within these disciplines could sometimes have been more rigorously and consistently applied.

Yet the main contribution of the thesis might be to show that even a limited attempt to combine these literatures can deliver some interesting results. To facilitate further such explorations, some new research questions are formulated below. They are meant to seize on larger questions currently playing in the literature, hopefully providing extra direction and precision to them.

Returning to the three types of circumstances important to an effective government, these questions are divided amongst the institutional, socio-economic and socio-cultural conditions for democracies. One common thread through all these suggested questions is an encouragement to look for positive exceptions, aiming to find governments who overcame their difficult circumstances.

#### **10.4.1 Institutional design**

*Question 1: Do public service organisations working under governance rules that stimulate the information and participation create more public value than organisations with more restrictive policies?*

The doctrines of good governance remain a powerful theme in the administration of public service organisations in both developed and developing countries. This thesis supports some of the criticism of this concept, but also suggests that certain elements of good governance could still aid the creation of public value.

There is a growing chorus of critics who argue that good governance regimes are currently designed to serve only the investors or pay masters, rather than the community at large. Unsworth and Moore, for example, argue for the introduction of ‘upside-down

governance.’ The regime should be turned on its head and work to fit the demands and needs of the people, rather than those of the officials.<sup>382</sup>

In specific reference to the role of public corporations, and their separated position from the elected officials, there is also growing concern that corporate governance practices may nurture a new form of oligarchy. Sintomer, Herzberg and Houdret argue that such public enterprise structures in local governments are used to narrow the scope of accountability between the legislator and executive.<sup>383</sup> As a result, policy is set by a small group of technocrats. On the whole, these critics argue for a less normative approach towards governance and a move towards a practical method emphasising what actually works in the given context.

This thesis might show that some criticism of good governance is fair, but that the concept retain some intrinsic value as well. On one hand, this thesis found instances where the rules of corporate governance were used to exclude actors from participating in the policy debate. Officials, mainly CEOs, would invoke the law to bar other actors from getting involved.

On the other hand, many of the successful utilities used these same rules to give everyone a role, actually relying on good governance principles to structure participation. This would suggest that the good governance doctrines, and its public corporation applications, should not be dismissed outright. The focus should rather be on a fruitful application of the rules.

Good governance rules can stimulate the flow of information and the creation of roles for different stakeholders, setting clear goals to report on and processes for consultation. The research outcomes suggest that a key variable in the governance practices is the availability of information to actors. This effect is only consistent when

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<sup>382</sup> S. Unsworth and M. Moore, ‘Upside-down governance’, *Global Insight*, first quarter 2011, p. 27.

<sup>383</sup> Y. Sintomer, C. Herzberg and A. Houdret. *La participation des usagers dan la gestion de l’eau avec un focus sur les regies et entreprises municipales*. (Centre Marc Bloch, Paris, April 2010).

combined with a strong effort to encourage structured participation. This might provide a possible answer to critics of transparency. The question is then whether this effect can be observed across other cases in different societal settings.

Further research could address this question in two parts. First, it should be tested on the basis of a larger sample whether public organisations with governance practices stimulating information and participation do indeed outperform their more restrictive counterparts. Second, it should be further investigated exactly which governance practices form good ways of marrying information to participation. For example, making all the financial details of an organisation available online, might only add to the confusion. Holding question and answer sessions in the community centre might provide better results.

#### **10.4.2 Socio-economic factors**

*Question 2: What are low-costs ways for citizens to participate in the governance of public service organisations?*

The link between better government performance and a combination of information and participation relies on the assumption that citizens will be able to take advantage of the opportunities on offer. However, the literature is still divided on the benefits of pushing participation much beyond the periodic input at the ballot box.

A first concern is that all these actors simply do not have the resources to get involved. Oscar Wilde commented wryly that the problem with 'socialism is that it takes too many evenings.'<sup>384</sup> Citizens may find themselves similarly pushed for time in such a participatory style of government. As Rhodes observed, there is a risk that

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<sup>384</sup> B. Day ed., *Oscar Wilde: A life in quotes*, (Metro Books, London, 2000).

participatory governance will then only benefit the well-connected few, rather than the disorganised multitudes.<sup>385</sup>

This thesis was restricted in its scope by looking only at the elite actors and does not look at the involvement of citizens at large. It finds evidence that these external actors could be motivated to contribute at that level at least, but there is no insight in how they are being steered by their constituents. The role of the wider populace was arguably not to be directly involved, but to form the pressure behind the leaders, i.e. the members of the trade union, donators of the environmental groups, business people supporting the Tourist Board, etc.

What warrants further research is how citizens then stimulated their leaders to act in their general interest. The ballot box is a rather crude and indirect measure, which may not be the best way of steering in such a small society. Perhaps some insight can be gained from the interest in prods and pushes: Policy makers are currently interested in the ‘nudges’ governments can give citizens to live better lives – eat more healthily, use public transport, etc.<sup>386</sup> It might also be interesting to see what little pushes citizens, unions members, subscribers, etc. can give their officials to do the right thing as well.

### **10.4.3 Socio-cultural factors**

*Question 3: Can democracies still be effective public service providers when working with alternatives forms of trust?*

As covered in the previous discussion on trust, there is rising concern amongst scholars and politicians about a perceived erosion of confidence in public institutions. Various research efforts are directed at determining whether trust is indeed eroding and what can

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<sup>385</sup> R. Rhodes, ‘Governance and public administration’, in J. Pierre ed., *Debating governance*, (Oxford University Press, Oxford, 2000), p. 53.

<sup>386</sup> See: T. Sunstein, *Nudge: Improving decisions about health, wealth and happiness*. (Yale University Press, New Haven, 2008).



be done to stop this process.<sup>387</sup> This thesis, researching only a small part of the government in a very specific societal setting, cannot claim to provide definite answers to these grave concerns. What it can contribute is some further direction for the questions that should be asked.

The results from this thesis suggest that researchers should be careful in defining what exact type of trust they are looking for. As argued previously, the current understanding of trust refers to positive expectations of other people when entering cooperation.<sup>388</sup> This reliance on other people may have shifted towards a trust in something else, such as own observation and intervention. People still think the cooperation might be beneficial, but rely on other measures to make it work for them.

Trust is still present within societies in these new circumstances, signalled by the fact that cooperation continues to take place. Many researchers, however, keep looking for the old forms of trust and are surprised when they do not find it. Possibly, the question should be asked again in its original form, just as Putnam did when he started his research in Italy: Which communities show a high likelihood of cooperation and what could explain this? Trust might then have the form of faith in the community, the institutions or individual leaders, or as it was in the case of these three islands, mainly in own observation and participation. The question is then how public services can work best across these different circumstances.

## **10.5 CONCLUSION**

This thesis aimed to understand how democratic government can provide effective services in difficult social capital circumstances. It took its cues from Putnam's concept of social capital, and designated a remaining question as the starting point of the

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<sup>387</sup> For a review see: P. Blind, *Building trust in the government in the twenty-first century: Review of literature and emerging issues*, (UNDESA, Vienna, November 2006).

<sup>388</sup> C. Boix and D. Posner, 'Social capital: Explaining its origins and effects on government performance', *British Journal of Political Science*, vol. 28, no. 4, 1998, p. 686-693.

research exercise. Assuming that social capital is important to the effective performance of government, it explored how such success could still be achieved even if the socio-cultural circumstances were difficult.

The subsequent exploration focused on the islands of Aruba, Curacao and St. Kitts and the limitations of their social environment. Rather than writing a litany of their troubles, the thesis sought to find examples of agencies and individuals that overcame these circumstances and created value for their communities. Dissecting the characteristics of these successful expectations shows that in the case of these public utilities, success was achieved through an active use of governance rules to include all interested parties, an emphasis on the spread and structuring of high-quality information and the nurturing of reflexive styles of governance.

Hopefully, these achievements of the local officials and the subsequent analysis of their actions in this thesis will provide some inspiration for scholars and practitioners alike.



## ACKNOWLEDGEMENTS

This thesis would not have been possible without the help of the politicians, civil servants, managers, researchers, and community leaders I spoke to on the islands and in Europe. This thesis is dedicated to those that strive everyday to improve their communities.

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# APPENDIXES

## I: OVERVIEW OF RESPONDENTS

Due to the sensitive nature of this research topic, all actors are presented anonymously. As the polities are extremely small it would be easy to identify specific speakers on the basis of just a few clues. This appendix therefore provides extremely limited background information. The examiners of the University of Oxford were able to access a full list of the interviewees. The respondents are divided into four groups:

1. *Politicians*: Members of Parliament and members of the Cabinet.
2. *Public managers*: all members of the central government, public agencies and corporatized agencies that are directly part of the delivery chain of the utilities. Their experience is grouped around the sector infrastructure (telecom, airport and sea port), transport (buses, waste, post) and energy (electricity, water, oil).
3. *Directors*: members of the supervisory boards of the public agencies.
4. *External actors*: academics, private and public auditors, ombudsmen, consultants and other actors who are not directly within the line of management but do have relevant experience and knowledge of the public utilities.

**Table 48 List of respondents**

<b>Respondent</b>	<b>Background</b>
<b>Politician 1</b>	Parliamentary and ministerial experience.
<b>Politician 2</b>	Parliamentary and ministerial experience.
<b>Politician 3</b>	Parliamentary and ministerial experience.
<b>Politician 4</b>	Parliamentary and ministerial experience.

<b>Politician 5</b>	Parliamentary experience.
<b>Politician 6</b>	Parliamentary and ministerial experience.
<b>Politician 7</b>	Parliamentary and ministerial experience.
<b>Politician 8</b>	Parliamentary and ministerial experience.
<b>Politician 9</b>	Parliamentary and ministerial experience.
<b>Politician 10</b>	Parliamentary and ministerial experience.
<b>Politician 11</b>	Parliamentary and ministerial experience.
<b>Politician 12</b>	Parliamentary and ministerial experience.
<b>Politician 13</b>	Parliamentary and ministerial experience.
<b>Politician 14</b>	Parliamentary and ministerial experience.
<b>Politician 15</b>	Parliamentary and ministerial experience.
<b>Public Manager 1</b>	Management of infrastructure agency.
<b>Public Manager 2</b>	Management of infrastructure agency.
<b>Public Manager 3</b>	Management of infrastructure agency.
<b>Public Manager 4</b>	Management of transport agency.
<b>Public Manager 5</b>	Management of transport agency.
<b>Public Manager 6</b>	Management of transport agency.
<b>Public manager 7</b>	Management of transport agency.
<b>Public manager 8</b>	Management of energy agency.
<b>Public manager 9</b>	Management of energy agency.
<b>Public manager 10</b>	Management of energy agency.
<b>Public manager 11</b>	Management of transport agency.
<b>Public manager 12</b>	Management of transport agency.
<b>Public manager 13</b>	Management of transport agency.
<b>Public manager 14</b>	Management of energy agency.
<b>Public manager 15</b>	Management of energy agency.

<b>Public manager 16</b>	Management of infrastructure agency.
<b>Public manager 17</b>	Management of infrastructure agency.
<b>Public manager 18</b>	Management of energy agency.
<b>Public manager 19</b>	Management of transport agency.
<b>Public manager 20</b>	Management of transport agency.
<b>Public manager 21</b>	Management of transport agency.
<b>Public manager 22</b>	Management of transport agency.
<b>Public manager 23</b>	Management of energy agency.
<b>Public manager 24</b>	Management of transport agency.
<b>Public manager 25</b>	Management of infrastructure agency.
<b>Public manager 26</b>	Management of transport agency.
<b>Public manager 27</b>	Management of transport agency.
<b>Public manager 28</b>	Management of energy agency.
<b>Public manager 29</b>	Management of energy agency.
<b>Public manager 30</b>	Management of agencies.
<b>Public manager 31</b>	Management of infrastructure agency.
<b>Director 1</b>	Supervision of infrastructure agency.
<b>Director 2</b>	Supervision of energy agency.
<b>Director 3</b>	Supervision of energy agency.
<b>Director 4</b>	Supervision of energy agency.
<b>Director 5</b>	Supervision of energy agency.
<b>Director 6</b>	Supervision of energy, transport, infrastructure agencies.
<b>Director 7</b>	Supervision of infrastructure agency.
<b>Director 8</b>	Supervision of transport agency.
<b>Director 9</b>	Supervision of energy, transport, infrastructure agencies.
<b>Director 10</b>	Supervision of energy, transport, infrastructure agencies.



<b>Director 11</b>	Supervision of energy agency.
<b>Director 12</b>	Supervision of energy, transport, infrastructure agencies.
<b>Director 13</b>	Supervision of energy, transport, infrastructure agencies.
<b>Director 14</b>	Supervision of infrastructure agency.
<b>Director 15</b>	Supervision of energy, transport, infrastructure agencies.
<b>External Actor 1</b>	Auditing and advising public organisations.
<b>External Actor 2</b>	Auditing and advising public organisations.
<b>External Actor 3</b>	Representing interests groups.
<b>External Actor 4</b>	Financing and advising public organisations.
<b>External actor 5</b>	Management of public agency.
<b>External actor 6</b>	Representing interest groups.
<b>External actor 7</b>	Academic.
<b>External actor 8</b>	Management of private company.
<b>External actor 9</b>	Management of public agency.
<b>External Actor 10</b>	Representing interest groups.
<b>External actor 11</b>	Management of private company.
<b>External actor 12</b>	Auditing and advising public agencies.
<b>External actor 13</b>	Auditing and advising public and private agencies.
<b>External actor 14</b>	Management of private company.
<b>External actor 15</b>	Representing interest groups.
<b>External actor 16</b>	Auditing and advising public agencies.
<b>External actors 17</b>	Management of private company.
<b>External actor 18</b>	Financing public organisations, management of private company.
<b>External actor 19</b>	Representing interest groups.
<b>External actor 20</b>	Management of public agencies.
<b>External actor 21</b>	Academic.

<b>External actor 22</b>	Management of public agency.
<b>External actor 23</b>	Academic.
<b>External actor 24</b>	Auditing and advising public and private organisations.
<b>External actor 25</b>	Advising public and private organisations.
<b>External actor 26</b>	Auditing and advising public and private organisations.
<b>External actor 27</b>	Academic.
<b>External actor 28</b>	Auditing and advising public and private organisations.
<b>External actor 29</b>	Advising public and private organisations.
<b>External actor 30</b>	Academic.
<b>External actor 31</b>	Academic.
<b>External actor 32</b>	Representing interest groups.
<b>External actor 33</b>	Representing interest groups.
<b>External actor 34</b>	Management of public agencies.
<b>External actor 35</b>	Management of public services.
<b>External actor 36</b>	Management of private company.
<b>External actor 37</b>	Management of private company.
<b>External actor 38</b>	Auditing and advising public and private organisations.
<b>External actor 39</b>	Representing interest groups.
<b>External actor 40</b>	Auditing and advising public agencies.
<b>External actor 41</b>	Management of public agency.
<b>External actor 42</b>	Academic.
<b>External actor 43</b>	Academic.
<b>External actor 44</b>	Advising public and private organisations.
<b>External actor 45</b>	Academic.

## II: RELIABILITY AND VALIDITY OF INTERVIEWS

### *Reliability of interview data*

The greatest problem for the reliability of interviews is that one cannot know for sure whether a respondent is telling the truth. If the data is indeed incorrect or intentionally misleading, this could fatally undermine the whole project. There is also a danger that the researcher will shape the data through his own personal subjectivity.

There is always a bias in attaching code to observation and the art is to know oneself in this process.<sup>389</sup> Whether using statistics or qualitative observations, researchers should be self-critical and transparent in the choices they make and analyse their own potential biases. In this case, a framework to measure performance was set out beforehand. After the data was collected, the results were presented to local experts and at scientific conferences to test the analysis. Furthermore, the thesis aims to be consistently transparent about all the data, giving readers the opportunity to evaluate the research outcomes as well.

### *Validity of respondent perspective*

Even if the interview data is reliable, it is possible that not all information is valid. The first validity problem is that by interviewing the elites, even when cross-checking with policy documents and memoirs, one will get a very top-down perspective of the organisation and its behaviour. Policy documents are ultimately determined by the power players in the organisations and such documents are usually written by the

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<sup>389</sup> R.F. Fenno, *Home Style: House members in their districts*, (Brown, Little, 1978).

victors or dominant parties. As Glynn and Booth suggest, the researcher will only encounter the self-justifications of the elite.<sup>390</sup>

This issue is addressed through two avenues: Firstly, the research project should be very careful in its selection of interviewees, making sure to identify different types of actors, whilst being aware of their respective powers to shape the administration. Secondly, it is important to match the scope of interviews to the question. In choosing to interview the responsible minister, one cannot claim full knowledge of the motivations of the rank-and-file civil servants. The research questions should match this and therefore only focuses on the actions of the senior officials, rather than making claims about the government as a whole.

#### *Validity of researcher perspective*

A second validity problem is that the perspective of the researcher may be limited or biased. When attempting to observe the machinations of government, it is vital to gain a comprehensive insight into all the dimensions of the organisations. This means that access to all key players and experts is pivotal. Thankfully, the islands provided a good hunting ground for research, since all the relevant people were geographically close to each other and could refer the researcher on to next contacts. Most key figures were present on the island and could be contacted relatively easily, including political leaders, responsible executives or outside observers such as journalists and consultants.

However, the cultural bias of the researcher may still influence his reading of the data and circumstances. This problem should not be underestimated. Again, the best way of dealing with this bias is to construct neutral research tools beforehand and remain transparent about one's assumptions throughout.

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<sup>390</sup> P. Davies, 'Doing Politics Spies as Informants: Triangulation and the Interpretation of Elite Interview Data in the Study of the Intelligence and Security Services', *Politics*, vol. 21, no. 1, 2001, p. 73-80.

### III: ADDITIONAL INFORMATION FUZZY-SET ANALYSIS

#### Descriptors of data-set

To provide some further insight before the actual analysis starts, some essential descriptors are listed in the table below for each of the six causal processes. This gives a first impression of the different presence of these causal processes amongst the cases. For example, Relational Distance has a mean membership of 0.56. This indicates that, on average, the utilities know some degree of Relational Distance between the actors involved. Given the fact that most of these utilities have been explicitly structured to create distance between the government and the utility corporation, this is not surprising. The fact that there are still cases achieving the minimum score of 0.00, i.e. there is no Relational Distance in the governance system, shows that this ambition was not fulfilled by all the utilities.

**Table 49 fuzzy-set Qualitative Case Analysis descriptors**

Variable	Mean	Standard deviation	Minimum	Maximum
<b>Relational Distance</b>	0.56	0.31	0.00	1.00
<b>Grid Governance</b>	0.39	0.29	0.00	0.66
<b>Group Governance</b>	0.35	0.34	0.00	1.00
<b>Actor Dominance</b>	0.64	0.28	0.33	1.00
<b>Knowledge Availability</b>	0.58	0.39	0.00	1.00
<b>Engineering Mentality</b>	0.62	0.26	0.33	1.00

By contrast, the average utility seems to have a weak sense of rule enforcement, as indicated by the low mean score of 0.39 on Grid Governance. No utility obtained a fully-in score, with the highest degree of Grid not being higher than 0.66. This could be explained by the fact that one of the criteria for Grid Governance is insulation between

the different actors. In a small-setting like the islands, this separation may not be possible as all relationships tend to be entangled.

A similar score was obtained for the Group Governance, with a mean score of 0.35 on the whole. This indicates that all relationships have at least two characteristics of group communality. Again this is not surprising given the island setting. Some utilities went on to obtain full membership, apparently having a tight group sense between the actors. However, the rather large standard deviation of +/- 0.34, suggests that there are great difference between the utilities still.

On average, most of the utilities did seem to have a disproportionately Dominant Actor in their ranks, as suggested by the mean score of 0.64. With a minimum score of 0.33, there seemed to be no case at all where there was a perfect balance between the actors. This fits in with the earlier dataset observations on the distribution of capital, already indicating great imbalances favouring either the CEO or the minister.

The governance networks also attained a high score for Engineering Mentality, with a mean score of 0.62 and a minimum of 0.33. This could be explained by the fact that the more technical field of utility management could have attracted and enforced such rational and positivistic planning. Interestingly, there were no policy fields without at least one of the characteristics of Engineering Mentality. Even if the cases could not be characterised by techno-centricity or rationalism, there would always be a planning culture in all of the cases.

The mean score for the Knowledge Availability was 0.58. The utilities on average seem to have a reasonably high degree of pooling of information between the actors. However, this causal process also had the largest standard deviation of +/- 0.39. There were cases with a full membership of the Knowledge Availability set, but there were

also utilities were there seemed to be no trace of any information sharing. These radical differences may have interesting correlations with the occurrence of performance.

### Regression per individual causal process

**Table 50 Individual elements and success**

<b>Causal process</b>	<b>consistency</b>	<b>raw coverage</b>
Group Governance	93%	74%
~Engineering Mentality	79%	68%
Grid Governance	66%	59%
Relational Distance	66%	83%
Knowledge Availability	62%	81%
Actor Dominance	59%	86%
~Actor Dominance	57%	46%
Engineering Mentality	50%	70%
~Grid Governance	48%	66%
~Relational Distance	41%	41%
~Group Governance	40%	59%
~Knowledge Availability	40%	37%

**Recipe for success: Complex solution**

**Table 51 Complex solution for success**

<b>Recipe</b>	<b>Cases</b>	<b>raw cov</b>	<b>unique cov</b>	<b>Const.</b>
<b>Relational*Grid*Group*Dominant*Knowledge</b>	1,2,4	47%	9%	100%
<b>Relational*Group*Dominant*Engine*Knowledge</b>	3	42%	5%	100%
<b>Relational*Grid*~Group*Engine*Knowledge</b>	5,8	35%	7%	76%
<b>~Relational*~Grid*Group*~Dominant*~Engine* Knowledge</b>	10	23%	5%	83%
<b>Relational*~Grid*~Group*~Dominant*~Engine* ~Knowledge</b>	9	22%	8%	78%
<b>solution coverage</b>				
		<b>76%</b>		
<b>solution consistency</b>				
		<b>77%</b>		

**Recipe for success: Parsimonious Solution**

**Table 52 Parsimonious solution for success**

<b>Recipe</b>	<b>Cases</b>	<b>raw cov</b>	<b>unique cov</b>	<b>Const.</b>
<b>Relational*Knowledge</b>	1,2,3,4,5,8	72%	48%	73%
<b>~Dominant Actor*~Engine</b>	9,10	40%	16%	76%
<b>solution coverage</b>				
		<b>88%</b>		
<b>solution consistency</b>				
		<b>72%</b>		



### Recipe for failure: Complex solution

**Table 53 Complex solution for failure**

	Cases	raw cov	unique cov	Const.
~Relational*~Group*Dominant*Engine*Knowledge	12	41%	7%	100%
Relational*Grid*~Group*Engine	5,8,15,16	40%	17%	82%
~Grid*~Group*~Dominant*Engine*~Knowledge	7,13	39%	4%	94%
~Relational*~Grid*~Group*Dominant*~Engine*~Knowledge	6,11	30%	4%	90%
Relational*~Grid*~Group*~Dominant*~Knowledge	9	29%	1%	86%
~Relational*~Grid*Group*~Dominant*~Engine*Knowledge	10	19%	4%	83%
<b>solution coverage</b>				
		<b>80%</b>		
<b>solution consistency</b>				
		<b>80%</b>		

### Recipe for failure: Parsimony

**Table 54 Parsimonious solution for failure**

	Cases	raw cov.	unique cov.	Const.
~Group	5,6,7,8,9,11,12,13,14,15,16	95%	23%	82%
~Relational	10 (6,11,12,13,14)	66%	1%	83%
~Dominant Actor	(10)	53%	0%	83%
~Grid*~Engine	(6,9,11)	44%	0%	73%
<b>Solution coverage</b>				
		<b>100%</b>		
<b>Solution consistency</b>				
		<b>74%</b>		

## **IV: PUTTING ON A PERFORMANCE OR CREATING PUBLIC VALUE**

### **Impression of the cases**

It was usually more difficult to separate the excellent utilities from the abysmal utilities, than to separate the excellent from mediocre utilities. Both excellent and terrible utilities displayed a larger number of actors involved, Relational Distance and strongmen. The utilities in the middle were usually different in most of these aspects. On the whole, the policy fields on both sides of the spectrum look alike in many ways and the differences only became apparent when measuring intangibles like mind-set or the sum of all the variables.

### **Related concepts**

As many others have observed before; that what looks good, is not necessarily good. In a sense repeats the ancient adage that ‘it is not only gold that glistens.’ Beyond the methodological implications, this fallacy also points to two faults in the discourse on performance that have become apparent in the recent years.

Firstly, there are some unwelcome side-effects of applying supposed private sector principles too rigorously. Even today, much emphasis has been placed on the tangible and measurable output of public agencies. Baldacchino signalled that especially on islands, where large capital projects are often funded by overseas donors seeking ‘value for money’, performance management is reduced to the maximisation of rents. The output of government and the prosperity of the people are reduced to the amount of kilometres of roads, foreign investment and new jobs.<sup>391</sup> Whether these digits actually add up to a better life is not easily measured and is therefore ignored. Instead the numbers of the output are equated with the outcome.

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<sup>391</sup> G. Baldacchino, ‘The Contribution of ‘Social Capital to Economic Growth: Lessons from Island Jurisdictions’, *The Round Table*, vol. 94, no. 378, 2005.

It could be argued that such paradigms are a represent are an offshoot of the popularity of New Public Management in the 1980s and 1990s. This has now been replaced by a new emphasis on the quality of the organisational structure. However, as mentioned before when looking at the movement in the literature on public corporations, this field of government has always swayed back and forth between public and private sector ideology, with New Public Management being yet another reincarnation.

The second paradigm, which puts more emphasis on the processes of organisation also has its drawbacks. For example, models like EFQM, Performance Prism and the Balance Scorecard emphasise what a good organisation looks like. However, an organisation that looks effective is not necessarily one that delivers value to the community. New Public Management overemphasises the output, whereas the next model overemphasises the throughputs.

### **Critical distinctions between performance and no performance**

In his work on public utilities for electricity in the Caribbean, Martina defines the performance mission for managers as the task of ‘Creating a flow of value from the organisation.’<sup>392</sup> It could be observed that the failing utilities were still creating a sum of value within their organisation, but that this is not flowing out into the public sphere. The worth generated by the activities are either pocketed by commercial partners involved or the individual actors working for them. This is not always necessarily in the form of straightforward fraud or corruption, but in expensive contracts, pension raids or simply by keeping alive a salary paying organisation which has no further purpose to the community.

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<sup>392</sup> I.S. Martina, *Regulation in splendid isolation*, (NGIF, Delft, 2009), p. 61.

A truly successful utility is both efficient in value creation *and* in delivering this value to the community at large. When dividing up the cases on these lines, they could be fitted in the matrix as shown in the table below.

**Table 55 Creation of value versus creation of public value**

	<b>Efficient at value creation</b>	<b>Inefficient at value creation</b>
<b>Directed towards public sphere</b>	<i>Case 1, 2, 3, 4,5</i>	<i>Case 6,7,8,9,10</i>
<b>Directed towards private sphere</b>	<i>Case 14,15,16</i>	<i>Case 11,12,13</i>

This could help us to understand why cases 1 to 5 and 14 to 16 looked initially so alike. The things determining their image; the building they work in, organisational culture and prestige within the community are often based on the accessories of efficiency. However, to test whether they actually deliver public value requires further scrutiny.

One problem is that the community may reject any of the utilities deemed to be too flashy and thereby strike down the successful utilities as well. Even good utilities may need accessories in order to uphold an ethic of efficiency. In addition, they do have different characteristics to the poor performers which ensure that this efficiency is utilized for the greater public good. It is therefore critically important to weigh the utilities in a proper manner and not be too hasty in passing judgment.

## **V: LOOKING BACK AT THE METHODOLOGY**

### **Reflecting on choices in the research design**

When coming to the end of an extensive research project, it is wise to step back and critically assess the process followed. With the benefit of a fuller understanding of both the theory and the empirics, it is possible to evaluate the applied methodology and weigh how well it served the ambitions of the thesis. The main purpose would be to see how the results and theorems generated could be taken further into a next round of improvement and experimentation.

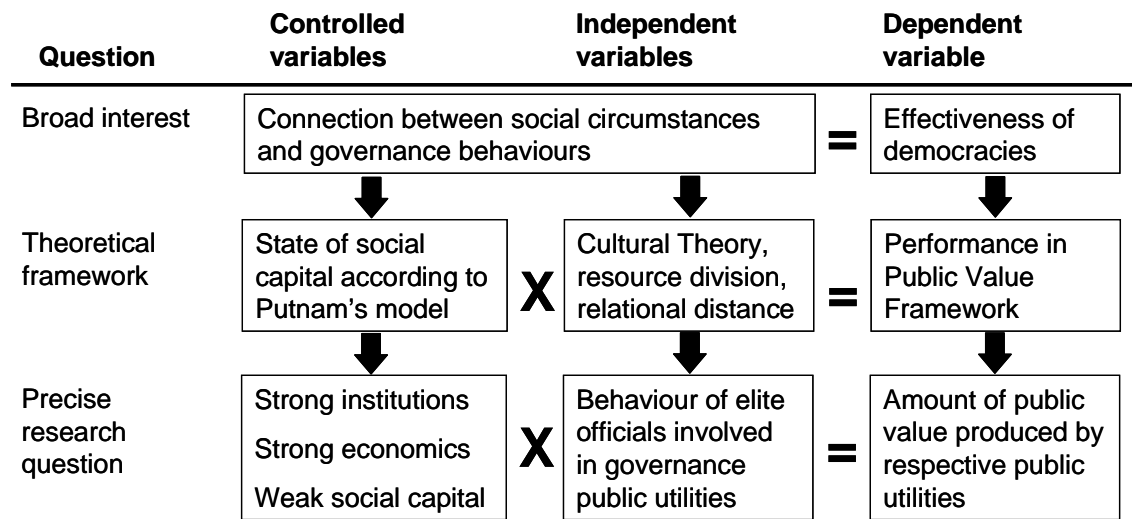
Looking back at this project, three broad questions could be raised: What were the advantages and disadvantages of formulating the research question in the chosen manner? How did the concepts employed to measure and analyze the different variables align with each other? Has the fuzzy-set Qualitative Case Analysis been used to its full potential?

### **Costs and benefits of restricting the ambition of the thesis**

The thesis began with a broad ambition to understand the link between societal circumstances and government performance. Based on an exploration of the literature and the empirical situation, this was translated to a more restricted question. With the goal of responding to Putnam's concept of social capital, the research focused on the link between social capital conditions, the behaviour of elite actors, and the performance of public utilities.

In this translation, several decisions were made which restricted the scope of the investigation. Each of these choices came with a cost in terms of conceptual consistency and empirical completeness. They are explored in the figure and paragraphs below, discussing respectively the controlled, independent and dependent variables.

**Figure 25 Translation of the research ambition**



*Controlled variable: From socio-cultural setting to Putnam's social capital*

As stated in the introduction, this thesis was interested in the socio-cultural roots of the performance of democracies. This discourse is filled with theories about the social prerequisites for an effective government. The choice was made to particularly explore the role of associations. It was then argued that Putnam's concept of social capital is the most prominent perspective in this literature. However, by choosing to adopt his perspective on interpersonal relationships, the analysis was also restricted considerably.

The critics of Putnam cited in this thesis mainly come from a governmental perspective, questioning the link between public administration and social capital. However, Putnam is also criticized by sociologists, many of whom argue that Putnam misconstrues social capital. Fischer, for example, protests that Putnam only cares about organisational interactions between people. In other definitions of social capital, such as the one propagated by Coleman, a wider spectrum of interactions is considered.<sup>393</sup> The argument would be that bonds other than civic organisations, such as informal

<sup>393</sup> C. Fischer, *Bowling Alone: What's the score*, Paper for the Author meets Critic session of the American Sociological Association, Anaheim, California, August 2001.

communities or general sociability, perform a structurally equivalent function to Putnam's social capital.

The decision to respond mainly to Putnam could be defended by the fact that this thesis tries to innovate against the dominant literature on small societies. Putnam's definition is arguably the most prominent understanding of social capital and therefore makes a worthwhile opponent.<sup>394</sup> Moreover, the analysis does at times move beyond Putnam's restricted definition, covering more than just a simple count of associations.

However, this definition of social capital still seems to come up short when trying to capture the different networks in which the senior officials participate. This shortcoming prompts the introduction of concepts such as Cultural Theory and Relational Distance when mapping the social space. This does indeed lead to some uneasy innovation in the methodology which will be explored in more detail below.

*Dependent variable: From democratic success to Public Value*

The dependent variable is first construed as a broad interest in the performance of democracies. This is translated to a more concrete measurement of their success in delivering services to citizens, measured through the Public Value Framework. Again, this translation comes with certain costs.

The first step from democratic success to public sector effectiveness fits with the public management ambitions of the thesis. This literature is more oriented towards service chains than the overall health of democracies. Furthermore, the concept of Public Value still measures success from the perspective of the entire polity, as it goes beyond merely looking at customers or finances.

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<sup>394</sup> B. Gilley, 'Democratic Triumph, Scholarly pessimism', *Journal of democracy*, vol. 21, no. 1, January 2010, p. 160-167.

Yet the cost of using the Public Value Framework is mainly incurred because of this same focus on a universal measurement of success. It does not take into account that the appreciation of government services may alter according to the actor, time or place considered. Instead, Public Value adds up all individual perspectives into one total score. This loss of diversity is particularly felt when trying to capture how different stakeholders thought about the process outcomes. For example, environmentalists and industrialists may have fundamentally different verdicts on the electricity production on the islands. Yet Public Value compresses this into one measurement.

In the defence of Public Value, it could be argued that the thesis would always require a metric to measure performance if causal inference was to be possible. Public Value is particularly good a measurement. It is above all an instrument to think about government; a careful procedure to weigh the burdens and gifts of government to society. Having said this, as will be discussed in reference to Cultural Theory below, the incorporation of plural views could have strengthened this thesis further.

*Independent variable: From open question to structured measurement*

The thesis aimed to approach the empirical field with a broad view, afraid that crucial mechanisms would be ignored if a rigid framework was adopted. It did choose to focus on elite actors, arguing that they form a key joint in the generation and distribution of public value. The research design did not add any further concepts beforehand. Such theoretical tools, such as Cultural Theory or Relational Distance, are only introduced in the thesis when prompted by the subsequent phases of the fuzzy-set analysis.

The obvious cost is that, through its focus on the elites, the thesis loses sight of the larger groups of actors outside the corridors of power. It is no longer possible to make pronouncements about the will or influence of the people at large. For example,



although the involvement of trade union leaders is considered important, the research says little about their connections with the union members. Although the thesis does not make any claims on this front, it would still have been good to learn more about the constituencies of the senior actors.

A more subtle loss is incurred by the late introduction of conceptual measurements. Even if this is what the analysis prescribed, it does create a degree of heterogeneity, if not incompatibility, between the concepts used. For example, Cultural Theory claims to capture all the fundamental characteristics of human interactions. It then seems superfluous to also measure Engineering Mentality or Knowledge Availability. Furthermore, the relations between these concepts and those used to describe the controlled and dependent variables may also be problematic. Cultural Theory, for instance, emphasizes a difference in perspective between actors on what is good and bad, while the Public Value Framework constructs a universal measurement.

The thesis could so be accused of ‘easy conceptual eclecticism’.<sup>395</sup> The defense would be that the welding together of different disciplines necessitated a trade-off between simplicity and completeness on one side and consistency on the other. It is now time to see whether this trade was worth it.

### **Alignment between the concepts used**

The thesis is mainly shaped by three concepts: Social capital, Cultural Theory, and Public Value. The analysis may have been undermined by contradictions between them. The potential friction between Public Value and Cultural Theory has already been discussed, but there could be more mismatches. Social capital as defined by Putnam regards one type of associations as conducive for democratic government: Egalitarian and formalized organisations. By contrast, Cultural Theory argues that any one of its

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<sup>395</sup> A. Mutch, R. Delbridge and M. Ventresca, ‘Situating Organisational Action: The Relational Sociology of Organisations’, *Organisation*, 2006, vol. 13, no. 07.

four types of relations can be made to work, even if they each have their own weaknesses. Finally, the managerial focus of Creating Public Value as professed by Moore does not fit automatically with the societal perspective of Putnam.

There are roughly two ways of dealing with these tensions. On one hand, one could take a very orthodox approach, emphasizing the need for conceptual consistency. On the other hand, one could argue that any thesis aiming to combine two literatures will have to be more pragmatic. In this latter approach, the main aim is to capture the relevant empirical facts and this requires some conceptual stretching.

### *Orthodoxy*

In the orthodox approach, all variables are ideally measured through the same concept. In this regard, the combination of Putnam's social capital, Cultural Theory, and Public Value is inappropriate. Instead, one of the concepts should have been used throughout, as is explored here.

To start with social capital, the research did consider the use of a derivative from this perspective as the central lens. Yet, as explored in the literature review, Putnam gives no clear indication of the micro-level mechanism under-pinning his theory. This necessitates the introduction of something like Bourdieu's practice theory. This would make it possible to measure such discrete factors as habitus, capital and field. Yet Bourdieu still required additional concepts which would have overcomplicated the research design, failing the test of Occam's Razor.

Alternatively, the Public Value Framework could have been used as an all-encompassing lens. Yet it was felt, however, that this model comes up short in capturing and measuring all the relevant behaviours. Public Value tends to focus at the performance at the organisational level. While Moore does list a few helpful techniques

in his subsequent work, they are not integrated into a single framework to catalogue the behaviours of actors.<sup>396</sup>

A more credible alternative would have been the use of Cultural Theory beyond the independent variables. This would have also allowed for the identification of different types of connections across society, rather than the blanket pronouncement of Putnam based solely on organisational links. Moreover, the contradictory worldviews catalogued in Cultural Theory, could also serve as the framework to measure different types of government success. For example, Talbot links the Public Value Framework to alternative views on human relations, Verweij and Thompson discuss how ‘clumsy solutions’ can appeal to different worldviews at once.<sup>397</sup>

However, these possible uses of the Cultural Theory framework only became apparent with the benefit of hindsight. The first analysis was necessary to show that actor perspective and knowledge consolidation might be crucial in these contexts. At the time the research was being planned and executed, the main concern was to capture all the relevant aspects of the then still messy empirics.

### *Pragmatism*

Starting from a more pragmatic view on the combination of concepts, a dogmatically consistent use of concepts was of secondary importance. The main aim was to generate new theoretical thoughts. Unusual combinations are then inherent to the trial and error of research.

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<sup>396</sup> M. Moore, “Managing for value: Organisational strategy in for-profit, nonprofit, and governmental organisations”, *Nonprofit and Voluntary Sector Quarterly*, March 1, 2000 vol. 29 no. suppl. 1 183-208.

<sup>397</sup> C. Talbot, *Measuring public value: a competing values approach*, Paper for The Work Foundation, October 2008. M. Verweij and M. Thompson, *Clumsy solution for a complex world*, (Palgrave MacMillan, London, 2006).

Within this process, the thesis did always try to be clear and precise about its use of concepts. The tenets of social capital were carefully dissected and translated to the Caribbean setting. The concepts of Cultural Theory, Relational Distance, etc. were selected because they captured the intended variance of the independent variables, but were otherwise not prescriptive about its impact on governance. For example, in his use of Relational Distance, Hood does not argue that a high distance will always translate to better outcomes than low distance, but rather that it depends on the circumstance.<sup>398</sup> Finally, the application of the fuzzy-set analysis went through a structured calibration of the concepts.

At all these steps, the rigidity of the concepts had to be weighed against the availability of the data and the ambition of the thesis to find the crucial causal mechanism. However, now that the research process has been completed, it would be equally pragmatic to reconsider the concepts used when moving the project forward.

For example, having established it could be relevant in this small-scale democracy context; it may be very worthwhile to use the Cultural Theory framework as the single conceptual lens. In addition, other models of human interactions may be used to analyse the social interactions of the key players. In short, the long and winding road this thesis had to travel did generate several useful ideas. A more straight-forward reconsideration could now deepen the analysis and refine the causal model.

### **Presenting the results**

A final question is whether the results derived from the research process have been brought to their appropriate conclusions. A concluding chapter could easily fall in one of two traps; over-claiming, without a link to the data, or saying too little and leaving the reader unsatisfied. This thesis did try to synthesize a broader story in the concluding

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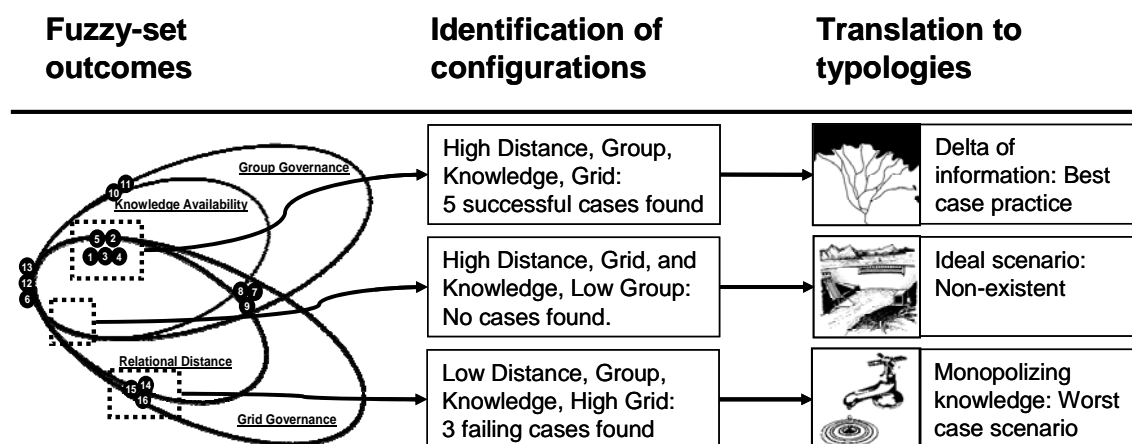
<sup>398</sup> C. Hood et al. *Regulation inside Government: Waste-Watchers, Quality Police, and Sleaze-Busters*, (Oxford University Press, Oxford, 1999), p. 101-102.

chapter by introducing the four types of governance. It may so have fallen into over-claiming. Another view could be that the concluding chapter could actually have done more to use the possibilities of fuzzy-set analysis to generate the typologies.

A fundamental strength of Qualitative Case Analysis is its overview of the vector spaces, or configurations of possibilities. Qualitative Case Analysis shows which configurations are theoretically possible, but also maps which actually occur in reality or do not in fact materialize. This may suggest which variables cannot co-exist with each other or are co-dependent. In the case of the six fuzzy variables used here, there were  $4^6$  possible configurations of Knowledge Availability, Grid Governance, etc. Based on the current data, which admittedly only existed of sixteen cases, just four clusters of configurations actually appeared.

This property of fuzzy-set analysis could serve as the bridge from case analysis to the creation of wider typologies in the results phase. Rather than jumping straight from the Venn-diagram to the typologies, an intermediate step to survey the different configurations that have manifested themselves could make the process more rigorous. The diagram below shows how typologies could have been generated in more close cooperation with the data, giving the example of three configurations.

**Figure 26 Generating typologies from fuzzy-set outcomes**



For example, the configuration of High Distance, Group, Knowledge, and Grid actually returned only five cases, which all happened to be very successful. The corresponding typology could therefore be marked as a best case practice. Interestingly, there were no cases found with the configuration of High Distance, Grid, and Knowledge, combined with Low Group, even if this is on paper the ideal good governance situation. Again this can be translated to a typology. This diagram analyses only three clusters, but many more could be discussed.

Next to being more transparent in the creation of these typologies, the method is also more rigorous. The typologies are more mutually distinctive from each other because they are separated by differences in the configurations. In addition, they could be claimed to be jointly exhaustive when applied to larger-N studies, as they represent all the configurations that were actually manifested in the empirical reality.

In addition to some further consideration of the concepts used, the more incremental creation of typologies of governance could have so strengthened this thesis. In its current form, the project does provide several stepping stones for small societies. When also taking heed of the methodological lessons discussed here, its value could be increased further in future endeavours.

## GLOSSARY OF TERMS

*Public utility* – The unit of analysis is formed by sixteen public utilities. In this thesis, the term public utility is meant to include both the organisation delivering the service as the governmental leadership responsible for its direction. For example, the public utility for electricity supply refers to the public corporation tasked with producing the electricity, but also to the responsible minister and the involved civil servants. As an alternative, the term policy field will also be used as a synonym. Terms such as system, network or arena are avoided as they imply a certain model of governance which may not be appropriate.

*Executive agency* – The agency is defined as the discrete organisation responsible for the delivery of the service. This is delineated from the highest executive officer, be it the CEO or head of department, down to the street-level operators. They will also be referred to as public corporations, although two of the cases were in fact government departments.

*Government* – For short hand, the ministers and their immediate advisors are referred to as the (central) government; this is distinct from the executive agencies. Both could technically be considered part of the government, but as the minister possessed a political mandate, the term government here refers only to this office.

*His/her* – Where possible, the language used is gender neutral. However, at the time of the data collection, all ministers and CEO responsible for the utilities were men. Only a handful of women were represented in the boards of directors or at the management level. A specific effort was made to talk to more female respondents to avoid a male bias, especially as many women had key positions in other parts of the central government. However, on the whole, elite offices in the public utilities fields were male bulwarks.

*Anonymity* – The choice was made to use anonymous quotes for the interviewees and anonymous references during the ranking of the different utilities. Ideally, any scientific inquiry is as transparent as possible, allowing for easy scrutiny and replication of its analysis. However, given the sensitive nature of the subject, little information would have come out of the respondents if they were to be named. Similarly, CEOs and ministers indicated that they would not cooperate with a public ranking of their organisation. To still provide accountability, the names of the respondents and cases will be made privately available to the examiners of the thesis at the University of Oxford.



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Caribbean Electric Utility Service Corporation (CARILEC)

Central Intelligence Agency (World Factbook)

Commonwealth Secretariat (Small Countries unit)

Food and Agriculture Organisation (Water reports)

Union of International Associations (Yearbook of international organisations)

United Nations (UNESCE Statistical Database)

Transparency International (Corruption Perception Index 2004-2008)

World Bank (Governance Indicators / Country Reports)

### **Newspapers / news websites**

Amigoe (Curacao / Aruba)

ANP (the Netherlands)

Extra (Curacao)

<http://nieuws.willemstad.net> (Curacao)

La Prensa (Curacao)

SKNvibes (St Kitts)

WinnFM (St Kitts)

## **Government**

Autobusbedrijf Curacao

Aruba Airport Authority

Aruba Port Authority

Arubus (Aruba)

Aqualectra (Curacao)

Curacao Airport Holding

Curoil (Curacao)

Curacao Port Authority

Centraal Bureau voor Statistiek, Aruba

Centraal Bureau voor Statistiek, Curacao

Central Government of the Netherlands Antilles

Elmar (Aruba)

Island Government of Curacao

Government of St Kitts & Nevis

Government of Aruba

St Christopher's Air- and Seaport Authority (St Kitts)

Selikor (Curacao)

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