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COST 601: Comparative Research into Current Trends in Public Sector Organization (CRIPO)

Research Note: „Switzerland"

Andreas Ladner, Glenda Guillaume-Gentil and Yves Emery, IDHEAP, Kuno Schedler (University of St-Gallen)

1. Aim of the swiss project

An integrated research project, made of three sub-projects (see below, presentation of the design), will be submitted at the end of September by a team formed of prof. Y. Emery, prof. A. Ladner (both IDHEAP) and prof. K. Schedler (IDT, Uni St-Gallen). The State Secretariat for Education and Research will evaluate this proposition and decide until the end of March 2009. This could be the official start of the project.

The project will analyse the "autonomy-performance" link of public sector organizations within specific public policies areas, with both a quantitative and a qualitative methodology. Organizations with different levels of autonomy and active in the same field will be chosen, in order to determine the potential influence of autonomy on performance. Following a comprehensive quantitative analysis of agency-like organizations in Switzerland, case studies will be identified and scrutinized under three complementary perspectives:

1. Political control and accountability: research questions from a political sciences perspective (public governance)
2. Corporate control and accountability : research questions from a public corporate governance perspective
3. Management control and accountability: research questions from a public management and leadership perspective

2. Swiss way of modernization : a brief summary

Currently in Switzerland, a large number of public bodies at all hierarchical levels (the federal administration, the cantons and the communes) have implemented major NPM-type modernisation programmes, which place great emphasis on outputs and outcomes of public policies (Schedler and Proeller 2002). There are, of

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course, many different implementation models resulting from Switzerland's quite decentralized state; nonetheless, there exists a *Swiss way of public management*, which is characterised by pragmatism and openness[1] to private sector values and methods. Financial, organisational and human resources issues have been made more flexible to enable a more responsive state and to initiate a new citizen-oriented culture (Lienhard, Ritz et al. 2005). Most of these administrations have abolished employment security; we are now witnessing increasing job cuts and, in certain cases, redundancies. Furthermore, a number of cost-saving programmes, devised by Parliament for the federal agencies, have been progressively implemented in recent years. They have added a layer of complexity to the reforms already underway, which take place in an environment also characterised by major transformations in important public policies (education, environment, etc.). It is worth noting that the NPM-modernisation process at the federal level (but not only) is advancing much more slowly than initially announced. This is partly due to some intermediate internal and external evaluations, which pointed out that cultural, political and organisational problems have been strongly underestimated (Leuenberger 2005; Schedler and Proeller 2007; Schmidt 2007).

Agencies as such have not been at the heart of the Swiss modernisation of public management : the main instrument used is *an internal agreement* (performance contract or mandate, with objectives and indicators) between the political autority (Executive body, in some case Parliament) and units of the administration (offices, services). On the other hand, there is a tradition in Switzerland of more or less autonomous organisations within the existing legal framework (Schedler, Gulde et al. 2007), some of them, as the *Hospice general* in Geneva created in 1535, having a long history.

During the last months, a contradictory debate has started in our country about the opportunity to put more emphasis on the creation of agencies-like structures. Proponents of this orientation expect a more performing Public Sector, because these agencies are supposed to be more flexible and efficient through a greater autonomy in their management. Classical structures being part of the administration have traditionally been perceived as rather rigid and inefficient. Opponents are quite sceptical, because they anticipate a loss of democratic control. Typically, a vivid discussion within the political arena and the civil society is presently focused on the control of the remuneration of the CEO of these autonomous public sector "agencies". A lot of crisis revelled that these remunerations are partially out of democratic and political control. At the federal level, a discussion about the best legal framework for a Public Corporate Governance of government agencies has started last year, initiated by a report coming from the Government.

What makes Switzerland especially interesting in the ongoing debate on agencies on the international level is the fact that the decisions whether the public service of

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[1] The Swiss public sector is inspired by an "open system" or a "position system", and not a "career system" like in France. It allows for a greater mobility of staff between the private and the public sectors.

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a department should be transformed into an agency is quite often subject of a popular vote. It might even be the case, that in one canton citizens accept the creation of an agency for a specific task and in another canton they turn down a similar project. This allows us not only to analyse the public debate on "agentification" but gives us the possibility to compare sector specific provisions of services on traditional and on agency like bases.

As this short summary shows, the research subject of "agencies" in Switzerland is quite actual and important, despite the fact that it doesn't reflect the main modernisation strategies adopted in this country.

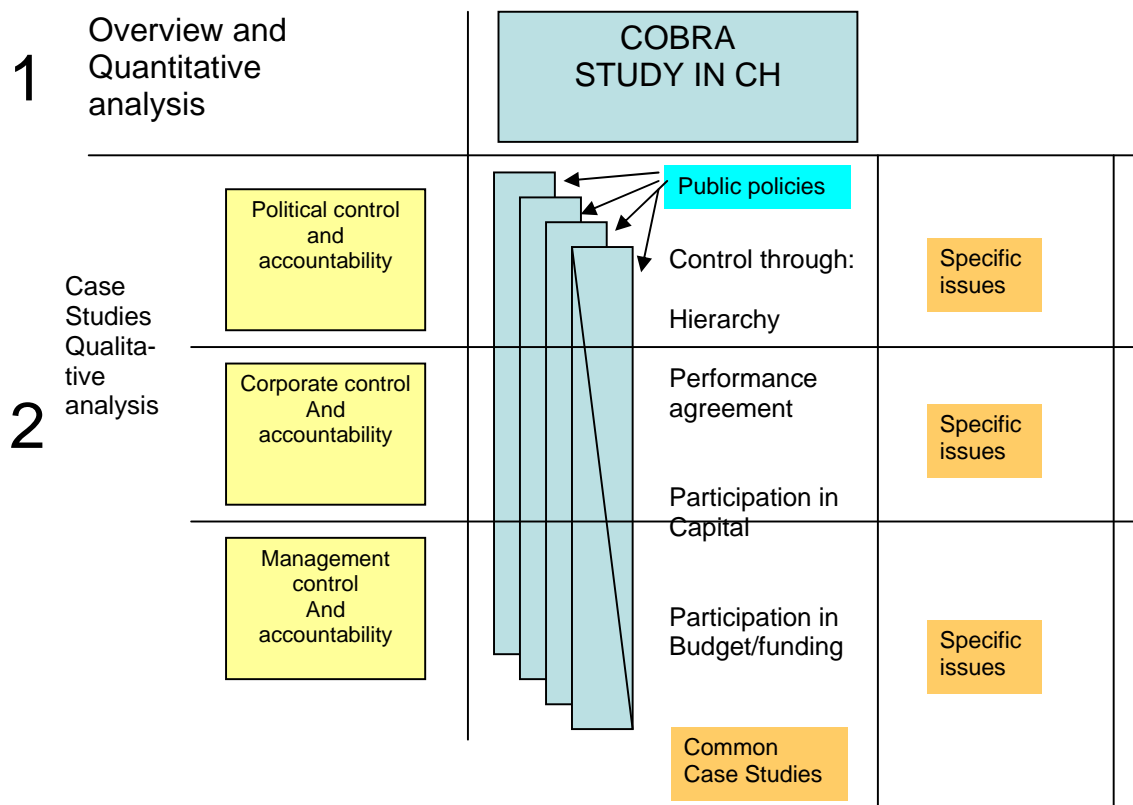## 3. Overview of the research design (see figure 1)

Figure 1: overview of the research design

Before being able to start the research with the above described design, we will realize a first inventory of "agency-like organizations" at the cantonal level. Four different levels of autonomy, gradually increasing, have been presently identified:
1. Classical control through hierarchy, the structure is fully part of the organization chart.
2. Performance agreement: the typical way of Swiss-NPM implementation
3. Participation in capital: organizations where the State, as a shareholder, can control the main bodies and decisions

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4. Participation in budget, current expenses and investment, with the aim to contribute to a public policy conducted by the State.

Levels 3 and 4 can be considered as "agency-like organizations". In practice, as shown by a first analysis done in three cantons, it seems to be quite difficult to gain a clear overview of these organizations, and moreover about organizations which are really important due to their political dimension and their impact in public policies.

The first step of the research consists mainly of the COBRA survey, which will be slightly adapted and completed, and then conducted in these agency-like organizations, but also in more classical organizations considered as control group.

The second step will be conducted in selected public policy fields where organizations with different levels of autonomy can be found in Switzerland. Case studies will allow to deepen the question of control and accountability of the performance of these organizations, under three different perspectives:

- Political control and accountability: research questions from a political sciences perspective (public governance). According to the NPM philosophy a clear distinction has to be made between political and managerial responsibilities (Lienhardt et al.2005). The politicians in office are supposed to define the goals and give some general guidelines to the agency, the agency decides on how to achieve these goals. To analyze this relationship we refer to the principal-agent theory. Does the increased autonomy of an agency provide a solution to overcome the principal agent dilemma by bringing the self interests of the agency closer in line with the interests of the principal? Can the problem of asymmetric information be solved with service contracts and performance indicators? The project will thus analyze issues of autonomy and control of the agencies. We suggest doing this quantitatively by using the COBRA questioner. Following the suggestions of Verhoest et al. (2004) the autonomy will be understood in various ways: managerial, policy, structural, financial, legal and interventional. Control as well will be measured by the different types of autonomy. The work of Schmidt (2007) will inspire us to like as well at the side of the parliaments. But we mainly turn our attention towards the executive. At the cantonal level, the executive has in many cases the role of a controller vis-à-vis the agencies. Additionally, we will have to take into account, that the agency also have the possibility to find legitimacy by referring directly to the citizens/customers.

- Corporate control and accountability: research questions from a public corporate governance perspective. Agencification, like other processes with a focus on decentralization, produces a number of challenges for the organization. Agencies have substantial freedom in managing the routine business while they are supposed to be an instrument of the government mother agency in order to perform well. Given the tensions, public corporate

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governance needs an appropriate balance between conformity and performance (Schedler, Gulde et al. 2007). Institutionally, we are focusing on supervising function (included is the board as the supervising institution) since it is the central lever for the instrumentalization. From a corporate governance perspective, the board is inexorably linked to performance (Nicholson and Kiel 2004). Additionally, in different forms of agencies, boards are the central institution when it comes to governance problems. Our research aims at the supervising function within public agencies and its efficiency and effectiveness. Research Questions are: What are relevant conditions for supervision of public agencies? What are constituting elements of agency supervision? Which role do boards (respectively, the supervising institution) play in ensuring a proper balance between conformity and performance? We are going to focus on board and its characteristics, such as size, composition, and leadership structure (Van den Berghe and Levrau 2004).

- Management control and accountability: research questions from a public management and leadership perspective. According to Berry, entrepreneurial leadership, promoted with varying degrees of explicitness by new public management, is seen as positive by certain analysts: they see it as bringing about leadership that is capable of working around bureaucracy in order to better serve citizens; other analysts, however, consider this style to be incompatible with democratic values (Berry 2007). This latter approach is in line with more general debate on the discretionary power of public managers: the "discretion debate" (Van Wart 2003). Referring to the classical dichotomy between manager and leader, the author asks what kind of public management we want: managers who faithfully execute the missions conferred on them by policy, or entrepreneurs who interpret and transform the main principles provided by the policy but with considerable leeway. Whatever type of reforms take place, Berry believes that public managers should contribute towards (competent) professional administration that is transparent, that involves citizens, that is responsible, that is accountable for its performance, that aims to provide high-quality services, that is accessible thanks to greater use of the Internet (e-government) but that at the same time acts in an ethical way and promotes clear values that it endeavours to put into practice. This is going to be especially important for public managers who are at the head of agencies. Here, we are typically falling within normative literature that should be examined empirically from the viewpoint of the actors concerned: no such study has yet taken place. This sub-project will be conducted using the theoretical framework of "strategic analysis of actors" (*analyse stratégique des acteurs*) coming from the French organisational sociology (Crozier and Friedberg 1977; Friedberg 1997). The main purpose of this methodology is about identifying so-called *perceived strategic issues* within the organisation, diagnosing the main *resources* and *constraints* of the people in key positions, and finally to reconstruct and explain the leadership roles and

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behaviours of public managers (so called "strategies"), and their influence of the organisation's performance.

Each of the sub-project conducted in the second step of the research will analyze in qualitative case studies *common issues* coming from the first step, and *specific issues* discussed in the literature of respectively political science, public corporate governance and public management.

4. Research plan step by step

Phases	Switzerland	Europe	Comments
Phase 0	Definitions of the main concepts : mainly inspired by the definitions used in the COBRA study	Concepts that are used in other COST designs (COBRA)	Must be as comparable as possible to other European definitions
	Degree of agencification in Switzerland: exploratory study in three cantons (AG, VD, GE), followed by a first comprehensive inventory of "agency-like organisations" in all cantons		Until end of June 08
	The research project will be focused on agencies at **cantonal level** (with optional information coming from another study conducted at local level + Studies conducted at KMP (Bern)		
	Potential partners (Cantonal Directors of Finance Conference,)		Still open, depending on the COST budget
Sub-project 1	Based on the inventory of agencies in Switzerland, as defined in phase 0, implementation of the COBRA survey + specific questions related to political control, public corporate governance and public management of agencies	Comparative analysis with other countries members of the COST action	Specificity of Switzerland (political culture, federalism)
	Quantitative analysis : Explaining variables -> describing variables of agencies in Switzerland -> outcomes variables (performance)		
			The same case

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Phases	Switzerland	Europe	Comments
	Qualitative analysis (case studies) in some policy areas where different types of agencies can be found : • traditional control through hierarchy • NPM-like control through contracts • Agency-like control through participation in capital or expenses Research questions focused on political control (public governance) + common issues to be analysed in the 3 sub-projects Interviews with members of the political body in charge of these agencies (mainly Executive), and with CEO of these agencies		**studies** will be chosen in the three sub-projects, in order t**o discuss selected issues about vertical integration of the three levels** (politic, board and management)
Sub-project 2	Qualitative analysis (case studies) in some policy areas where different types of agencies can be found : • traditional control through hierarchy • NPM-like control through contracts • Agency-like control through participation in capital or expenses Research questions focused on public corporate governance issues + common issues to be analysed in the 3 sub-projects Methodologically, we will conduct a qualitative study at the cantonal level. Interviews, self-assessments and focus groups seem to be an adequate mix of methods with which we intend to develop a supervision framework for the overall performance of agencies in the public sector.	Other case studies	Deepening of the study recently conducted about Corporate Governance in Switzerland (Schedler, Gulde et al, 2007)

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Phases	Switzerland	Europe	Comments
Sub-project 3	Qualitative analysis (case studies) in some policy areas where different types of agencies can be found : • traditional control through hierarchy • NPM-like control through contracts • Agency-like control through participation in capital or expenses Research questions focused on public management issues, + common issues to be analysed in the 3 sub-projects. Interviews with members of the management team and other stakeholders of these agencies	Other case studies	Deepening of the study conducted about the main expectations employees have about their management (Emery, Sanchez et al. 2007)
Integration and conclusions	Main analysis and conclusions coming from the three sub-projects. **Discussion of common issues** that have been incorporated in the case studies, in order to gain an integrated understanding of public (corporate) governance Integration of other studies conducted at the federal and local level.	Integration and comparison of the results with other countries	

5. Strengths and weaknesses of the research methodology

The main strengths can be described as follow:
- A mix of quantitative and qualitative methods, enabling an identification of the main issues about autonomy and performance, and a deepening in case studies
- Variation of the degree of autonomy of organizations active in the same field of public policy (variation of the independent variable)
- A mix of three different disciplinary perspectives : political sciences, corporate governance and public management and leadership. These different perspectives applied in the same case studies will bring new

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insights in the fascinating but very complex topic of autonomy and performance of agencies.

The main limits of this research design are related to the challenge of finding a good synergy between three research teams, and three different disciplinary competencies and research perspectives. Another limit is related to the fact that we intend to compare (more or less) autonomous agencies with classical organizations (as control group); a systematic variation of intra-organizational characteristics will hardly be possible.

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