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The dark side of governance or on the shortcomings of governance networks

The article deals with the issue of shortcomings of governance. The author presents and discusses the fundamental limitations of governance networks. To that end, he focuses on the issues of trust and communication between network members, network transparency and accountability as well as the problems of management and coordination within a network. He also reviews the impact of governance networks on increasing social inequality.

Keywords: governance, networks, self-organizing inter-organizational networks, network governance, trust, actor in the political process

With the development of society and state institutions, the way in which public authority is perceived, considered and implemented, is evolving. It is now recognized that in developed countries the current level of complexity made direct steering and the execution of all public functions by a single authority not only undesirable but also impractical. The high level of complexity of issues leads to the need to share power. Hence we are no longer talking about governing but about co-management or governance. Therefore, what we are looking at is a process of coordination (W. Dziemianowicz, K. Szmigiel-Rawska 2010).

In the late 1990s, in the search for a remedy for the shortcomings of government systems, researchers started investigating a new direction. The previous method of governing – classically understood in hierarchical terms – ceased to be the only response to the question of how to govern in the 1970s. In that model, central government, through its administration, devises and implements public policies. It appears that all the faults (or maybe weaknesses and shortcomings) of that approach have already been described and diagnosed, which prompted the search for a new course of action.

On the rising tide of New Public Management, the weaknesses of the previous model were to be remedied by adopting the market as a regulator free from the problems confronted by classical administration. This model also proved to be imperfect. The difference between these two approaches to the issue of governance refers primarily to the role to be played by the state. In the hierarchical model, political actors create institutional frameworks for the process of governing and, by means of public policies, set objectives in an authoritarian manner. These objectives are to be achieved by a hierarchically structured public administration in the spirit of Weberian ideal bureaucracy. Such a model of exercising power contrasts with the idea of market (or managerial) governance, in which the state restricts its activities and assigns the implementation of selected public policies to market entities. The state retains the role of an architect, but is no longer concerned with the building. The private sector takes over the „rowing“ role from the administration, leaving it to do the „steering“. However, the rationale behind this change was not only to limit the size of the state, but also to improve the quality of services provided by it. At the end of the twentieth
century, R.A.W. Rhodes (2010) pointed out that
this new model somewhat randomly generated,
or maybe automatically evolved into, unexpected
new forms of governing, called governance. The
differences between these two approaches are
highlighted in Table 1.

G. Stoker defines governance as a process
of governing based on interactions between
actors within a governance network. The inter-
action processes include three basic types of
relations (understood as forms of partnership
among network members): principal–provider,
negotiations among organizations and systemic
coordination. Each subsequent relationship is
more complex than the previous one; hence
the transition to more advanced contact forms
demonstrates a kind of evolution from governing
to governance (2008).

The novelty of governance as a mechanism
of governing consists in its consensual nature.
The above-mentioned paradigms of governing
– hierarchy and market – are opposites (admi-
nistration vs market), but both presuppose the
existence of a central source of power. The new
model, also known as network governance,
constitutes a kind of compromise. It does not
determine who is right, who can allocate the
available resources better or who should make
decisions, but clearly demonstrates the need for
participation in the governance process. This
partnership is implemented via networks, which
are “informal rules governing the interactions
between states and organized interest groups”
(Blom-Hansen, 1997, p. 676). The process of
governance involves not only the state (through
its agencies) and private entities, but also repre-
sentatives of social groups, which results in its
inclusiveness. The strength and uniqueness of
this approach is its consensual nature. Through
the process of coalition building, bargaining,
agreements and negotiations political actors
transform individual needs and expectations
into collective actions which benefit the public.
Such processes, however, require appropriate
institutional structures characteristic of demo-
cratic and liberal systems (Kjaer 2009, p. 20–25).

Table 1. Selected characteristics of governance systems

<table>
<thead>
<tr>
<th>Feature</th>
<th>Model of government</th>
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<tbody>
<tr>
<td></td>
<td>Bureaucracy</td>
</tr>
<tr>
<td>Role of central authorities</td>
<td>“rowing”</td>
</tr>
<tr>
<td>Attitude towards citizens</td>
<td>voter / applicant</td>
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<tr>
<td>Coordination mechanism</td>
<td>hierarchy</td>
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<tr>
<td>Cooperation with the environment</td>
<td>delegation</td>
</tr>
<tr>
<td>Relations with the environment</td>
<td>exclusive</td>
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<tr>
<td>Source of public policies</td>
<td>defined in a top-down manner</td>
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<tr>
<td>Legitimacy of the decision-making process</td>
<td>procedural</td>
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What is governance?

Governance as a relatively new approach does
not have a clear definition, even though a number
of publications have been devoted to this method
of governing. R.A.W. Rhodes identifies six main
interpretations of this term and notes that this is
not a complete list and, as such, does not cover all
the ways in which the concept can be interpreted.
Rhodes (2010, p. 110) made an attempt to formu-
late a restrictive definition. In his view,
“governance refers to the self-organizing inter-
organizational networks”. According to J. Torfing
(2010), governance denotes a specific process
of governing based on networks: “Network governance thus refers to networks of actors, such as politicians, administrators, stakeholder organizations, private firms, social movements and citizen groups involved in public governance.” An important element of this solution is the absence of a hierarchical order in the process of coordinating public and private interests with activities of the participants.

Torfing identifies five constitutive elements of network governance. First, it is a horizontal process involving autonomous interactions of interdependent entities. Second, these actors interact with one another in the process of negotiating objectives, which makes it a process based on mutual relationships. Third, such interactions occur in the context of specific institutional settings (both formal and informal ones). Fourth, the process is self-regulating; a network is thus not controlled from outside, even though it is subject to external constraints. The fifth element involves the achievement of public objectives as part of the processes that occur within the network. (Torfing 2010, p. 97–98).

A major advantage of governance is the re-cognition of different group interests and their coordination, which results in public policies better matched to the needs and expectations of different recipient groups. The formulation of public policies in the context of integrated networks thus ensures a better coordination of objectives of individual network members than was the case under hierarchical or market approaches, respectively. The network itself becomes resistant to government steering; the authority of central government is limited in favour of the empowerment of other (social and market-based) actors. Networks are self-organizing and autonomous. It means that the government is unable to control them, which is partly due to its limited resources, lack of legitimacy and the fact that the phenomena to be controlled are quite complex. Owing to this fact, a network as a whole, in which the state is only one of several members, may pursue its own policy and, in principle, do it better than the state (Rhodes 2010).

Governance seen from the perspective of self-organizing networks is resistant to errors resulting from the operation of the state administrative apparatus or market entities performing public tasks. It makes it possible to counteract erroneous decisions and, in the absence of a decision, fill the gaps. Governance also facilitates the process of coordinating objectives promoted by various actors, and thus contributes to increased efficiency and public acceptance of the measures taken. As B. Jessop (2007) rightly warned, there are no perfect, universal or objectively best solutions. The above-mentioned elements contribute to the strength of this approach, but what about the shortcomings of governance as a mechanism of governing?

The fundamental risks or drawbacks of the concept of governance result from the fact that the entire mechanism is based, first, on trust and, second, on communication among network members. Both issues require an in-depth discussion.

Trust simplifies the decision-making process and reduces its costs. It can neither be imposed by a decree nor be bought, it is not permanent and it can be lost. It is therefore necessary to keep building it up. It is also difficult to measure and may only be verified ex post and, as such, may also be subject to abuse. The lack or limitation of trust impairs the capacity to coordinate interests within the network. For this reason, as the basic element of the coordination mechanism in the area of public interest, it requires the presence of social capital and the civil society founded on it (Giza-Poleszczuk 2007).

Another important element is communication that determines the flow of information and thus the rationality of decisions and readiness to reach a consensus. Information is distributed amongst the entities in an uneven manner, which clearly increases the risk of fraud, or, in the event of inappropriate coordination, compounds problems with information flow among the entities involved (Kjaer 2009, p. 52–62). Additionally, the capacity to ensure appropriate information flow derives from the level of trust.

A key requirement for the proper operation of a network is the transparency of activities and relations among its actors. This statement, even though extremely easy to prove, is not trivial in nature. Mutual transparency allows network members to build relationships based on trust, provides a sense of community, ensures
mutual security and allows for specific non-hierarchical governance. Without transparency such relationships cannot occur. In the event of a possible lack of transparency the requirement of mutual trust cannot be met. This increases the risk of abuse and drifting of objectives within the network as a whole. Such a risk is associated with different potentials of individual participants, so the transparency of the action is the only tool to ensure balance. The transparency condition is so critical, because without it, it is impossible to identify all the actors within the network. Any overt network may contain a number of hidden networks, and some actors may only be figureheads. An analysis of network governance with a view to identifying its shortcomings must begin at the stage of network formation. According to Torfing (2010), scientific interest in the issue of network governance was due to three processes: fragmentation, comprehensiveness and dynamics of social processes. Ironically, these processes are also the cause of the weakness of network governance. Analyzing the work of researchers dealing with governance, Torfing recognizes the following basic assumptions of network governance: 1. the state creates or stimulates network creation, 2. self-regulating networks include responsible actors, and 3. these actors operate in accordance with the objectives set by the government. Once these three conditions are met, the state can be relieved (the networks assist the state) of its duty to devise and implement public policies. Efficiency increases as a result of reduced commitment of public resources and supervision processes on the part of the state (Torfing 2010). In this context, an important question arises: what if the actual situation is inconsistent or even explicitly contrary to one or all of the above assumptions? Is the state, through its actors, really responsible for network formation? Does it have an impact on the processes of governance, or is it just an incompletely aware and non-voluntary participant in them? In other words, is it really the state that sets the rules of the game? Are network participants responsible? The last issue is associated with a host of other problems.

First, the definition of the concept of responsibility: to whom and for what? Actors are certainly rational, but their rationality does not necessarily correspond with that of the state, and certainly such rationality is limited. Moreover, rationality of action does not have to imply convergent objectives. Rationality of action should not be confused with the concept of responsibility. If we consider the concept of responsibility as indicating responsibility for the outcomes of network governance in the context of public interest, it can be assumed that a number of rational network members operate in an irresponsible manner at the same time rationally pursuing their own goals. This brings us to the problem of the third assumption, the most optimistic or even idealistic one. If the government has no means of controlling a given network, it neither has an impact on its shape nor dominates within it; in consequence, it is just one of the stakeholders. As a result, its steering capacity is also reduced (Willke 2007, p. 135–136). Thus, the assumption of concordance between activities and objectives is drifting dangerously toward fiction. Assuming that the government (or its agencies) initiate network creation, it is quite likely that in the initial phase of its operation, all the above-mentioned assumptions may be true but not necessarily so. However, with the development of events, the network must inevitably grow and become more complex. Interconnections become less clear as do the roles and interests of the individual stakeholders. Networks thus become self-organizing, inter-organizational and internally complex systems. Under these complex circumstances, sub-networks may appear. In such a situation, the role and capacity of the state gradually diminish, while the initial founding assumptions are increasingly difficult to verify. In consequence, an important question emerges concerning the growing deficit of democracy and legitimacy of power. Since the democratic state no longer controls the networks, it no longer governs, so who exercises democratic control and on the strength of what mandate?

Another aspect of governance which cannot be overlooked is the fact that along with intentional actions aimed at creating a network, there are spontaneous processes of their formation. It appears that this phenomenon is inevitable and certainly associated with technological and technical progress. However, certain assumptions as to the substance of governance processes, especially the self-organizing inter-organizational
networks, raise concerns and fears. It was assumed that in the process of governance the state can only “indirectly and imperfectly steer the networks” (Rhodes 2010, p. 110). This statement can be expanded to assume that none of the participants can steer the network, or can do so only indirectly and to a limited extent. As long as the network under consideration is a temporary and goal-oriented creation founded in order to address a specific problem, the threat of a quasi-hierarchical order appearing in it is low. However, if we assume that a given network system is reasonably permanent, then it operates as a stable relationship between the actors and it is not only a temporary, goal-oriented alliance whose number and type of participants is not subject to rapid change. Links within a network naturally grow stronger as a result of alliance formation, transition of actors among organizations or identification of shared objectives among participating entities. In consequence, it may lead to the emergence of an informal quasi-hierarchical order, which results in an inter-organizational network losing its original nature and ceasing to pursue shared objectives in favour of individual objectives pursued by a certain entity or group of dominant entities.

It does not mean that the final result must depend on the intentions of network actors. The process may occur spontaneously. According to R. Michels’ iron law of oligarchy, a new institutional order will replace the originally observed network system. The governance process will be transformed into a process based on shared responsibility but with a secret steering element. Thus it will change into governance in name only. This translates into the recognition of the superiority of individual objectives and interests of network members over the social, collective objectives which originally constituted the rationale for network creation. Next, if such a network has an impact on other, non-member groups, the interests of the latter may be marginalized.

The second important issue is that of access to a network. What are the barriers to entry? Who can become an actor in a given network? These questions arise from concerns regarding the danger of network exclusivity (the network as a closed club, admission to members only). Moreover, in the absence of network transparency, the lack of capacity to control or discern all the links in the network, or even to find out about all the entities operating within it, it is difficult to achieve trust, which is the only factor that promotes joint activities. Perhaps long-lasting networks are indeed affected by the risk of spontaneous evolution into a quasi-oligarchic system.

In keeping with the adopted assumptions, essential elements of self-organizing network systems include: interdependence, the presence of autonomous entities within the network, network independence, reciprocity of relationships, trust and related interactions, including negotiations (Łopaciuk-Gonczaryk, Falkowski 2012, p. 34). Indirectly, the elements imply the absence of hierarchy (an advantage of network systems) understood as a certain level of equality among the actors. Still, the question is whether such a model is not too sterile, not to say unrealistic. It presupposes the existence of equilibria that not only ensure the representation of various groups and their interests, but also allow them to coordinate and establish shared interests. Besides, in order to operate properly, a networked system requires an open flow of information and the preservation of specific balance both in terms of access to information and the knowledge necessary to use it.

Thus, we face two major problems of governance: building and measuring trust among the network actors. An actor is a person (individual) or organization (group, community); an entity which operates autonomously and within the existing institutional framework enters into certain relationships (bargaining, negotiations, cooperation, alliances etc.) within the network under consideration. The actor makes decisions affecting other governance network members. The actor has certain resources (including knowledge and information), competencies and objectives which are achieved in the process of interaction within that network. Just as a given governance system may include different entities, it may also be characterized by an unequal distribution of power, a kind of knowledge asymmetry or inadequacy of mutual relations among entities. In combination, such inequalities result in a disparity of capacities to act, which brings us to an important conclusion:
networks do not ensure equality in terms of access, participation (which may be very limited due to exclusivity) or the capacity to influence various actors within the network. Accordingly, reconciliation of interests does not constitute an inherent network feature. Consequently, a network as a coordination mechanism might not prove to be any better than the classic methods. The assumption that all actors in a network are equal is at least questionable and risky, the blurring of boundaries among sectors may be only apparent in nature, while the multiplicity of stakeholders may be ephemeral. This is the first problem resulting from the idealized underlying assumptions of this method of coordinating collective action. As noted by R. Mayntz, researchers dealing with governance tend to adopt the a priori assumption concerning the commitment of state actors to the good of the state (Jessop 2007, p. 9). In other words, they assume that officials are mainly driven by the public good, and therefore they need to be able to solve problems in a way that puts the public interest first. This condition is based on model solutions developed in isolation from reality, where, as W. Niskanen argues, senior officials pursue their own goals along with the objectives of the institutions that they manage. Their rationality can thus constitute the rationality of an interest group, not that of the state. It means that in a complex system state actors cannot be treated as a monolithic group that primarily looks after the public interest, because of the presence of conflicting interests and involvement in the power game.

Jessop (2007) emphasizes that the success or outcomes achieved through the governance mechanism depend on the interactions among actors in governance networks. Activities within such networks are interconnected, complementary and interdependent, which means that any action taken by e.g. actor X affects the other actors and what they do, which, in turn, may influence the actions of actor X and the results of what he does in a sort of feedback loop. The comprehensiveness of governance makes this process exceptionally complex and largely resistant to external control. Moreover, it is extremely difficult to determine the scope of responsibility in such a system (Jessop, 2007, Kjaer 2009). In the absence of network transparency, the lack of capacity to control or discern all the links in the network or even to find out about all the entities operating within it, trust constitutes the only available basis for action. It may result in abuse and lead to the emergence of mimetic structures resembling self-organizing networks, which, in fact, constitute goal-oriented creations with one actor or a group of them performing the steering function (self-organizing inter-organizational networks such as a group of companies or NGOs pursuing a common goal). As a result, governance in the form of inter-organizational self-organizing networks may mean that it is not the state but another (secret) actor that runs the network. The presence of self-organizing networks may eventually lead to public authorities losing control over the course of public affairs.

A critical factor in this context appears to be the involvement of market actors in the legislative process (lobbying). This problem is associated with what Rhodes (2010) calls the hollowing out of the state. The state, by participating in network creation, seeks to shift tasks from the sphere of public administration to the realm of market activity or the third sector, in keeping with New Public Management guidelines. The state does the „steering”, but desists from „rowing”. Over time, however, this also leads to a shift of emphasis in the „steering” itself as the role of the state diminishes. In this way, writes Rhodes, the capacity of the state apparatus to coordinate public policies or even plan them is reduced.

Paradoxically, the emergence of self-organizing inter-organizational networks may lead to poorer accountability and result in democracy being constrained. The outcomes obtained thanks to the networking of the governance mechanism may thus undermine the reasons behind its establishment. The key rationale for governance is the need to improve quality and transparency and hence accountability in the sphere of public policy implementation, which is inextricably linked with the issue of responsibility. According to P. Day and R. Klein, “talking about responsibility means determining who may demand an explanation and who is required to submit it.” (Kjaer 2009, p. 23). In today’s understanding, governance requires both responsibility for decisions and confidence
in decision-makers or co-decision-makers. Governance through networks in a situation in which the state is involved in numerous spheres of life means that the chain of command is becoming less clear, and, as a result, it is increasingly more difficult to assign responsibility to a specific network actor. Diminished accountability and responsibility may lead to a situation in which networks ignore the interests of all those affected by the potential consequences of their decisions, except for those involved in making them. Without social control, without responsibility, network governance loses its greatest advantage, which is the capacity to make decisions based on a social consensus. Ultimately, we come back to the issue of trust, a key element that ensures proper operation of such a system.

The theory of transaction costs perceives networks as extremely advantageous structures. Since they are based on trust, they reduce transaction costs. Thanks to their self-regulation mechanisms, by the mere fact of their existence they improve themselves, which should be understood as increased levels of trust among the network actors, thereby further reducing transaction costs. At the same time, as was noted repeatedly in this article, a system of mutual relations based on trust contains a serious threat. Trust is not a tangible or permanent component and it is impossible to anticipate changes that affect it. At the junction of government, business and civil society organizations, one cannot automatically assign roles to individual actors, or describe their interests and assign specific intentions to actions. Hence trust is not only indispensable but also fraught with risk. It requires high ethical standards and transparency of actions. The latter is extremely difficult to achieve. In other words, civil society constitutes the necessary condition by providing the necessary safeguards in the form of increased trust, social responsibility and control as well as respect for the arguments and integrity in their mutual relations.

Another issue which certainly demands attention and in-depth examination is the impact of social inequality on networks. It is doubtful whether network governance in the context of growing social inequality may contribute to inclusion. Boix and Posner pointed out to the fact that trust based on social norms is linked with the quality of administration. Where there is a high level of human capital and, accordingly, high levels of social trust, officials interact better and work with a greater commitment (B. Łopaciuk-Gonczaryk, J. Falkowski 2012). It can be assumed that the quality of human capital determines the attitude to the performance of one's duties. Thanks to a better cooperation of officials and an improved coordination of their actions, the quality of outcomes achieved by the bureaucracy is higher. In other words, the quality of governance – whether by hierarchy, market or network – depends on human capital, which, in turn, determines the level of trust. Wilkinson and Pickett (Wilkinson, Pickett, 2011) offer an important insight in this respect. The higher the income inequality, the lower the level of trust. Thus, the higher the inequality, the less likely it is that a networked governance mechanism will be egalitarian and inclusive. Under this assumption it must be concluded that networks will not constitute a good coordination or governance mechanism. Another condition linked with trust and described by Boix and Posner is the maturity of network actors, their understanding of the essence of interactions and involvement in network activities (B. Łopaciuk-Gonczaryk, J. Falkowski, 2012). In other words, we are talking about complicated and complex institutions, challenging both in terms of evaluation and shaping in a conscious manner. Governance versus social inequality is an issue of extraordinary importance, which thus far has not been given enough attention. One should consider what relations hold among networked self-adjusting governance systems and the phenomenon of social inequality.

However, governance systems are unequally sensitive to the quality of social capital, with network governance absolutely requiring trust in order to be effectively employed. One may even say that trust underlies the very essence of governance.

The key to good governance – a more efficient and better way to meet the collective needs of citizens – is cooperation understood as a consistent commitment of network-forming actors. Such cooperation aims to suppress the struggle for resources in favour of identifying shared objectives and to reduce the transaction
costs. However, in order for network members to be able to cooperate with one another, to share knowledge and information, they must trust one other. Łopaciuk-Gonczaryk and Falkowski (2012) point to an element that combines the concepts of good governance and social capital. This element, in their opinion, is the idea of governance, which the authors define as the exercise of public authority based on partnership and social participation. Good governance, therefore, requires the inclusion of social actors in the governance process, while social capital provides a key component – trust – without which governance cannot exist.

The effectiveness of self-regulating self-organizing networks depends on institutional circumstances, particularly on informal institutions, such as trust and mutual respect or concern for others. Informal institutions depend on culture, history and customs and, as such, are unique to each country. There is no way to predict or anticipate the outcomes of the implementation of network governance in individual countries. Moreover, the phenomenon, originally observed in the United Kingdom, is now considered to be the emergent effect of pro-market reforms (New Public Management). For that reason, it makes sense to consider whether it can be implemented as a result of a planned, deliberate effort.

Network as a mechanism of governance, public policy development and implementation should not and is not likely to replace hierarchical or market governance. Nevertheless, governance networks should be seen as a corrective mechanism in individual cases, e.g. if one of the policy priorities within a given process is to take into account the needs of different social groups. The choice of a governance method, as was rightly pointed out by B. Łopaciuk-Gonczaryk B. and J. Falkowski (2012), “(...) largely derives from the circumstances of time and place, the exercise of power and solving specific problems of the state, which requires flexibility in the selection of appropriate adaptation/coordination mechanisms”. The key is, therefore, to appropriately assess the situation and to selectively employ the network governance mechanism that may serve to strengthen the legitimacy of selected public actions.

Bibliography

Słabe strony współzarządzania albo o ograniczeniach sieci rządzenia

Tekst poświęcony jest kwestii słabych stron współzarządzania. Podjęto w nim próbę przedstawienia i omówienia podstawowych ograniczeń sieci rządzenia. W tym celu przedstawione zostały problemy zaufania i komunikacji między podmiotami sieci, transparentności i rozliczalności sieci oraz kwestie kierowania i koordynacji w sieci, w artykule zaznaczono również kwestię wpływu współzarządzania sieciowego na problem narastających nierówności społecznych.

Słowa kluczowe: współzarządzanie, sieci, samoorganizujące się międzyorganizacyjne sieci, rządzenie, rządzenie sieciowe, zaufanie, aktor procesu politycznego.