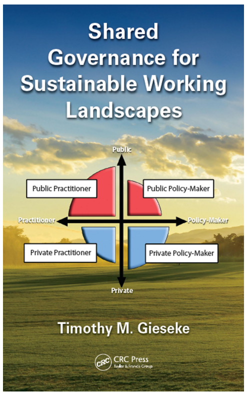

Shared Governance for Sustainable Working Landscapes

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Conflicting governance styles

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chapter five

Conflicting governance styles

The final component of the wicked agriculture sustainability problem is the conflicting governance styles of stakeholder organizations. Conflicts among governance styles arise due to an organization's expectations on decision making, delegation of responsibility and power, verification of performance (Meuleman, 2008), and methods of acquiring knowledge (Nickerson and Zenger, 2004). Conflicts between agricultural sustainability organizations arise, not only due to differences in sustainability objectives, but due to pursuing *common* objectives under different governance styles.

5.1 Organizations

Organization is a generic term that describes a variety of different aggregations of people and structures with a final goal (Avril and Zumello, 2013). There are a variety of organizations, including corporations, governments, nongovernmental organizations, not-for-profit corporations, partnerships, cooperatives, universities, and various types of political organizations. Organizational types, like governance styles, have evolved over time to adapt to societal challenges.

5.1.1 Organizational evolution

Early organizations, such as fiefdoms and gang-like groups, relied on a hierarchical structure with division of labor controlled by violence. The mafia, drug cartels, and gangs using this hierarchical structure reside at the fringe of society and in the illegal trades today (Laloux, 2014).

Organizations have and continue to evolve as they address more complex issues. The gang-like structures evolved into conformist-based hierarchies to maintain control as they scaled up in size. To solve more complex issues, an incentive-based hierarchy emerged, common to corporations. And today, pluralistic hierarchies and nonhierarchical network structures have emerged to address multidisciplinary and more complex social issues (Laloux, 2014).

5.1.1.1 Conformist hierarchy

A state-centric model or a conformist-based hierarchy evolved to address the unstable nature of violence-based gang-like structures and to effectively scale up in size. Conformist hierarchies are represented by bureaucracies such as government, public schools, churches, and the military. Promotion within the organization is based on seniority with stability valued above all (Scharmer and Kaufer, 2013; Laloux, 2014).

5.1.1.2 Incentivized hierarchy

A free-market model or an incentive-based hierarchy evolved from the conformist hierarchy to solve issues of competition and promote innovation. Like the conformist hierarchy, it uses a formal command-and-control to determine the organizational objective, but allows freedom on how the objectives are met. Promotion is based on solutions and profits rather than solely seniority. These types of organizations are represented by corporations and others relying on innovation, accountability, and merit (Scharmer and Kaufer, 2013; Laloux, 2014).

5.1.1.3 Pluralistic hierarchy

A social-market model or a pluralist hierarchy is a top-down management organization with a cultural-driven focus. It empowers employees with decision-making abilities. Management is value-driven and negotiated from organized interest groups and multiple stakeholder perspectives. These types of organizations are represented by corporations such as Southwest Airlines and Ben & Jerry's Ice Cream and emerging B-corporations (Scharmer and Kaufer 2013; Laloux, 2014).

5.1.1.4 Network structure

A cocreative ecosystem model (Scharmer and Kaufer, 2013) or a nonhierarchical evolutionary network organization (Laloux, 2014) is purpose-driven. It relies on self-management and the entity, as a whole, determines growth and change strategies. While relatively rare, Laloux (2014) cited a dozen companies, large and small, across sectors to describe this emerging type of organization structure.

5.1.1.5 Organizational structure–governance styles connections

Organization types and governance styles are closely linked. The three typical governance styles are hierarchy, market, and network. These governance styles are aligned with the hierarchical and networked structure of organizations. Where they differ is that governance is not a structure, but a process on how objectives are accomplished. As a process, governance styles are more fluid than an organizational structure. Organizations often use a mix of governance styles to acquire information and accomplish internal and external objectives.

5.2 Governance

Governance refers to processes of governing, whether undertaken by a government, market, or network (Bevir, 2009). Broadly defined, governance is the whole of interactions that government, the private sector, and civil society participate in to solve societal problems or create opportunities (Meuleman, 2008). Governance is a broader term than government, and in its widest sense it refers to the various ways through which social life is coordinated. Government may be one of the institutions involved in governance, but it is possible to have governance without government (Rhodes, 1996).

Harlan Cleveland is credited for first using the word *governance* as an alternative to the phrase public administration as he stated the people want less government and more governance (Frederickson, 2004), implying governance occurs in the broader social arena.

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action taken. It includes formal institutions, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest (Roe, 2013; Ostrom, 2007). Governance emerges from formal and informal organizational structures, such as families, teams, churches, businesses, and government entities. The structure of an organization or the culture of a societal sector becomes the framework from which governance emerges.

5.2.1 Governance cultures

Governance of an organization is like a social culture and is viewed as belief systems. Davis (1984) defines organization culture as the pattern of shared beliefs and values that give members of an institution meaning, and provide them with the rules for behavior in their organization. These close cultural connections create difficulties in any attempts to change an organization's governance style. "Culture eats strategy for breakfast," a phrase originated by Peter Drucker and made famous by Mark Fields, President at Ford, sums up the challenge of changing organizational governance (Rick, 2014).

Meuleman (2008) credits Aaron Wildavsky as one of the main scholars who focused on reintroducing the importance of culture to political sciences. Wildavsky described how the three socially active ways of life (hierarchism, individualism, and egalitarianism) are aligned with the three typical governance styles: hierarchy, market, and network. Each governance style also includes behavior rules: regulations and control instruments in hierarchy, competition in markets, and trust in networks (Meuleman, 2008). Within this context, Thompson (1991) describes governance styles as how organizations "get things done." This culture connection is why organizations sometimes fiercely defend their governance style and why some organizations consider their governance styles as a panacea for all problems (Meuleman, 2008). These governance styles create competition among organizations, often in a hostile way, but on the other hand require one another, and therefore continue to coexist. This governance paradox of conflict and cooperation is a product of recent governance evolution.

5.2.2 Governance styles

Governance styles can be defined as the processes of decision making and implementation, including the manner in which the organizations involved relate to each other (Kersbergen, 2004). Governance styles, like organizational structure, have evolved from hierarchy to market to network governance styles as issues have increasingly become more complex (Laloux, 2014). Figure 5.1 illustrates an evolutionary timeline of emerging governance styles in Western European nations during the last century (Meuleman, 2008). Hierarchy governance has its origins in early society while market governance emerged in the 1980s and network governance styles developed relatively recently in the 1990s. The timeline illustrates another interesting phenomenon; never before in human history have organizations working side-by-side on common issues had such diverse governance styles (Laloux, 2014).

Hierarchy, the oldest governance style, was a term used historically to describe the structure of the Church and is derived from two Greek words: *hieros*, which means sacred, and *archein*, which means rule or order. The term *hierarchy* now refers to a form of organization in which people and functions are organized in a well-defined, multitiered, vertical structure with

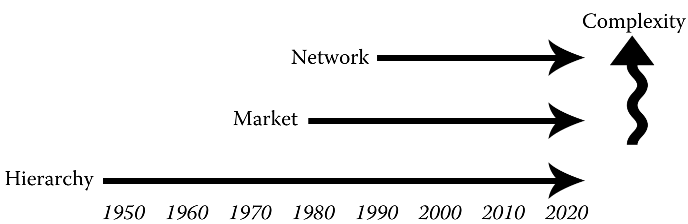

Figure 5.1 Governance has evolved from predominantly top-down hierarchy styles to more innovative market governance and to more inclusive network governance. Hierarchy governance was dominant into the later part of the twentieth century. Market governance was adopted by governments and institutions as social issues became more complex. Network governance styles emerged in the 1990s as society became increasingly interconnected. (From Meuleman, L., *Public Management and the Metagovernance of Hierarchies, Networks and Markets: The Feasibility of Designing and Managing Governance Style Combinations*, Physica-Verlag, Heidelberg, Germany, 2008, p. 43.)

different functional tasks performed at each level in the structure (Bevir, 2009). Hierarchical governance is often considered an *old* style of governance, whereas network and market governance have been referred to as the *newer* modes of governance (Börzel et al., 2005). Market governance emerged in the 1980s from a movement called *New Public Management* governance which was initiated to address government inefficiencies by bringing management concepts from private business into the public sector (Kersbergen, 2004).

Network governance, emerging in the following decade, is a nonhierarchical process that incorporates a horizontal structure encompassing various organizations. A network shares information and often operates without defined hierarchical leadership (Bevir, 2009).

Despite the most recent governance styles being more complex, Laloux (2014) cautions against the tendency to assume the more recently evolved types of organizations and governance styles are better than the previous styles. The more recent organizations are able to deal with more complex situations, but not all situations require or are best handled at higher levels of organizational complexity.

5.2.2.1 Hierarchy governance

The hierarchical mode of governance was broadly adopted in Europe to replace *arbitrary authoritarianism and nepotism* in government and to provide a means for standardizing government tasks (Meuleman, 2008). It was adopted in the private sector in the United States in the late nineteenth century with the advent of mass production (Avril and Zumello, 2013). From the early years of industrialization, businesses increased the scale of their operations by developing hierarchical organizations that vertically integrated different stages of production. Government, university, and nonprofit institutions followed suit and organized themselves in much the same way (Morrison, 2012).

The hierarchical structure was designed and best suited to manage complicated processes such as automobile assembly where production could be broken down into a series of steps. Hierarchical corporations were organized so that centralized control could direct the entire production process. Although effective for managing large numbers of workers, such structures lacked agility (Avril and Zumello, 2013).

The key attributes of hierarchy governance are as follows (Meuleman, 2008, p. 22):

1. Carefully defined division of tasks
2. Impersonal authority vested in rules that govern official business
3. Recruitment of employees based upon proven or at least potential competence
4. Seniority and merit-based promotion
5. Subordinate-superior authority structure

The basic assumption which generates bureaucratic hierarchical structures is that each member is restricted to a single specialized task with each level controlled by the next higher level (Herbst, 1976).

5.2.2.1.1 Advantages

Hierarchical governance fosters stability, predictability, rule of law, and clear lines of command (Meuleman, 2014). This form of governance became the basic pattern for public administration in many Western democracies as it provided a way for standardizing government tasks (Herbst, 1976), reporting relationships, and assigning responsibilities. These defined boundaries deliver rationality, clarity, and stability, particularly as job descriptions become narrower and focused, and employee skills become more specialized (Morrison, 2012).

5.2.2.1.2 Limitations

A government-centered, hierarchical governance system is often too rigid and can inhibit communication within the organization. These communication breakdowns can create a sense of fragmentation and tension which undercut coordination and productivity. Excessive specialization can build up formal procedures that slow internal operations. The organization becomes less responsive to changes taking place in its environment due to this inflexibility (Morrison, 2012).

Modern multiactor, multisector, and multilevel problems are too “fuzzy” for inflexible hierarchical governance to manage (Castells, 1996). Traditional top-down hierarchical governance is not capable of adapting as contemporary organizational environments have become more complex and interconnected (Avril and Zumello, 2013). This accelerating change allows less time for passing orders and reports up and down a hierarchy. People on the front line need to be able to respond without delay within an agreed framework of goals, vision, and values (Rosell, 2000).

Hierarchical governance began to lose some of its attraction in the 1980s when the market governance movement or *New Public Management* became the focus of both public administration scholars and practitioners (Meuleman, 2008) and so organizations with top-down hierarchical governance styles sought new strategies (Avril and Zumello, 2013).

5.2.2.2 Market governance

The term *market* in market governance refers to the types of mechanisms and thinking associated with the private sector, such as competition and customer service. It should not to be confused with the economic market or the governance of the private sector market (Meuleman, 2008). Market governance emerged in the 1980s from *New Public Management*, which was initiated to address government inefficiencies by bringing management concepts from private business into the public sector (Kersbergen, 2004).

Market-based governance includes delegating traditional governmental functions to the private sector, and applying market-style management approaches and mechanisms of accountability to government functions (Donahue and Nye, 2002). In other words, government agencies are contracting out some tasks to the private sector and adopting the business model of the private sector to accomplish the tasks they retain.

Market governance promotes the modernization of public institutions with new forms of management aimed at creating efficient administrations. The key attributes of market governance are the following (Fábián, 2010; Alonso et al., 2013):

1. A service-and-result centered organizational structure
2. A value-producing management process adding new value at each step
3. Efficient data collection and processing
4. Effective political and administrative management
5. Competitive elements to achieving objectives

The adoption of key words such as market, client, competition, and especially corporate management symbolizes a movement away from strict hierarchical administrative management (Fábián, 2010). It is an attempt to focus on improving efficiency by creating businesslike service delivery with results-based, value-driven outputs and the managerial freedom to accomplish these objectives (Christensen and Lægreid, 2011).

5.2.2.2.1 Advantages

Market governance seeks to increase competition in the delivery of public service through organizational restructuring to become customer oriented (Alonso et al., 2013). Market governance promotes competition between service providers and empowers citizens by pushing control out of the bureaucracy, into the community. An outcome-based focus is driven by goals and is favored over an input focus or strictly on rules and regulations. It attempts to redefine clients as customers and offer choices to seek out solutions, and to prevent problems before they emerge, rather than simply offering services afterward (Klijn and Koppenjan, 2000).

In its ideal-typical form, it stimulates the formation of hybrid organizations (mixtures of public sector and private sector organizations), and emphasizes the management competencies of staff, instead of policymaking competences. It stimulates benchmarking and contract management and advocates for outputs (Meuleman, 2008).

5.2.2.2.2 Limitations

Market governance may be challenged to address the different circumstances of private and public operations. The field of operation of the private sector is market and proprietorship, while for the public sector, it is democracy and the rule of law (Fábián, 2010). This may lead market governance to be more about efficiency than effectiveness (Vries, 2010).

Democratic accountability may be diminished, not only because elected officials under market governance lose their top-down authority over public bureaucracies and managers, but also because it is difficult to maintain and increase the bottom-up control of all officials, including those employed on contracts as well as elected officials (Kersbergen, 2004).

Often, the private sector is dominated by single-person decisions, whereas the majority of decisions are made collectively in the public sector. Privatization and delegation to independent agencies give citizens fewer chances to control such agencies through voice (Kersbergen, 2004). Outcomes may not be evenly distributed if equity considerations are of less concern than under traditional bureaucracy (Fábián, 2010).

Market governance may have the tendency to create scenarios where solutions are short term and nondurable, and so responsibilities fall back to the traditional hierarchical structure. The adoption of market governance strategies may also suggest that the private sector is superior to the public sector and create low morale in public administration (Meuleman, 2008).

With the market governance shortcomings and the limitations of traditional hierarchical organizations becoming clearer in a world of rapid change, there is a growing emphasis on developing informal relationships, open networks, and temporary partnerships (Rosell, 2000).

5.2.2.3 Network governance

Network governance provides a third alternative between top-down planning of hierarchies and the profit focus of the market. It is seen as a response to the failures of markets and hierarchical coordination and is enabled by recent societal and technological developments (Provan and Kenis, 2007). From a functional point of view, the aim of network governance is to create a synergy between different competences and sources of knowledge in order to deal with complex and interlinked problems.

Networked governance, as a decentralized, integrative form of problem solving, is promising because it allows actors outside of government to contribute their unique resources to the generation of creative, collaborative, and complex solutions (Huppé et al., 2012). Broadly defined, network governance consists of relationships between interdependent actors from all levels of government, and from various political and societal groups (Bevir, 2009; Meuleman, 2008).

The popular view of networks as a flat, horizontal mode of organization is very one-sided. Networks are only "flat" in comparison with hierarchies. Networks may also have centers and central modes of steering and governance (Dijk and Winters-van Beek, 2009) and consist of interconnected nodes of different sizes that are linked by relationships of varying degrees and strengths.

Five key attributes (Klijn and Koppenjan, 2000) of network governance are as follows:

1. Actors are mutually dependent, which leads to sustainable relations between them.
2. Rules are formed during the course of interactions.
3. Policy processes are complex and not entirely predictable because of the variety of actors, perceptions, and strategies.
4. Policy is the result of complex interactions between actors who participate.
5. Conflict management and risk reduction are managed through network cooperation processes.

Organizations using network governance reject the command-and-control strategies associated with hierarchic bureaucracies and rely on negotiation and trust. They see the role of the state as a facilitator or enabler and help foster partnerships with and among public, voluntary, and private sector groups. Citizens are not merely voters or consumers of public services but are active participants within such groups and policy networks (Bevir, 2009). Unlike hierarchy and market governance, networked organizations lack a predetermined structure, which often creates a low level of understanding how networks work. However, analysis of network governance has grown to the point where it is now widely recognized to have considerable validity over and above that of the traditional hierarchy (Roe, 2013).

Network governance emerged as society became interconnected and the policy-making arena became sectoralized, coinciding with a broadening and more decentralized scope of state policy making (Roe, 2013). In this environment, three forms of network governance configurations developed (Provan and Kenis, 2007):

1. Lead: a highly centralized and brokered form with a single participant within the network providing administration and facilitation of network activities.
2. Administrative: a highly centralized and brokered form with an external organization providing administration and facilitation of network activities.
3. Participant: a highly decentralized form governed by the network members with separate and unique governance entities. Governance can be accomplished formally, through regular meetings, or more informally through the ongoing, but typically uncoordinated efforts of those with a stake in the outcomes.

Network governance is appropriate for particular problems, but it is not a solution for everything. It is able to manage complexity, enhance flexibility, support innovation, and personalize relationships. Network governance requires a particular management approach that is only beginning to be discovered (Dijk and Winters-van Beek, 2009).

5.2.2.3.1 Advantages

Network governance is seen as a strategy to increase coordination and coherence in public policy (Christensen and Lægreid, 2011) and offers advantages for learning and innovation in an ever-changing environment (Meuleman, 2008). The advantages of network governance in both public and private sectors are considerable, including enhanced learning, more efficient use of resources, increased capacity to plan for and address complex problems, greater competitiveness, and better services for clients and customers (Provan and Kenis, 2007).

Advocates of network dialogue and deliberation argue that network governance facilitates social learning. In their view, public problems are not technical issues to be resolved by experts. Rather they are questions about how a community wants to act or govern itself. Dialogue and deliberation better enable citizens and administrations to resolve these questions (Bevir, 2009).

Networks provide a kind of dynamism and flexibility that hierarchies cannot, and yet foster cooperation and stable relationships in a way that market governance cannot. Advocates say these advantages are especially relevant in today's complex and interconnected world (Bevir, 2009). The most important characteristic of using networks as a mode of governance is the combination of horizontal and vertical control and coordination (Dijk and Winters-van Beek, 2009).

5.2.2.3.2 Limitations

Governing by networks is complex and the efficacy of networked governance is thus in constant flux. A slight change in the network can generate sufficient shifts and disrupt the possibility of an effective collaborative process. The process of networked governance itself introduces an additional component of complexity. This complexity, if unmanageable, can undermine the problem-solving process (Huppé et al., 2012).

Roe's (2013) identified five criticisms of network governance:

1. Lack of a theoretical foundation: It is not based on a solid body of knowledge and its concepts are unclear.
2. Lack of explanatory power: Specific outcomes may not be known until the process is completed.

3. Neglect of the role of power: It does not address the inherent conflicts associated with power and control.
4. Lack of evaluation criteria: It does not offer a clear framework for evaluating outcomes.
5. Discounts governmental role: It often views government agencies to be the same as other organizations and neglects their role as a guardian of public interest.

Under conditions of insufficient social capital, engaging in networked governance may erode the fabric of trust and collaboration, subjecting participants to conflict, destructive opportunism, and power struggles, further entrenching a confrontational (us vs. them) mentality (Huppé et al., 2012).

Kamarck (2007) cautions against broadly using network governance since it works best on policy problems that require flexibility, personalization, and innovation, and other problems could better be solved by different governance styles. Another weakness inherent to networks is that people with a higher than average number of "links" with others play a more important role in networks and can establish a kind of hierarchy in a network. These hubs provide communication, but if such hubs are removed, networks may break down into isolated pieces (Meuleman, 2008).

5.2.3 *Governance conflicts*

Jessop (2002) states that each governance style has its own distinctive forms of failure, and the combination of the three ideal-typical governance styles lead to conflicts, competition, and unsatisfactory outcomes. This conflict is the result of each governance style having its own logic as it relates to relationships, decision making, and compliance (Roe, 2013).

1. Relationships: Hierarchies are centrally controlled and based on dependency and subordination. Market governance consists of a virtually infinite number of independent actors. Network participants have many interdependent relationships between actors.
2. Decision making: Hierarchies are centralized and top-down. Markets are directed by profits and innovation. Networks are characterized by ongoing negotiation and achieving collective solutions.
3. Compliance: Hierarchies achieve compliance through rules and laws. Markets rely on the fear of economic loss and networks rely on trust.

Three problems emerge as the logic and application of these governance styles converges. First, their strategies can undermine each other. Second, each of them has typical failures or even unreasonableness. Third, they all have an attractive logic that leads each of them to believe their governance style is best. The latter relates to the close ties governance styles have to organizational culture (Meuleman, 2013). These cultural *clashes* occur as organizations use different strategies to obtain knowledge and achieve objectives. For example, as a means to determine standards, hierarchy seeks routine, market governance seeks price signals, and networks seek relationships (Dijk and Winters-van Beek, 2009).

Even with common objectives, conflicts arise from the sets of values held by these governance styles. Hierarchy governance values are based on the expectation that there should be a *subordinate* to the hierarchy and it relies on regulations and control instruments to meet goals. Market-based governance values a *customer* perspective and relies on competition and innovation to achieve results. Network-based governance seeks *partners* and *cocreators* and relies on trust to achieve outcomes (Meuleman, 2008).

These conflicts are not based on *what* should be done, but on *how* things should be done. The source of these conflicts is the three organizational cultures whose conflicting governance styles create a *trilemma*.

5.2.3.1 Governance trilemma

Meuleman (2008) describes the governance trilemma as the need to solving three interconnected dilemmas: among hierarchy and network, hierarchy and market, and network and market. Figure 5.2 illustrates the interactions resulting in each of these dilemmas and the tendency for organizations to pull toward their specific apex. Each governance style *seeks* its innate approach (i.e., network consensus, hierarchy rules, and market competition), resulting in incompatible strategies.

Shell (2005) describes a trilemma as a trade-off between three competing forces that results in a "two-wins, one-loss" scenario. Shell uses the term *force*, rather than *governance*, at the triangle apexes, but their terms align with the three governance styles: coercion and regulation are aligned with the hierarchical style; market incentives and efficiency are aligned with the market style; and social cohesion and community are aligned with the network style.

Shell uses an example to show how the three forces cannot be completely appeased. It states that while societies often aspire to efficiency (market), social cohesion and justice (network), and security (hierarchy), they are not mutually inclusive as one cannot be at the same time freer, more conformant to one's group, and more coerced. The best one can expect is to capture the most plausible trade-offs between these diverse, complex objectives, namely in which forces combine to achieve more of two objectives.

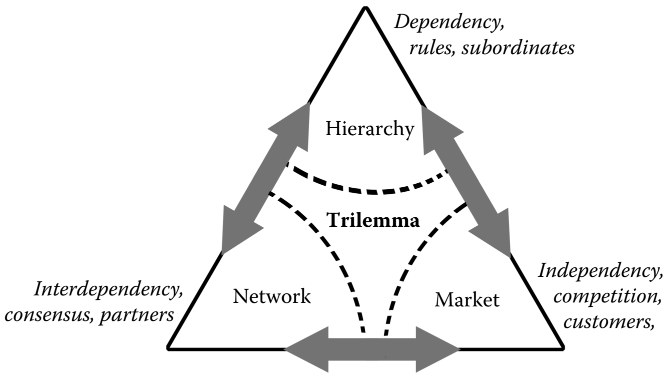

Figure 5.2 The governance trilemma occurs as the attributes from each governance style pressure the other two. Hierarchy seeks top-down and subordinate control, market seeks competition and customers, and network governance seeks consensus and partners. Conflicts among and between governance styles occur as competing characteristics interact when dealing with relationships, decision making, and compliance. (From Meuleman, L., *Public Management and the Metagovernance of Hierarchies, Networks and Markets: The Feasibility of Designing and Managing Governance Style Combinations*, Physica-Verlag, Heidelberg, Germany, 2008.)

Meuleman (2008) states that even with the most plausible trade-off, third-party issues need to be addressed as they may endanger the outcome favoring the other two. An example is the often observed trade-off between the relatively new modes of governance (network and market) in environmental policy, which is a threat to the idea that the environment should also be protected by legislation through hierarchy governance.

Jessop (2005) sees another aspect of the governance trilemma and points to situations when agents are faced with choices such that new governance solutions may undermine key conditions of their existence and/or their capacities to realize some overall interest.

5.3 *Governance conflicts in the system as it is*

Conflicts arise in the agricultural system as it *is* (Figure 2.3 in Chapter 2) as many sectors and multiple organizations with various governance styles interact while exerting their influence on agriculture landscape management decisions. In many scenarios and within the context of the case studies reviewed, it appears that little or no recognition is paid to an organization's governance style or if the governance styles are compatible. Governance of the organizations is so embedded in history and culture that governance actors are generally not aware of the governance style they operate within. Without this knowledge or context, transforming the system as it *is* to a system as it *ought to be* does not seem feasible.

Patterson et al. (2015) state that there is a need for a broad framework to understand and analyze important dimensions of governance in relation to transformations toward sustainability. This is important for exploring the role of governance, and allowing cross-case analysis and comparison to build a higher-level theory over time. Achieving sustainability objectives inherently requires transdisciplinary attempts (Stock and Burton, 2011) and so, in devising a wicked solution, case studies representing potential transitions away from the system as it *is* toward a shared governance system as it *ought to be* are examined.