Public Sector Reform in the Knowledge Based Economy

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1. Introduction

There seems to be a general agreement in recent studies on public sector reform that the current and seemingly global wave of public sector reform movements should be analysed and understood in the context of a process that took place over the last 20 to 25 years. If one looks at public sector reform activities in Western Europe since the early 1980s, it makes sense to place them in a perspective of public sector reform within the Western world in general. A quiet period on the international administrative reform front during a large part of the 1970s ended in the early 1980s. Since then a new wave of public sector reform and subsequent administrative reforms rushed through the liberal democracies of the Western world.

Many expectations and discussions on public sector reform in Western Europe – as well as Central and Eastern Europe – have been fuelled and conceptualised by the managerial reforms perceived to have been taking place within the Anglo-Saxon world (Aucin 1990; Hood 1996; Kickert 1997). Many students of management throughout the 1990s seemed happy to limit the question of administrative reform to whether or not a country followed an 'agencyfication-model' comparable to the British Next Steps programme of the late 1980s and early 1990s. There was a dominant reference to a global paradigm shift in the approach of government towards some form of New Public Management (NPM). As a consequence, analytic concerns and political issues arising from this

type of reform have largely dominated the European research agenda and academic debate over the past ten years.

By the middle of the 1990s more and more researchers began questioning the analytical approach of studying public sector reform in terms of a global paradigm shift (Hood 1996; Naschold 1996). Not only was there growing doubt about the existence of such a shift, but researchers became increasingly concerned that the framing of reforms in terms of NPM would overlook crucial developments and reforms going on in parts of the public sector other than merely the managerial domains. Most countries in Western Europe have, for example, experienced territorial and functional reforms largely falling outside the scope of those primarily looking for the pros and cons of 'managerial reform'. In the course of the 1990s a host of potential new EU member states from Central and Eastern Europe obviously felt less need for some kind of NPM. Government itself had to be reformed and in many cases this required much more than managerial reforms: institutional reforms, civil service reforms, policy reforms. It seems thus reasonable to ask whether a study on 'reform of the public sector' should only concentrate on parts of the picture and leave out the rest.

This chapter asks the question 'What' actually constitutes the experience of public sector reform we have been witnessing now for some 20 to 25 years already (section 2). Here, understanding variation is the key. I indicate that various countries with different administrative systems have followed different patterns of reform within a broader framework of administrative values for 'good governance' of which managerial values are only one dimension. In this context, the public private dynamic took on different forms (section 3). The development of a Knowledge Based Economy (KBE) sets a different stage for studying public sector reform and provides a common denominator for studying ongoing institutional, managerial, and governance reforms in the public sector in general and developments in the reform of higher education more specifically (section 4). The chapter concludes with some possible implications and points of attention for current research and debate of the public private dynamics in higher education reform (section 5).

2. Facing variety: What constitutes public sector reform?

The topic of public sector reform may be addressed from various angles: economic, political, territorial, financial. I address the topic from a gen-

eral perspective of administrative reform – governance reform if you like – of the public sector (Toonen 2003; Löfler 2003).

Reform is about bringing about change. If it is to be distinguished from just any 'change', reform is about the promise of bringing innovation and hopefully improvement. Reform is making things better through the removal of faults and errors; abolishing or curing abuse or malpractice; especially of a moral, political, or social kind. Reform is therefore about values and quality (Toonen 2003). Administrative reform is about the administrative quality, constituted by administrative values of public sector institutions, of public policy decision-making processes and public organisation and management. Administrative and public sector reform inherently involves thinking about values, norms, and principles.

Efficiency, equality, and savings -the three public sector reform objectives generally identified in the literature (Lane 1995) – are in fact applications of more general categories recurrently identified as core values of administrative reform (Hood 1991; Toonen 2003):

- Reforms change the way governments run their business. 'Given the goals' these reforms aim at increasing efficiency, 'rationalisation' (instrumentality), and responsiveness within given constraints (a growing, declining, or stabilising public sector). Managerial reforms affect the way in which resources and opportunities are utilised.
- Reforms change what governments do, why they do it, and how they do it. Attempts at increasing or decreasing equality, changing policy entitlements and changing government programmes but also the introduction of 'interactive decision-making processes', 'new forms of governance', anti-corruption programs, quests to increase legitimacy and accountability, or 'rule enforcement' are examples. They change the way in which managerial goals and operational constraints are set.
- Institutional reforms change the structure and nature of the government or public sector system. Public sector savings amounting to a redefinition of the nature of the welfare state are an example, but in the current development of the KBE there are many more structural forces than budgetary pressures alone which require a re-design and re-institutionalisation of traditional administrative values and practices. Institutional reforms affect the way new forms of governance are set and developed, including the public-private dimension.

Various types of reform try to satisfy different types of values within the overall administrative system. Managerial reforms are aimed at improving the goal directedness, responsiveness, and efficiency of service de-

livery and have generally been advocated as a way to improve customer satisfaction with the system. They are thus considered to contribute to the functional or output legitimisation of public sector institutions. These ambitions set the stage for the early discussions on public sector reform in many, most notably Anglo-Saxon countries. Gradually, and very visible since 'ENRON', 'Shell' and 'World On Line', the issue of functional performance has been complemented in public sector reform (and studies) with a concern for trust in governance, both in the public and private sectors. The attention for new forms of good (corporate or governmental) governance in terms of coordination, transparency, accountability, and integrity has in fact reintroduced classical concerns on input-legitimisation and procedural legitimisation into the debate and study of public sector reform. It is only a matter of time before the question of institutional or regime legitimisation will finally re-enter the debate under the heading of improving the reliability, support, and resilience of public sector arrangements. Public sector reform these days is not only demanded and studied in terms of efficiency or legitimatisation ('equality'), but also in terms of stability, adaptive capacity, and transaction costs.

2.1 Neo-Managerial Reform

From the early 1980s to the early 1990s public sector reform was largely studied in terms of neo-managerial reforms or New Public Management (NPM) reforms both by those in favour as well as those against these types of reforms. The lines of these reform models are familiar:

- a business-oriented approach to government;
- a quality and performance oriented approach to public management;
- an emphasis on improved public service delivery and functional responsiveness;
- an institutional separation of public demand (councils; citizen charters), public provision (public management boards) and public service production functions (back offices, outsourcing);
- a linkage of demand, provision and supply units by internal contract management, 'agencyfication', 'corporatisation', or contracting out; and
- (whenever possible) the retreat of government institutions in favour of commercial market enterprises (deregulation, privatisation, commercialisation, and 'marketisation').

It was soon recognised that a business-oriented approach to government also does not necessarily lead to a preference for markets over governments. The insight that the 'strong state' is not the same as 'the large state' is still gaining ground. For example, conservatism today is no longer identified in terms of a preference for small government by its opponents, but rather in terms of preference for a strong government managerially effective enough to keep its promises. Managerial approaches may and are being used to strengthen governmental organisations as well as to 'roll back bureaucracy' or create room for the market and civil society. The question of what government ought to do must be divorced from the question of how it manages its affairs.

2.2 Substance of reform

From an analytical point of view it is important to observe that the preoccupation with the pros and cons of a particular type of reform – such as managerial reform, 'agencyfication', or privatisation – leads to blind spots in the study of government reform for other types of change and transformation. Observers in the late 1980s and early 1990s seemed sometimes perfectly happy to overlook spectacular historic examples of administrative public sector reform. German unification, Italian wars on corruption, French decentralisation, Spanish economic consolidation efforts, and Belgian federalisation are just a few examples. These cases seldom entered reports on comparative public management reforms. From the managerial angle these countries are sometimes even perceived as cases of non-reform. As a consequence, they were presented as 'laggards' in the international administrative reform game, creating the impression that they were not worthwhile when it comes to the study of reform, transformation, and modernisation. At best, they should be studied as the (potential) recipients of an international dissemination process of fashion, learning, or the adoption of 'best practice' from elsewhere.

From a Public Administration (PA) perspective it had to be concluded however, that most of these countries were certainly not 'dead cases'. From a PA perspective, 'rationalisation' and managerial transformation is business as usual. Management reforms have to be seen as part of a systemic maintenance cycle. They resurface in a new form every ten to twenty years on the modernisation agenda of governments (and businesses) – from the Scientific Management movement in the 1920s, to the Rational Decision-Making Policy Models of the 1940s and 1950s, to the Comprehensive and Synoptic Policymaking Systems approach in the early 1970s, to the New Public Management Reforms of the 1980s and 1990s. By the 1990s many countries were not so much

engaged in managing old business differently but much more in attending to a completely new and different kind of 'business'. Spain, Portugal, and Belgium, not to mention the countries in Central- and Eastern Europe (CEE), were engaged in the completely new business of regime change, democratisation, regionalisation, and other forms of institutional reform. For quite a while, the strong debate on the pros and cons of NPM led to a serious blind spot for these types of public sector reform.

In England for example, privatisation was advocated to make public service delivery 'more responsive and efficient'. In the CEE countries privatisation had to 'constitute' a new market system. The same label was thus hiding two parallel but fundamentally different public sector reform processes. There is only limited mutual use to each others 'best practice'. It took some time to realise this while costly and lasting mistakes were incurred by imposing 'advanced' western approaches upon the 'new democracies' (Toonen 1993; Verheijen 2003). We may also ask which countries have undergone more profound processes of modernisation: those that put old contents in new managerial forms or those that put new content and meaning to traditional administrative concepts and structures?

2.3 Process of reform

There are marked differences even within the category of 'managerial reforms'. Fundamental differences existed between the British, American, and continental approaches to (new) public management reform. The differences exist apart from similarities in some (managerial) subcategories of analysis or subsections of reform such as quality control approaches and an emphasis on productivity or on competition for public services. There is no unified picture even within the United Kingdom. There are clear differences between England, Scotland, and Northern Ireland as to the degree in which neo-managerial reform proposals have been embraced and implemented.

If one looks beyond developments in the UK, but still stays within the more narrowly set agenda of managerial reform, there are quite different patterns and forms of public sector reform to be detected in Western Europe (Hesse and Benz 1990; Benz 1995). British reform policies since the late 1970s and early 1980s have been characterised by a high degree of visibility, vigour, and radicalism. The English reforms and particularly the Thatcher reforms of the 1980s, still stand out as a rather exceptional case in the overall European context. It is a rare example of a comprehensive, non-consensual, centrally guided, and legislated process of public sector reform. This has been the case even though the proc-

ess was perhaps not designed as such and things were often invented in the process (Wright 1994). In other countries the attention for the managerial dimension of government and administration has increased, but did not quite reach the level of attention and controversy it received in the UK. The Scandinavian welfare states and the Dutch 'Welfare Society' have clearly been engaged in a process of redesign, up until the present day. The 'Scandinavian model' has been declared obsolete and has adapted to the current circumstances, largely using 'policy reforms' rather than managerial reforms, although some managerial principles helped in redesigning traditional welfare state policies. The 'Dutch Disease' of two decades ago seems to have been cured or at least brought under control. For a while the Dutch 'Polder Model' became internationally acclaimed as an example of how to combine a monetary, budgetary, and financial approach to public sector reform while safeguarding standards of social policy and increasing employment rates. By now it is facing problems not in terms of managerial reform but in terms of its innovative economic capacity, governance legitimacy, and institutional adaptability.

In other countries (such as Belgium, France, and Italy) privatisation, de-bureaucratisation, customer-orientation, and decentralisation formed striking reform processes as well. In today's Germany – usually perceived as suffering from a major 'reform deficit' – local governments are 'the champions of NPM reform'. In all these countries there are reports on improved public service delivery and a greater awareness of the citizen as a client-recipient of the policy process. But these movements are hardly fuelled by an explicit neo-managerial reform philosophy. The French regions, still, have proved to master the techniques of public sector marketing and entrepreneurship quite well. As an administrative reform phenomenon in itself, the regionalisation of the unitary state – Belgium, Spain, France, Italy, as well as the Czech and Slovak Republics – is a striking development over the past 15 – 20 years. These countries are usually overlooked as 'cases of reform' by those adopting a managerial paradigm to study administrative reform.

This does of course not imply that managerial reform is irrelevant as a focus of study. In the process of regionalisation – France, Belgium, and Italy provide examples – administrative bodies have been modernised using notions such as service responsiveness, 'single service windows', and citizen orientation. The current Copernicus programme in Belgium, which aims at a rather fundamental 'managerial-reform-with-lessons-learned', can only be understood in the broader historical context of 'state reform' that occupied the Belgium throughout the 1980s and the 1990s while it has been seriously changing the 'managerial' side

of government. Regionalisation by now is included in the French version of the NPM narrative while it played no role in the earlier British version (Bevir et al. 2003). Additionally, more traditional concerns are addressed including problems of administrative integrity and corruption, clientalism, and the politicisation of administration. Many central European countries have followed the path of Southern European countries instead of implementing Anglo-Saxon 'managerial reforms'. In these countries many reforms have been motivated by concerns about 'proto bureaucratic' administrative culture, particularly the wish to push back traditional clientelistic patterns and legalistic cultures in favour of more quality-oriented and output-oriented approaches (Toonen 2001).

The Southern Europe also presents special cases of public sector reform in terms of political systems that have faced a regime transformation from dictatorial or semi-dictatorial systems into civil democracies such as Greece, Portugal, and Spain. During most of the 1980s they have been trying to reform and modernise their administrative structures by building up and expanding public sector activity, mostly in a highly politicised (i.e., regionalised) context. For a long time this organisational development (OD) approach to administrative reform seemed to go against the European current, generally characterised by the 'downsizing' of government, be it with mixed results.

In terms of process, most countries have been more gradualist and differentiated – particularly when compared to Thatcherism as the 'root model' – in their efforts, despite the occasional 'Grand Design', 'Blueprint for Reform', or 'Big Operation' issued in nearly every country once every few years. If 'Reinventing Government' in the US is classified a 'Blueprint Operation', then indeed there would be many of these operations in Western Europe as well. The reality is that the Bush Administration without using the label 'Reinventing Government' is probably behaving more 'managerial' than the Clinton-Gore Campaign that promoted this label. Even here it seems more accurate to stress the compound, piecemeal, experimental, and gradualist nature of most reform processes that we have witnessed.

Looking at Germany, we may argue that the country shared a seeming lack of attention for managerial issues and structural reform with other Germanic systems such as Austria and Switzerland. Luxembourg has also shown little signs of far reaching administrative or public sector reforms. Perhaps it is the care for prudence and stability that is cherished so much by the world of financial 'Haute Culture' that makes these systems cautious in tinkering with their state institutions. But these countries, including Germany, still cannot be depicted as immobile or petrified and incapable of modernisation, despite the fact that from time to

time the systems face severe reform deficits and accumulated pressures to modernise. If one tries to understand this kind of stagnation one should probably not look at the ideological willingness to adopt a managerial approach to reform, but at structural institutional factors. The stagnation of the German model of Cooperative Federalism is for example, partly due to the insertion of five new *Länder* governments with little to offer and everything to ask from their co-federal bargaining partners. In a comparative research perspective it would however, be misleading to see the reliable and stable administrative bureaucracies of these countries as lagging behind, for example, the British government apparatus just for the mere fact that the latter has experienced more change and fanatic reform lately.

3. Varying Patterns of Reform

Reforms are not always 'goal driven'. In the administrative reform game, form follows function only up to a certain degree. Reform actually seems more of an autonomous evolutionary process. One type of reform triggers or induces another type of administrative reform in a sometimes highly dynamic fashion. Managerial reforms are often advocated to make governance more effective. Governance reforms are often advocated to make institutions more legitimate. At a given moment, institutional redesign – some would say constitutional decision-making (Buchanan and Tullock 1962) – inevitably has to follow to reconstitute the basis for any managerial and governance action and secure past achievements for a sustained public sector development that relevant stakeholders and other participants are inclined to rely on.

Administrative and public sector reforms are certified domains for the politics of announcement, sweeping political symbolism, and bureaucratic rhetoric. Since the beginning of this century, the productivity, effectiveness, efficiency, and budgetary control of public expenditure have been called in as reasons for administrative reform in Western systems. Transparency, the need for streamlining the system, coordination and integration, the enhancement of external (democratic) political control, and enhancing citizen participation have been other almost universal goals of administrative reform that mean many things to different people in different countries at different times. The 'reform rhetoric' differs from era to era. In the 1960s reforms were embraced with reference to the 'rationalisation' and 'democratisation' of the system, while in the 1980s and 1990s 'managerialism' and 'citizen-as-client' were prime keywords for the business of reform (and consulting).

Research seems to suggest that there is no real reform without external pressure. The impact of economic pressures is a direct, but largely also an indirect factor for explaining the reforms in the last two decades. The economic problems at the end of the 1970s and the beginning of the 1980s led governments in the Western world into a series of institutional and budgetary reforms. These often occurred at regional and local levels which in many cases triggered a new wave of subsequent reforms.

Various countries have used global economic developments or European pressures to deal with traditional deficiencies within their own countries to stimulate these reforms. Most reforms began in the middle of the 1970s and went through an initial period of becoming (politically) accustomed to the urge and structural nature of the (economic) problems at hand. By the first half of the 1980s Western European society as a whole was engaged in a substantial restructuring process with different measures of impact and degrees of success. International economic changes could no longer be ignored or set aside as merely cyclical developments demanding a Keynesian recipe within existing economic, social, and state structures. The background to the necessity of public sector reform gradually revealed itself as a structural transformation of the international economic system with all kinds of differentiated regional consequences. A double strategy emerged which included internationalisation policies on the one hand – the building of a single European market with all its consequences – and regionalisation policies with a focus on large scale urban configurations on the other. State structures, their administrative substructures, and interfaces with societies had to adjust as part of this.

The major core values underlying and legitimising reform were, are, and will thus be 'economic' in nature and hence often address the operational or managerial level of reform. What is striking about the post-1980s reforms compared to earlier reform movements is the urge with which these economic goals were pursued. Improving international competitiveness and, as part of this, balancing the budget and the reduction of government deficits has become a prime motive behind reforms in most countries. If one takes the drive for increased flexibility, viability, and economic robustness as the core values of public sector reform over the past fifteen years, theoretically relevant comparative questions fundamentally change compared to the managerial question of efficiency, goal-directedness, and responsiveness.

Take France and the UK for example. It is fairly obvious that from a perspective of institutional adaptive capacity France could and should be studied not as a different case but as a case in the same category as the UK. England has tried to bring flexibility and adaptability into the sys-

tem by promoting managerial values and techniques. France has tried to do the very same, but due to a different institutional set up and administrative culture had to concentrate on different administrative features of the system for a long time. For most of the 1980s and 1990s French reform efforts aimed at creating conditions for a more flexible operation of the system, that is, the untangling and simplification of an overtly complex, interdependent, and immobile (inter-) governmental system by decentralisation, democratisation (of the Départments), and the limitation of the Cumul des Mandats across levels of government. It is only recently that the debate on a more managerial approach is getting off the ground.

This concern for governance issues instead of managerial issues is characteristically shared by many countries on the continent. From the 1960s onward collective decision-making of government units has played a role in Germany ('Politikverflechtung' and joint decision traps). They also appear to have become more important in the Netherlands (covenants with sub-national governments), France (decentralisation and 'contrat du plans'), and Scandinavia (strengthening the regional level, free commune experiment) resulting in different institutional consequences depending on the contextual nature of the particular problem.

This indicates a growing interest in reforming the interrelationships and mechanisms of co-governance and joint decision-making in various countries. Part of this process also involves the development of intricate relations between public, semi-private, and private organisations with a focus on the co-production of collective services and the idea of bringing governments back to the people. Contrary to the 1960s and 1970s, administrative reform in most countries has been less concerned with an increase in civil participation than with the functional organisation of participation in government. A client orientation has been more often imposed upon citizens than requested by citizens.

Values of economy, productivity, and efficiency have played important roles in Western reform policies of the 1980s and 1990s. It should not be overlooked, however, that these values seldom triggered the reform. Most if not all countries only started to act upon more fundamental threats and challenges. In many countries these threats were economical in nature. Further, countries differed in their timing of response depending on political choice and leadership but few actually escaped the consequences.

For some countries, public sector savings were the first step on the road to structural reform. Other countries faced and continue to face the need to first resolve structural institutional problems which created fundamental instabilities and inconclusive decision cycles which hampered

the adaptive capacity of their systems. Both types of reform, managerial and institutional, trigger new questions of joint decision-making, coordination, control, legitimacy, and system integrity. More and more, the 'bottom line' to engage in reform is not only defined in financial-economic terms but also in terms of external trust and administrative reliability.

3.1 The public-private dynamics

Given these developments, the public-private distinction as a featured element of the public sector reform process stands for a rather diverse substance matter that deserves careful conceptual treatment for international comparative analysis. 'Corporatisation' and 'privatisation' have been important programmes that not only symbolised many of the reform policies in many Western European countries but provided financial means to support them. Corporatisation requires that regulatory functions are separated from service delivery functions, as was done in New Zealand. Corporatisation is regarded by some as a step toward privatisation (as in the UK). In some countries, privatisation has been and is considered the solution to all problems of government including the size, expenditure, and coordination of public services. Wright (1995) even spoke of the 'privatisation craze'. Many programmes for privatisation, in fact have been programmes of deregulation and de-bureaucratisation. Privatisation has often been a financial and budgetary transaction – a way of 'downsizing' – as well as a measure to escape bureaucratic rules, public sector pay schemes, routines, or procedures by placing activities outside the government organisation or the confines of ministerial responsibility. A sense of de-bureaucratisation has been permeating reforms at all levels of government. This does not so much imply 'a government that provides more with less' but rather a government that seeks to simplify administrative procedures and reduce transaction costs to improve contact with citizens and business and make the system of public law more transparent.

At the beginning of the 1980s, the quest for 'deregulation' particularly referred to a reform of inter-governmental relations. But 'free local government' did not necessarily mean 'free industry', 'free society' or 'free citizens' at the local level. Often a deregulation of inter-governmental affairs seems to have resulted in a re-regulation of society at the local or regional level. In the early 1980s, deregulation of local government in many countries was not yet accompanied by deregulation for the market. The administrative meaning of 'deregulation' however, shifted during the 1980s. It primarily became a response to the changing

terms of competition in the national context and the newly emerging international markets (e.g., in energy, telecommunications, transport, banking, and insurance).

Parts of the budget oriented reforms seek to strike a new balance between the public and the private sector via the introduction of market-type mechanisms (MTM's) to public tasks. To the OECD this has become a key part of management reform strategies: the (re-) positioning of government in a competitive environment. Among the various reforms several stand out (OECD 1995). The creation of internal markets and user charges for governmental agencies is intended to improve cost-awareness within government. It also creates the possibility that sub-national governments can choose where to buy particular services; at the central government or elsewhere (as in the Nordic countries). An older but still very popular (at least in Australia) approach is contracting out services. A new development is that of markets in property rights which provide an alternative to regulating access to common pool resources. Iceland does this, for instance, in its regulation of access to fishing grounds. Yet another instrument is the 'voucher' that restricts consumers in their choice of services but leaves them free to choose suppliers.

The attention for state-citizen interfaces in the 1980s and 1990s is thus different from earlier administrative reform movements in the 1960s and 1970s that were aimed at democratisation and increasing citizen participation in policy formation in many Western European countries. In the 1980s and 1990s, public services were brought closer to population centres; various administrative functions were concentrated in one office. 'One-stop-shops' were introduced in many European municipalities but underlying bureaucratic power structures prevented this approach from becoming a more comprehensive feature or task of local government. Several countries developed service-standards as a centrepiece to their reforms; among these are the Public Services User's Charter (Belgium), the Public Service Charter (France), the Public Service Quality Charter (Portugal), and the Citizen's Charter (UK).

3.2 Decentration

The transfer of non-core business in public sectors may range from decentralisation (which by definition only involves public partners), contracting-out and 'agencyfication' (which may involve private partners) to privatisation (private actors only). Central to any of these transfers has been the attempt at 'decentration'. This is basically pursued for two reasons: first, to offload the centre whether through decentralisation, de-

regulation, or privatisation; or second, to strengthen local government through decentralisation, deregulation, or amalgamation.

We prefer to speak of 'decentration' instead of decentralisation because these developments mean a dispersion of tasks from the former centre of the nation-state – national government, often called 'central government' – in many directions: de-central to municipal and regional governments, de-concentrated to special and functional agencies in the system, 'horizontal' to markets, firms and third sector institutions in the civil society (NGO), and 'upwards' to international institutions such as the EU, NATO, OECD, World Bank, or even the UN. The role of national governments, former building blocks of an intergovernmental 'world order' (or European governance system), is not necessarily becoming less important but is definitely changing into a more enabling, facilitating, controlling, and regulating direction. Decentration contributes to the necessity for policymakers and public managers to work and cooperate within networks of many different actors, which has contributed significantly to the rise of interdependency and network analyses more and more subsumed under the concept of 'governance' (Bogason and Toonen 1998).

4. The Emerging Knowledge-Based Economy

It is striking that in almost all Western European systems where fundamental reforms and transformations have taken place, classical issues of good governance, administrative integrity, accountability, control, and supervision have eventually come to the fore. The quest for good governance these days even seems to have surpassed the quest for good management, also within the Western European context.

Some perceive a pendulum movement. The question is however, whether this process is really a regression to old administrative values and practices and a return of traditional administration. The overall context of public governance has changed dramatically over the past decade due to internationalisation and Europeanisation alone. New forms of management eventually will call for new forms of governance in order to be effective in the longer run. New forms of governance eventually require new institutional and regulatory arrangements in order to be effective and legitimate in the long run. In a period of reform and transformation, traditional functions of government and administration gain a new meaning not because these functions have changed but because the contexts in which they operate are changing.

Various successive labels have been used to describe this broader transformation process: First and Second Oil-crises, Post-Industrialism, Post-Fordism, Service Economy, Globalisation, The New Economy and – most recently – the development of a Knowledge Based Economy (KBE). The European Council gathering in Lisbon 2000 has serviced this label by announcing its ambition to develop the EU by 2010 into: "…the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (Lisbon European Council). In doing so, the concept of the KBE was overloaded with all the ambitions which make a reform concept useless in the end because of the likely political frustration following the inability to implement its full promise. From a perspective of administrative reform, the Lisbon Declaration was not a very wise act.

The forces constituting the transformation into a KBE however, are real and well recognised by now. The ICT revolution has become more silent since the burst of the Internet Bubble but precisely the lack of hype enables a more pragmatic, realistic introduction of many of the promises and achievements – with their own success and failures, advantages and disadvantages, ecstasy and frustrations – into the various domains of the day to day world of governance and (higher) education. Anti-Globalism has become a global phenomenon. The global branding of Noami Klein and the icon of the Anti-Globalist Babe as her Global Logo only represents one of the many paradoxes of the process.

The development of a multi-cultural/multi-ethnic society is developing into a reality – liked or not, underscored or feared – in many parts and regions of the world through new forms of international and foreign policy among less and less 'sovereign' states as well as through the international demographics and migration patterns. A process of individualisation of and within the mass society (at least in the Western world) among costumers, citizens, and firms; but also among cities, municipalities, regions, or self proclaimed cultural categories is giving rise to contextual strategies. User specific, tailor-made approaches take over the former production oriented and standardised policies within business and governments.

4.1 Re-arranging governance

The KBE has a potentially strong impact on the core business of (higher) education: the gathering and dissemination of knowledge and the organisation of learning. New markets emerge, nationally and internationally. Old niches disappear or become open to contenders. The very no-

tion of a KBE suggests that under the impact of new technology, internationalisation, individualisation, and changing economic structures the educational process will take on a fundamentally different institutional form (Huisman and Toonen 2004). The development of a KBE has an autonomous impact on governmental structures and many reform initiatives these days are aimed at dealing with them. Again, adopting a 'managerial paradigm' to study these developments comparatively would be rather ill-suited.

In the field itself, there is an understandable reflex to attribute changes in the field of (higher) education to changes in government policy. This is expected given the strong government involvement in the educational sector. From a perspective of administrative reform however, it would be more accurate to present both governments and educational systems as subjected to the same overall development of a KBE. Government and public sector behaviour are endogenous to the development of the KBE, just as institutions of (higher) education are. The concept of the KBE suggests that governments and (higher) education systems are both subjects and objects – victims if you like – of the same overall technological, international, cultural, and economic developments. The dynamics in public-private relationships in the KBE are caused just as much by the private as the public sector side of the coin.

Under the current circumstances, it would thus be unwise to stick to the neo-managerial paradigm to organise one's research design, also in matters of higher education. New forms of regulation and the transformation of patterns of control for example, which both governmental and educational institutions experience, have to be understood as part of a broader systemic change and institutional (re)development. Government structures and governance processes are being rearranged in efforts to deal with the challenges most Western state systems are facing. These challenges not only encompass managerial terms but terms of legitimate governance and adaptive institutional redesign as well, where administrative values other than just efficiency and managerial control are at stake.

The 'horizontalisation' of the relationship between the state and society has consequences for the way processes of governance may be organised. The attention for independent oversight functions is generally treated from a 'managerial' perspective of increased interest in the separation of policymaking and implementation, decentralisation, and the formation of new or the use of existing 'independent agencies' in carrying out central government policy. There is however, more at stake: A quest for transparency in decision-making and operational procedures has increased as well as interest in the results and effectiveness of pol-

icy. There is a perceived need to account for performance to the citizenry and the 'users' of public policy output legitimisation. The 'emancipation' of the citizen and user, formation of governance networks, 'horizontalisation of social relations', the impact of ICT and the continuing internationalisation of business and government are in the background of the development of growing attention for the (independent) oversight function in governmental affairs.

The change in oversight function is not an event unique to the educational sector; it is part of a broader movement. Parallel to the development of the Educational Inspectorate, and some times inspired by it, the development of various other Ministries in the Netherlands reflects a clear interest in their inspection and oversight function. The consolidation, professionalisation, and internal strengthening of the position of the Inspectorates of the Ministry of Housing, Physical Planning and Environmental Affairs, The Health Inspectorate, The Inspectorate of Traffic, and Physical Works and Water is clearly and publicly under way.

Many new independent regulatory bodies have been inserted into the governmental control system over the past decade, sometimes making older existing bodies obsolete but often also representing a whole new area of governmental regulation. Most notably this is the case in the area of market regulation, (European) Competition Law, Anti-Trust policy, and Telecommunications.

All these institutions are relatively new, or at least renewed under the impact of internationalisation and Europeanisation processes over the past 10-15 years. They have in common that they concentrate their activities primarily on the regulation and control of firms and markets. It is important to realise however, that many of these services were still public and government services not too long ago. From a governmental control perspective, they have been placed under a different rather than a new control regime where market regulation and competition have replaced hierarchy and oversight to some extent. This move often requires complex and very detailed legal '(re)regulation' and the institutionalisation of new 'overseers', often with considerable discretion in exercising its regulatory and compliance mandate. Since the logic of this movement underlies the developments of many different policy areas, the overall result indeed shows signs of an 'audit explosion' in terms of the 'monitors' that national Ministries have developed, often in joint collaboration with the localities involved. Closer inspection often reveals the substitution of one 'control mechanism' with another one.

Some perceive all these reforms in the regulatory systems as an institutional regression or even as a 'recentralisation'. The developments in oversight structures are sometimes presented as a reversal of the reforms

described earlier. The very nature of institutional development in the KBE however, suggests that the hierarchy of the nation state where the centre 'takes' and 'gives away' power to higher and lower levels of government has been transformed. It requires a different pattern of regulation in order to serve basic questions of legitimacy, not so much in terms of 'customer satisfaction' but more in terms of social trust in the institutional reliance of public sector institutions.

Hierarchical supervision in a 'horizontal' relationship leads to many problems in terms of trust, governance, and reliability. There is the problem of the same person or entity being the (co-)producer of policy as well as the controller of the same policy. A contractual, mutual relationship presupposes the existence of a relatively independent third party for surveillance of contracts and performance and for conflict resolution. Whistleblowers, even if they do belong to the formally institutionalised system of checks and balances, are not very popular in 'mutual relations' and easily regarded as formalistic 'bureaucrats' or organisational nuisances. They are however, institutionally necessary to safeguard and protect the integrity of the system. Where 'hierarchical' or 'bureaucratic' principles such as civil service loyalty can no longer do the job, a more 'autonomous' institutionalisation of this function is required. Several governmental committees in The Netherlands addressed this issue in the second half of the 1990s. The emerging overall trend was to develop a movement to encourage "Trust in Independence" of internal and external oversight bodies as the title of a governmental White paper on administrative oversight states (Commissie Borghouts 2000). It is for the sake of the quality and reliability of the system – and the effective autonomy of governmental and educational institutions within it – that the regulatory functions are consolidated.

'Horizontalisation' ('interactive government') also means that the politically responsible echelon of the organisation has to involve itself more directly with the external operation. Only this echelon is 'mandated' to do legitimate business with partners on behalf of the organisation. External operation through the organisational hierarchy is also 'too bureaucratic' for the required flexibility. In addition, it stirs up stable and well-organised organisational routines with the short term interests typical for politicians.

Effective horizontal relationships are also assumed to be based on trust. Information is usually better trusted if it is considered 'independent'. In the hierarchical organisation, the top could determine which 'organisational truth' had to be enforced and complied to, and the 'monitoring' and collection of information took place accordingly. In horizontal relations there is more need to convince, persuade, and build jointly

agreed upon images of reality – which still might be appreciated in different and conflicting ways. There is no longer a one-to-one relation between the findings of 'monitors' and political decisions for action.

Changes in monitor and oversight functions reflect a deeper institutional transformation of the public sector caused by the various social and economic developments subsumed under the heading of an emerging KBE. The development of contractual governance arrangements as well as the emergence of bargaining – instead of command – among various levels of government has already been observed. It is part and parcel of the institutional repertoire of systems where the former 'shadow of hierarchy' of the sovereign nation state is gradually giving way to more open, cross-national ways of governance and 'open methods of coordination'.

This does not make them 'good' or 'effective'. The development of the welfare state has been described by many as a by-product or coincidence – an accident almost – of broader historical developments (Swaan 1988). The ongoing redesign and revision of the administrative state can hardly be understood as the outcome of a centrally planned, masterly guided, and rationally controlled reform process either. There are however, some logical institutional consequences that are ignored at the risk of losing trust and confidence in the system. In turn, this would and does affect general purpose governments and policy specific institutions such as in higher education.

The very notion of separate 'policy sectors' is being challenged by the dynamics of the KBE. Social value is increasingly produced in cross specialised settings. This applies to the notion of inter-disciplinary academic research and the need to bridge the distance between specialised policy branches in the way governments and policy specific institutions – such as the institutions of (higher) education, labour markets, industry, culture, and physical and social infrastructure – were used to organise themselves. Coordination is too weak a term to indicate the type of re-integration – in theory – required by a KBE from governments and (higher) education systems. Re-integration as a concept for the KBE asks for bringing together again the joint governance of specialisations (disciplines, divisions of labour, governmental competencies, etc.) once separated for good reasons of division of labour in an industrial or service economy.

5. Conclusion and implications for research

In many if not all countries there are examples of 'comprehensive' centrally planned reform initiatives that failed, were never implemented, or only reached the stage of design. This experience is what gives 'reform' its bad name in academic circles, particularly when compared to the promises associated with reform in everyday politics. It has contributed to the idea that reforms are hardly ever effective, particularly when the executors of the reform are not included in the design, which seldom is the case in 'centrally implemented grand designs'. There is indeed, a category of public sector developments that perhaps could be best described as 'great transformation, but no reform'. If one bothers to look beyond the confines of official reform policies however, it often becomes clear that public sector reform is not a clear-cut, one-dimensional reorganisation process but more often a long term and multi-dimensional emergent strategy (Burke 2003).

Current public-private dynamics in higher education have to be understood as part of a larger, long term, and international institutional redevelopment process of the public sector, or better, of the public domain. Political reactions to common challenges are moulded by the opportunities and constraints embedded in (administrative) state traditions and historical legacies, such as existing (higher) education systems and various logics – 'path dependencies' – of reform. The managerial dimension (instrumentality, responsiveness, and efficiency) is important and requires attention for new forms of regulation, accountability, and oversight (governance). In addition, robustness in terms of stable adaptive capacity, resilience, and reliability are likely to become important concerns in ongoing reforms both in educational systems as well as in an increasingly differentiated public sector at large. Given the development of the Knowledge Based Economy with all its institutional ramifications, it would be unwise to study the public-private dynamics only in terms of the pros and cons of a neo-liberal, neo-managerial approach to public sector reform.

The study and understanding of institutional variation is the key. There are analytically two separate dimensions which determine this variation. First, there is the substance dimension looking at different subject matters of reform (managerial reform, reform of management, policy reform institutional reform. regime reform). Second, there is the process dimension looking at different modes or approaches to public sector reform (comprehensive, functionalist, gradualist reforms). It is important to realise that we are dealing with a subject matter which requires not only a (decentrated) multi-actor approach but also a multi-

level analysis. The questions of responsiveness, efficiency, instrumentality, perverse measures, and bonus effects deserve all the attention they can get in the study of the public-private dynamics. There are however, other questions to be addressed in the debate on public sector organisation focussing on social responsibility, organisational accountability, new forms of legitimatisation, and transparency.

Public-private dynamics will follow from the fact that institutions of higher education increasingly will have to be embedded – and embed themselves – in regional networks and configurations, sometimes being players or hotspots in a global competition. This will bring about whole new institutional questions of governance in relation to the cooperation and interfaces with governments, other 'social entrepreneurs', and allies in newly founded KBE consortia. Governance and accountability are not given institutional characteristics; they are (dynamic) relationships. This means that not only the institutions but also their institutional environment will have to undergo refurbishment. The macro developments in administrative regulatory and oversight structures have been mentioned. The perverse confusion of operational – managerial – performance and contract management with quality and quality control has to be resolved at the level of institutional arrangements, not at the level of individual contract negotiations. Transparency, accessibility, and quality are the set of minimum standards publicly acknowledged as belonging to some kind of public domain. Resulting questions of legitimisation and new forms of public and private accountability presume the existence of a proper institutional infrastructure within which these questions can be effectively handled: Is the strict separation of public and private (higher) education the sole solution we can think of in the face of the intricate dynamics in (the governance of) international higher education? Or is this policy dilemma only an artefact of an international higher education system organised for and by nation-states?

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