Coordination and hybrid governance
– theoretical and empirical challenges

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Preface

This paper is part of the ongoing evaluation of the reform in the Norwegian employment and welfare administration and funded by the Norwegian Research Council. The paper is part of the sub-project in this evaluation named Welfare model, governance systems and NAV (the Norwegian acronym for the employment and Welfare administration), headed by Professor Tom Christensen. The paper was presented at 5TAD – The Future of Governance in Europe and the US, Workshop 6: Collaboration, Hybrid Governance and Networking, 11-13 June 2009, Washington DC.
Sammendrag

Summary

Public organizations are increasingly hybrid and complex, trying to attend to numerous and partly conflicting structures and cultural elements at the same time. The different generations of public sector reforms – NPM and post-NPM – have accentuated these features, resulting in multiple-layer structural and cultural features from diverse generations of reforms. The paper covers the following main research questions: 1) analytically, how can we interpret the increasing tendency towards hybrid governance in terms of a transformative approach; 2) empirically, how is hybrid governance developing out of attempts to balance NPM and post-NPM considerations, particularly, how is it addressing the dichotomy between control and autonomy?; and 3) based on the transformative approach and insights into modern public sector reforms in general, how can we understand a modern reform that is typically hybrid in character? The case we focus on is the largest public sector reform ever in Norway, the reform of the welfare administration, which was decided on in the period 2001–2005 and implemented through 2009. The data are based on personal interviews with elite actors, public documents and various studies evaluating the reform.
Introduction

Public organizations are becoming increasingly hybrid and complex as they try to attend to numerous and sometimes conflicting ideas, considerations, demands, structures and cultural elements at the same time (Christensen, Lie and Lægreid 2007). One reason for this is that modern representative democracies are institutionalizing administrative policies and implementing different generations of modern public sector reforms at an accelerating pace. The NPM reform wave, seen as a reaction to the challenges and problems of the «old public administration», and the post-NPM reform wave, seen partly as a reaction to the negative effects of NPM, are together resulting in a complex sedimentation or layering of structural and cultural features (Olsen 2009a, Streeck and Thelsen 2005). In the course of this process certain elements of structure and culture have remained relatively stable, others have become stronger or even institutionalized, and others still have been reorganized, modified or deinstitutionalized (Røvik 1996).

Looked at from the point of view of a transformative approach, taken from organization theory, we may interpret the increasing complexity of public sector organizations – and we focus here on the central civil service – as the result of a dynamic interaction of instrumental, cultural and environmental features (Christensen and Lægreid 2001a and 2007b). First of all, it may be seen as the product of instrumental organizational design by political and administrative leaders (Egeberg 2003) or else of negotiation processes, reflecting heterogeneity in public organizations (March and Olsen 1983). Second, it may be related to a long process of cultural evolution, where «statesmanship» via «critical decisions» creates a complex and distinct culture that interacts with structural development (Selznick 1957). A third possible option is pressure from the technical or institutional environment, which may also increase complexity (Christensen and Lægreid 2001a, Meyer and Rowan 1977).

There may be diverse reasons why structure and culture become more complex. At one level complexity may indicate instrumentality and rationality. Since societal and political-administrative problems and demands are complex, the structure and culture must also be complex if it is to respond effectively and efficiently. But complexity may also indicate flexibility – diversity in the structure and culture of a public organization may make it more able to relate to different parts of its own organization and to respond to the environment in a differentiated, albeit not necessarily consistent way (Brunsson 1989). A third way of looking at complexity is as organized chaos (March and Olsen 1976), whereby public leaders have problems using the structure and culture in systematic ways.

Structural complexity in public organizations may be measured according to some central dimensions. One is vertical specialization, another is horizontal specialization, and both dimensions have intra- and inter-organizational elements (Egeberg 2003, Gulick 1937, Simon 1957). Vertical, intra-organizational specialization tells us how formal authority is distributed among different levels of the hierarchy. Strong vertical specialization means that hierarchical control and coordinative power are divided among many leaders and levels. Vertical inter-organizational specialization focuses on the specialization among
public organizations. Used in this sense strong vertical specialization may mean ministries with a lot of subordinate agencies, while weak specialization indicates more integrated ministries.

Horizontal intra-organizational specialization means internal specialization within public organizations – the division of an organization into different departments and units, according to principles that Gulick (1937) labels purpose, process, clientele and geography. Strong horizontal specialization indicates division into several sub-units.

Horizontal inter-organizational specialization focuses on specialization among public organizations on the same hierarchical level, as, for example, among ministries or agencies. Strong specialization means many such units. If we look at all these dimensions together we get an indication of how complex a system is. One extreme here is strong vertical and horizontal specialization overall, meaning strong proliferation and fragmentation, which was typical for the NPM reforms (Christensen and Lægreid 2001b); the other is low specialization on both dimensions, indicating an integrated political-administrative system. Rather than measuring complexity specifically we will use these dimensions to determine in what direction our reform is moving.

Cultural complexity is also part of the equation, but less central to our analysis than structural complexity. It is also more difficult to grasp. Strong cultural complexity means that there are a variety of informal, cultural norms and values in and among public organizations, either because there are many considerations to attend to, or because sub-cultures have developed or else because cultural norms from different types of reforms have been combined. Weak cultural complexity means cultural homogeneity and integration – i.e., members of an organization are very committed to its basic cultural norms and values and there is a common sense of purpose and a feeling of being in the same «cultural boat» (Kaufman 1960, Krasner 1988, March and Olsen 1989, Selznick 1957).

Hybrid organizational forms in the public sector may mean different things. They may denote multi-structural forms inside ministries and agencies, but they may also describe the relationship between ministries and agencies, between the government and municipalities, etc. (Kickert 2001, Pollitt et al. 2007). Hybrid is also the term used to characterize quasi-governmental organizations that exist at the interface between the public and private sector, which may be either market or civil society organizations (Koppell 2003). We apply the concept here primarily in its broad sense inside the public sector and relate it to the increased complexity produced by several generations of administrative reforms.

We will empirically discuss the processes and challenges of complexity by focusing on the classical distinction between political and administrative control on the one hand, and institutional autonomy on the other, and relate this to the NPM and post-NPM reforms. We will illustrate how the balance between control and autonomy works in practice by analyzing the recent major reform of the welfare administration in Norway. Whereas NPM as a reform wave was driven very much by the autonomy argument, stressing structural devolution and increased distance to executive politicians, post-NPM reforms have tended to revive the control and coordination aspects (Christensen, Lie and Lægreid 2007). The NPM reforms combined vertical specialization or structural devolution with extensive use of the principle of «single-purpose organizations» or
horizontal specialization, creating a fragmented system which, it was argued, catered to «role purity» (Gregory 2001). Post-NPM reforms, which started in the late 1990s in the countries that had been NPM trail-blazers, introduced a combination of vertical integration via stronger control measures and greater capacity for the political executive, and more horizontal collaboration and coordination in the form of networks, teams, projects, etc. (Gregory 2003, Halligan 2006).

The paper will accordingly cover the following main research questions:

1. analytically, how can we understand the increasing tendency towards hybrid government? Here we base our analytical discussion on a transformative approach, with elements from organization theory. We ask how a dynamic interaction of structure, culture and environment may explain increasing hybridization. Our point of departure is the notion of conscious design of complexity by executive leaders, given diverse constraints.

2. empirically, how is hybrid government developing out of attempts to balance NPM and post-NPM considerations, in particular the balance between control and autonomy?

3. based on the transformative approach and insights into the dynamics of modern public sector reforms in general, how can we understand a specific modern reform that is typically hybrid, particularly with regard to the major challenges of political-administrative control, accountability, professional autonomy and legitimacy.

The case we focus on is the largest public sector reform ever in Norway, the reform of the welfare administration. This reform comprised a merger between the employment and pension administrations/agencies and local partnerships between this new organization and the social services of the municipalities. The reform was adopted during the period 2001–2005 and is being implemented gradually through 2009. The data here are based on personal interviews with elite actors, public documents and major evaluatory studies of the reform.

First, we will give a brief overview of what we mean by a transformative approach and focus especially on the conditions that lead to more complexity. Second, we will describe how NPM and post-NPM reforms have tended to increase complexity and hybridization. Third, we will use the reform of the Norwegian welfare administration to show how attempts to balance control and autonomy bring about complexity. Finally, we will draw some conclusions and point to some implications.

A transformative approach and preconditions for developing complexity

Main elements of the transformative approach

According to a transformative approach, public actors involved in decision-making processes, reform processes included, are constrained and influenced by three sets of factors or contexts (Christensen and Lægreid 2001a and 2007b). We argue that the institutional dynamics of reform can best be interpreted as a complex mixture of
environmental pressure, polity features and historical-institutional context. These factors define how much leeway political leaders have in making choices about a conscious design of complexity in public reforms (Olsen 1992). This includes how they are able to balance central concerns in NPM and post-NPM reforms like central political and administrative control on the one hand, and agency and professional autonomy on the other.

**A structural-instrumental perspective**

Structural, constitutional and polity factors related to a *structural-instrumental perspective* determine the potential of leadership decision-making and the structural and other formal constraints to which it is subject. Such factors go some way to explaining how leaders handle reform processes (Weaver and Rockman 1993, Olsen 1992). These constraints may be very tight, potentially giving leaders strong hierarchical control but not much leeway or flexibility. But they might also be rather loose, not giving leaders and other actors much direction but instead a lot of potential discretionary influence. The main features of the polity, the form of government and the formal structure of decision-making within the political-administrative system may all affect a country’s capacity to realize administrative reforms.

From a structural or instrumental point of view, reforms may generally be seen as conscious organizational design or reorganization (see Egeberg 2003). This perspective is based on the assumption that political and administrative leaders use the structural design of public entities as instruments to fulfil public goals. Major preconditions for this are that the leaders have a relatively large degree of control over reform processes and that they score high on rational calculation or means-end thinking (Dahl and Lindblom 1953). There are two major versions of the instrumental perspective – a hierarchical one and a negotiational one – with the former denoting an unambiguous command structure and clear goals, while the latter focuses on heterogeneity and conflict between different interests (Allison 1971, March and Olsen 1983).

*Hierarchical design of complexity.* The first question is to what extent and how political and administrative leaders can design complexity so as to achieve a balance between control and autonomy. In principle, if a political and administrative leadership has a lot of control over reorganization or reform processes; it can pick and choose whichever solutions it likes. So why should it choose an organizational model or reform that is rather complex? A rather simple answer is that this is seen as the most rational solution to the challenges confronting the public organization (March and Olsen 1983). Both the internal conditions and the external constraints may be so demanding and complex, or even turbulent, that the executive leadership is eager to diversify the structure, so as to cater to both control and institutional autonomy at the same time. So there is congruence between complex constraints and complex structure or reforms (see Lawrence and Lorsch 1967). In pluralist polities it might be easier to garner support for a robust and complex design that implies some ambiguity regarding constraints on decision-making processes and that allows different substantive outcomes than for a design that dictates precise policy outcomes (Olsen 1997).
Second, still presupposing that the leadership scores relatively high on rational calculation, complexity may signal flexibility on the part of the leaders. They may not wish to act in certain ways, even if they pretend to do so (Brunsson 1989), or they may try to obscure their motives and actions, and a complex organizational structure gives them more leeway to do so. Complexity might, for example, mean a more loosely coupled organization (March and Olsen 1976). Complexity might mean «creating noise’ in decision-making processes (Cohen and March 1974), covering one’s tracks, or like the fox, having at least two exits from the hole. This motive for creating complexity may be related to leaders’ practice of using myths and symbols to balance control and autonomy, pretending to some audiences that the control side is important, while others will hear the autonomy message. Another alternative is to emphasize control in certain periods and autonomy in others, or else to have certain parts of the organization specializing in control, while others focus on autonomy (Brunsson 1989, Cyert and March 1963).

Third, if leaders lack insight and score low on rational calculation, complexity may be the result of arbitrary or temporal processes (March and Olsen 1976). Leaders may wish to develop the public organization in a systematic way in a certain direction, but do not succeed in this endeavor because they lack the ability to see the connection between means and ends. This limited cognitive capacity could result in a lot of reorganization or patchwork reforms, which in themselves generate complexity. Sometimes organizations work according to a «fire alarm model» (Gormley 1989), producing diverse organizational developments. Balancing control and autonomy may tend to be seen from the outside as systematic when it is in reality more coincidental.

Negotiations furthering complexity? If we further explore the control aspects, heterogeneity may be an explanatory factor for complexity. Heterogeneity inside government, diverse institutionally based interests and a tug-of-war between different leaders may create the background for organizational complexity (March and Olsen 1983). Added to this is the heterogeneity in the environment of public organizations. There may be at least three different ways to arrive at solutions under such circumstances. After sounding-out processes and negotiations (Olsen 1972), there will be a compromise, and in that way complexity can reflect a compromise between central control and institutional autonomy. This may further hierarchical control but also imply solutions that are not entirely wanted. In other words, leaders have to balance control and preferred solutions on the one hand, and participation and legitimacy on the other. Or there could be a winning coalition, for example attending simultaneously to control and autonomy, which often will further hierarchical control. There could also be a «sequential attention to goals and quasi-solutions of conflicts’, meaning for example that control may be emphasized at one point in time, to cater to some actors, while autonomy becomes predominant at other times, to cater to other constituencies, without any overall thought for consistency (Cyert and March 1963). Overall, this solution may both enhance and obstruct hierarchical control.

Complexity is not only created by heterogeneity of participants as such, but also by different interests and perspectives, depending on the institutional position and outlook the different participants have (March and Olsen 1983). So structural complexity may relate to the wide range of different interests playing into a reform process. Central
political and executive leaders may be the main proponents of control measures, while agency and state-owned enterprise leaders, not to mention public leaders on the regional and local levels, may work hard to further autonomy measures.

**A cultural perspective**

A *cultural perspective* specifies another set of constraints. According to this perspective public organizations develop core informal norms and values slowly in an institutionalization process, leading them to evolve distinct cultures. Different countries have different historical-cultural traditions and their reforms are «path dependent», meaning that national reforms have unique features (Krasner 1988, Selznick 1957, March and Olsen 1989). A culture that «infuses» formal structures with values may be very distinct and strong, having a strong influence on decision-making behavior, but it may also be vague or loose, or even inconsistent with a lot of sub-cultures, and therefore have less influence.

The reform roads taken reflect the main features of national institutional processes, where institutional «roots» determine the path followed in a gradual adaptation to internal and external pressure (Selznick 1957). The greater the consistency between the values underlying the reforms and the values on which the existing administrative system is based, the more likely the reforms are to be successful (Brunsson and Olsen 1993). When public organizations are exposed to reform processes, the reforms proposed must, according to a cultural perspective, go through a cultural compatibility test. Here the institutional leadership may have a double role in reforms. On the one hand it will have to «administer the necessities of history» (March 1994), meaning being sensitive to cultural traditions and guarding historical paths. On the other hand, it will also be assigned the task of gradually changing cultural traditions in order to adapt to a new and changed environment and context. This endeavour may involve socialization, training, and manipulation of symbols aimed at changing the attitudes of the organization’s members.

NPM as a reform wave was rather compatible with the traditional culture in Anglo-American countries, which was why reforms fell on more fertile ground there than in many Continental-European and Scandinavian countries, which proved to be more reluctant reformers because of less cultural compatibility (Pollitt and Bouckaert 2004, Pollitt, Van Theil and Homburg 2007). As post-NPM reforms emerge, the interesting question arises of whether the new reforms have a path-dependency related to the old administrative system or to NPM. Some studies construe post-NPM reforms as a return to the cultural norms and values of the traditional Weberian and centralized system, while others emphasize that NPM has created a new trajectory that makes it difficult to return to the «good old days» – i.e. NPM has a constraining effect on post-NPM reforms (Christensen and Legreid 2006).

In principle the development of common cultures in public organizations should decrease complexity, particularly if culture is the «institutional glue» that holds an organization together or if culture means a lot for organizational development. So how could complexity then be related to cultural development? One answer is that even if a culture is seen as common, it is also complex, reflecting a variety of informal norms and
values. So the cultural path and appropriateness developed are also complex, probably more complex the older the public institution is. Kaufman (1976) points to the argument that many of the older public organizations have historical paths and complex layers of cultural norms and values that have been added to over time, and that these features are central in explaining why these organizations have become so old – they have developed a kind of «institutional smartness». This smartness is not only related to overall common cultural norms and values but also to competing types of appropriateness existing side by side in the public sector (Boin and Christensen 2008).

An example from Norwegian administrative history may be used to illustrate this point. The relationship between ministries and agencies in Norway since 1814 has gone through periods of ebb and flow (Christensen 2003). Starting out with a lot of ministerial control, the weight shifted to autonomy values when the first agencies were established in the 1840s. In the period between the two world wars, the executive leadership tried to control the agencies more, through an agency model that was somewhere between the integrated solution and the independent agency model. After WWII there came a wave of more agency independence again, while the 1970s brought more control. This was again followed by more autonomy, as NPM measures were introduced during from the 1990s, while in the last 5–10 years the pendulum has swung back again as post-NPM reforms have brought in more elements of control and coordination again. This example shows both the swings between control and autonomy, but also an increasingly complex relationship.

If we move away from the premise of cultural homogeneity, we can also argue that complexity in public organizations may reflect different sub-cultures. Even though there are major common cultural features, there is also cultural diversity. So complexity may result from simultaneously catering to sub-cultures favoring control and autonomy.

An environmental perspective
A third set of factors relates to an environmental perspective. According to Meyer and Rowan (1977) the environment of public organizations may be divided into two parts, the technical and the institutional environment. The technical environment is mainly about efficiency, production and exchange. NPM may be seen as the optimal solution to widespread technical problems – i.e., it is adopted to solve problems created by a lack of instrumental performance or by economic competition and market pressure. In this instance NPM reforms are adopted not because of their ideological hegemony but because of their technical efficiency. The technical environment may exert strong external determinism, meaning that an organization has to adapt to demands from the environment (Olsen 1992), for example when a university faces major demands for cut-backs from the responsible ministry. In other instances environmental constraints may be rather loose and diverse, causing few actual limitations on decision-making in an organization.

The institutional environment has a less instrumental character and is more about assumptions concerning the appropriate organizational structure, internal culture, recruitment policy, demography, etc. A country may adopt internationally based norms and beliefs about how a civil service system should be organized and run simply because
these have become the prevailing doctrine. NPM had its origins in certain Anglo-Saxon countries and international organizations, like the Organization for Economic Cooperation and Development (OECD), where a kind of reform myth took hold, became ideologically dominant and diffused all over the world (Scott 2007, Czarniawska and Sevón 1996). This diffusion process implied isomorphic elements – i.e., it created pressure for similar reforms and structural changes in many countries (DiMaggio and Powell 1983). Isomorphism can be seen as a deterministic, natural process engendered by common dominating norms and values.

Myths develop in the institutional environment and spread to individual organizations, groups of organizations or whole political-administrative systems. These myths in the institutional environment may have a strong deterministic potential, as in the TINA (There Is No Alternative) principle. But sometimes the institutional environment may be less influential, either because myths are not as strong or because there is a complex pattern of myths and counter-myths.

Myths and diffusion are not only associated with NPM reforms, but also with post-NPM reforms. The counter-myths that have drummed up support for a new generation of reforms highlight the negative aspects of NPM, claiming that NPM is destroying the welfare state and benefiting the few, undermining political control, creating mistrust, reducing legitimacy and producing ambiguity and less transparency, not to mention symbols connected to external threats like terrorism, pandemics and tsunamis (Christensen and Lægreid 2007a). The images associated with the «whole-of-government» (WG) or «joined-up government» (JUG) initiatives that have characterized post-NPM reforms readily bring to mind the idea of repairing and putting back together something that is broken, has fallen apart or become fragmented (Gregory 2003). In this sense their benefits are taken for granted, and very few actors would dispute the advantages of an integrated governmental apparatus or of taking anything other than a wide and collaborative view.

Environmental factors and complexity. How might the technical environment explain the development of more structural and cultural complexity in public organizations? For one thing the technical environment is diverse and possibly turbulent, which would be reflected in internal complexity (Scott and Davies 2006). Balancing control and autonomy could be the result of attending to different actors and institutions in the technical environment. NPM is furthered by demands from the technical environment, for example related to crises. This was the background to the reforms in New Zealand that began in 1984 (Aberbach and Christensen 2001, Boston et al. 1996, Gregory 2001). Another possibility is that a public organization will grow more complex because the demands on the organization from one or several outside sources have become more complex.

Reform myths coming from the institutional environment are in general believed to have the effect of making public organizations isomorphic, i.e. more similar in form, at least on the surface (Meyer and Rowan 1977). The argument behind this is that myths develop in the institutional environment and spread rather quickly to other populations of organizations, where they primarily function as «window-dressing», creating an image of the organization that increases its legitimacy (Brunsson 1989). NPM was based on the myths that a large public sector was bad, that structural devolution and differentiation
were good, that competition and choice were better than control and regulation, etc. The complexity that NPM brought was also a complex set of ideas and ideology (Boston et al. 1996). When post-NPM came along a set of counter-myths gained support: namely, that an integrated public system was better than a fragmented one, that coordination was better than competition, that central capacity and standardization were better than institutional autonomy and variety (Christensen, Lie and Lægreid 2007). This created an even more complex system of ideas, because not all NPM ideas were deinstitutionalized, but continued to exist alongside post-NPM ideas.

Some observers believe that myths are created and spread consciously by certain groups from different organizational fields (Sahlin-Anderson 2001). These are narrower kinds of myths, often labeled «institutional standards' or «prescriptions», and public organizations choose a combination of them. These institutional standards are sometimes used in conflict with other myths or practices, through processes of partial imitation, editing and translation (Røvik 2002). According to the myth theory, increased complexity has to do with public organizations imitating and using diverse institutional standards (Lægreid, Roness and Rubecksen 2007). This can either happen if myths of control are imitated in one period and myths of autonomy in another, or if the organization simultaneously imitates myths catering to control and autonomy, as is evident in both NPM and post-NPM reforms. Complexity could also result from organizations combining different reform elements containing both control and autonomy measures (Røvik 2002). Røvik (1996) also emphasizes that successful imitation may have something to do with combining decontextualization – i.e. arguing that a broad reform has potential everywhere – and contextualization – i.e. arguing that a given reform perfectly fits local conditions. If this is the case, local adaptation results in a complex combination of different reform elements. If we relate this to NPM and post-NPM reforms, complexity may have resulted from a pragmatic adaptation to the two reform waves, whereby countries, sectors and institutions pick institutional standards from organizational fields and combine them in a «patch-work-like» way.

Based on this way of reasoning, one can say that increased complexity has something to do with public organizations imitating and using institutional standards. This can either happen if, say myths of control are imitated in one period and myths of autonomy in another, causing them to co-exist, or the organization can simultaneously imitate myths catering to control and autonomy.

The dynamics of the transformative approach

There is a dynamic relationship between the reform features described in the three views stated, and an important question is how much political leeway they offer. International reform trends like NPM and post-NPM have global potential, but they can also be transformed in the diffusion process when they encounter national contexts, so that they are not only seen as myths without behavioural consequences (Meyer and Rowan 1977, Røvik 1998). While nationally based reforms have unique features, they are also influenced by international trends. The main reform ideas, solutions, methods of implementation, practice and effects that come from outside change when they encounter different political-administrative and historical-cultural contexts (Olsen 1992).
Such transformation may reflect a lack of compatibility between reform content and national institutional norms and values (Brunsson and Olsen 1993). A kind of «editing» of reform ideas takes place as they are put into operation and come face to face with existing national ideas and practice (Røvik 1996, Sahlin-Andersson 1996) or else a reform «virus» manages to penetrate a country’s administration only after a certain period of time (March and Olsen 1983, Røvik 1998).

Thus, the transformative perspective is not only about combining and blending different perspectives but also about translation: co-evolution, dynamic interplay and processes of mutual dependency between reforms, structural features, culture and environmental pressure (Christensen and Lægreid 2007b). If we regard administrative reform purely as a meeting between external pressure and national constraints and strategies, we lose sight of important aspects of the process. The reforms are constrained by structural, cultural and environmental features but they can also in themselves change such features. Thus, reforming the public administration is a twofold process where it is important to stress the dubiety of making a clear distinction between reforms and their determinants (cf Jacobsson, Lægreid and Pedersen 2004). The reforms are at one and the same time both a product of cultural, structural and environmental features and a cause of change in those features. Translation transforms both what is translated and those who translate. National administrations have the potential to transform reform ideas in widely different ways. Some of these translations may be regarded as strategic adaptations (Oliver 1991), others as determined by the situation or the process, while others still may be seen as an expression of how robust existing administrations are. The translation of post-NPM reforms is subjected to different approaches in different countries and policy areas.

Summing up, a transformative approach can be formulated in three different variants (Christensen and Lægreid 2007b, Olsen 1992). First, we can start with international doctrines, ideas and reform movements and focus on how they are filtered, modified, translated and interpreted by two national processes: domestic political-administrative culture, and instrumental choices made by political and managerial executives (Christensen and Lægreid 2001a). Second, we can focus on administrative reforms as a complex interaction between different features. Starting with design and conscious reforms one can examine how they are transformed when they encounter cultural constraints and external pressure (Roness 1997, Christensen and Lægreid 2002). Third, one can take cultural features as a starting point and examine how the conditions emphasized within the other perspectives (instrumental design and external pressure) are translated and filtered within established norms and rules (Roness 1997).

These three sets of factors or contexts constraining and facilitating the actions of leaders in reform processes can be seen as analytically equal. Our position in this paper is, however, that the structural-hierarchical constraints will be the main explanatory factors in a reform. Many studies of national and comparative administration seem to indicate that leaders are not only formally designated to make the most important decisions in public organizations, but they also in fact do so, whether these are internal decisions, like those concerning administrative reforms, or more externally oriented policy decisions (Christensen and Lægreid 1998 and 2002, Egeberg 2003, Lægreid and Olsen 1978, Pollitt and Bouckaert 2004). What we therefore do in this paper is to take
the importance of hierarchical steering—in this instance as a mechanism for developing complexity through reforms aiming to balance control and autonomy— for granted, and discuss the other factors, like negotiatory structural factors and cultural and environmental factors in terms of whether they limit or further potential hierarchical control.

The hierarchical design of complexity may be either strengthened or modified by the other contexts represented by the three other supplementary perspectives. In the best of all worlds, political and administrative leaders will further a reform catering to a complex balance between control and autonomy, and they will receive support from a variety of different stakeholders, thus increasing the reform’s legitimacy. Furthermore, they will be supported by cultural norms and values and symbols that present the complex design as modern and good. At the other extreme, hierarchical based design of complexity may become mired in complex negotiations, may encounter a resistant culture and unwilling professions, and may have to deal with counter-myths. All this could ruin or deeply modify the original intentions of the executives.

In reality, as we often discover in comparative reform studies, hierarchically controlled reform usually has less difficulty controlling the participants than the problems and solutions (Christensen and Lægreid 2001b and 2007a, Pollitt and Bouckert 2004). Relatively often heterogeneity is used to enhance hierarchical control, or compromises are struck that make it possible to stay the course. Leaders often have the upper hand in manipulating symbols, but not always enough to stop cultural resistance. Concerning the access structure, the structure of problems and solutions, leaders often have problems either of defining clearly what they would like to do or in anticipating the effects of the reforms they propose; sometimes, for instance, they underestimate the cost of reforms. All this makes it easier for other actors to enter into the negotiations and to further their own interests and push for their solutions, whether on the basis of their institutional/structural position or on the basis of their culture and professional background.

NPM and post-NPM reforms: increasing complexity and hybridization

When New Public Management was introduced in the early 1980s in Australia and New Zealand it was intended as an alternative to and confrontation with «old public administration», which was seen as representing a centralized, integrated and big government model (Boston et al. 1996, Gregory 2001, Halligan 2001). The main message from the NPM entrepreneurs, often with clear ideological and symbolic overtones, was that governments and public sectors around the world not only had to be scaled back, but also fundamentally restructured. The structural model proposed was one of increased specialization and increased fragmentation, both vertically and horizontally (Christensen and Lægreid 2001b). Vertically it was argued that structural devolution was the answer to central capacity problems, because it would allow leaders to focus on more strategic questions. There were many new forms of structural devolution: giving traditionally agencies more leeway, i.e. moving them further away
from the political executive and/or relaxing certain rules constraining their activities; establishing more regulatory agencies with strong autonomy based on professional values; giving state-owned enterprises strong autonomy, with a lot of barriers to political involvement; and giving greater priority to market values. Other measures included privatizing public activities related to service and the market, which often involved reorganizing agencies or public enterprises. Taken together these NPM reform ideas amounted to a rather fragmented model that swung the balance in favor of autonomy and created a good deal more complexity. This created problems of political control, as shown in comparative reform studies, even though the main argument from supporters of NPM is that political control has not been weakened, but works through other mechanisms (Christensen and Lægreid 2001b, Pollitt and Bouckaert 2004).

It is well documented that NPM in reality, both overall and in all its different varieties in countries and sectors, has been a rather complex and mixed bag of reforms (Christensen and Lægreid 2001b, Pollitt and Bouckaert 2004). Boston et al. (1996) show quite clearly that the underlying economic ideas of NPM reform – informed by new institutional economic theories, like rational choice theory, principal-agent theory, transaction cost theory, etc – were both ambiguous and contradictory. They point out that there were both centralizing and devolutionary elements in these theories. Some of the centralizing ideas were related to theories on contracts, which were seen as necessary to give the central leaders some control after structural devolution. And during the last two decades of NPM it has become increasingly clear that devolution and deregulation have been coupled with re-regulation and more scrutiny and control. The biggest flaws of NPM were probably its efforts to divorce management from policy (Kettl 2006).

When the first post-NPM measures emerged in Australia and New Zealand in the late 1990s, they were primarily seen as a reaction to the effects and implications of NPM-related reforms (Christensen, Lie and Lægreid 2007, Gregory 2003, Halligan 2007). Two types of challenges seemed to be important. One was the undermining of control and central capacity that NPM had brought. Now it was time for the executive politicians to take back some of that control and increase their own capacity to solve societal problems. The measures used were to vertically integrate some of the agencies and enterprises again, either by dissolving some agencies and integrating their activities in the ministries, or by establishing more controls and imposing more constraints on the agencies and state-owned enterprises. Another measure was to strengthen central political capacity by employing more political advisors at the ministries and PM’s offices. Other factors that led to the «whole-of-government» efforts were problems with delivering on the promise of increased efficiency and concerns after 9/11 about terrorist threats or other global problems, like tsunamis and pandemics (Christensen and Lægreid 2007a).

The horizontal challenge was seen as even more important than the vertical, because having a lot of sectoral pillars or silos was seen as obstructing the solution of cross-sectoral problems. The strongly promoted NPM principle of «single-purpose organizations» came to be regarded as negative because it had led to a lot of horizontal specialization and fragmentation and to turf-wars among competing public organizations (Gregory 2003). The political and administrative leadership in those countries came up with several new coordinative measures that were easier to
implement than reversing structural devolution: It established more cross-sector collaboration between political and administrative leaders in the central government apparatus. These took the form of programs, projects and networks, and there were even some structural mergers. The political and administrative leadership even tried to get the two main measures to interact, i.e. more hierarchical control of the different types of cross-sectoral collaboration and coordination.

Post-NPM reforms are in some ways more culturally oriented than the NPM reforms (Halligan 2007). That is particularly the case in Australia, where the concept of «value-based management» has been important. While NPM ushered in a much more specialized cultural perspective, whereby every public organization should develop its own culture, the post-NPM message is that there should be more emphasis on a holistic perspective. The credo now is that civil servants and public institutions should be developing some kind of collective notion that they are in the same boat, and that there should be some kind of ethical standards and a focus on the ethos of the civil servants (Christensen and Lægreid 2007a, 2009b).

If we look at the «old public administration», which existed in many countries up until the late 1970s, the system was simple and integrated in both a vertical and horizontal way. NPM had made that system much more complex, through the vertical and horizontal specialization process. But Weberian features from the old system were kept and blended with NPM, so that although it was a reform that was supposed to promote autonomy, it only partly delivered on that point. Nevertheless, we can say that NPM tilted the balance away from control and towards autonomy (Christensen and Lægreid 2007a). When the post-NPM reforms came along, the balance tilted back towards more control. The post-NPM reforms play out more along the horizontal structural dimension, with more integration, including cultural integration. In other words they have added to and modified the NPM reforms, making the total system features more complex.

Adding complexity: The Norwegian Welfare Administration Reform

The Norwegian reform context and the main feature of the reform

To take a closer look at the dynamics of transforming the civil service in a way that adds complexity, we will describe and analyze how control and autonomy as well as other considerations are balanced in the largest Norwegian administrative reform ever: the reform of the labor and welfare administration. This reform incorporated central elements from both NPM and post-NPM, leading to more structural and cultural complexity. We will both analyze how increased complexity has emerged in the process and content of the reform and also relate complexity to the preliminary effects of the reform and the challenges it raises.
Norway is a unitary, parliamentary and multi-party state that since the early 1970s has been ruled by minority governments, but this changed in 2005 when a center-left majority coalition came to power. Collectivist and egalitarian values are important, consensus-orientation is crucial, the level of internal conflicts is low, and corporatist arrangements are well developed (Christensen 2003).

Norway is seen as a rather reluctant reformer when it comes to taking NPM reforms on board (Olsen 1996). Its reform efforts all started with some symbolic adaptations to NPM in reform programs in the late 1980s, while the 1990s gradually brought more autonomy for agencies and state-owned enterprises, and a devolution reform of the regulatory agencies was launched in 2003 (Christensen and Lægreid 2007c). After that, however, post-NPM elements started to emerge, as seen in the major hospital reform (Christensen, Lægreid and Stigen 2006) and in attempts to modify the regulatory reform and the reform of the immigration administration (Christensen, Lægreid and Norman 2007).

Norway has a significant tradition of local self-government (Fimreite and Lægreid 2009). Local authorities with their own elected democratic institutions have wide competencies. The Norwegian welfare state is one of the most comprehensive and universal in the world, with a large public sector. In the Norwegian model, welfare policy is decided mainly at the central level but adapted to local needs and circumstances and implemented by local government. Local government is responsible for social welfare, elementary schools, care of the elderly and primary health care and thus constitutes a major part of the public sector both in terms of the number of employees and in terms of financial resources. National insurance/pensions and the labor market administration have, however, traditionally been a central government responsibility. The relationship between central and local government is a mixture of political decentralization, based on the principle of local autonomy, and administrative decentralization, based on the principle of delegated authority.

Generally, specialization by sector is very strong in the Norwegian central government administration (Christensen 2003). The sector ministries have a strong position based on the principle of ministerial responsibility. The same sectors have also dominated the political and administrative structures at regional and local government levels, with rather weak coordinative efforts.

In Norway administrative reforms at the central level have generally neglected co-operation across sectors, reflecting strong sector administrations. Major reform measures have first and foremost been directed at the vertical, sector-based dimension of public administration and paid less attention to horizontal coordination problems between policy areas and sectors (Christensen and Lægreid 2001b). It has been difficult to establish cross-ministerial cooperation between policy areas (Christensen and Lægreid 2007a, Fimreite and Lægreid 2008).

The comprehensive reform of the welfare administration was initiated in 2001, adopted in 2005, and after an interim period of a year, began implementation from 2006 through 2009. The main element in the reform is the following: it was decided that the employment administration, represented by the Directorate of Labour (DOL), should be merged with the National Insurance Administration (NIA) into one new labor and welfare agency (NAV) represented on all levels (Christensen, Fimreite and Lægreid 2001a, Fimreite and Lægreid 2008).
2007). It was also decided that a new local frontline service should be organized – a one-stop shop – resulting from a new partnership between NAV and the locally based social services. The local partnership was meant to combine control and formalization with flexibility and variety.

The reform process was rather complicated and deviated from other reforms in one particular respect, namely, the unusual role of the parliament – the Storting (Christensen 2008). Normally it is the political and administrative executive that initiates reforms, but in this case it was the Storting. The Storting expected the government to come up with a model involving one institution or sector for labor and welfare. The government’s initial proposal, however, was to keep most of the existing fragmented structure. The Storting sent the proposal back, resulting in a political defeat for the government. In the next phase the government established a public commission, mainly in order to use professional arguments to convince the Storting of its position. The commission also thought that basically a version of the established fragmented structure was the best solution. But the incoming minister in a merged Ministry for Labor and Social Affairs changed the course of action. Ignoring the commission’s proposal, he worked closely with the Storting and got it to accept a proposal that implied a partial merger, leaving responsibility for social services to local government, but in a partnership with the merged central agencies.

Two of the three main goals of the reform are connected to NPM, namely increased efficiency and increased user-friendliness. The idea of the merger and local partnerships was to achieve economies of scale, while the new local partnership and the «one-door policy» was designed to increase user-friendliness; this was also related to the third goal of getting more people into the workforce, particularly the multi-service users. NPM was also evident in the internal organization of the new central NAV agency: a large internal provider unit («agency within an agency») was created, while the rest of the central NAV agency was to function as a kind of strategic purchaser (Askim, Christensen, Fimreite and Lægreid 2008 and 2009). The new organization is also equipped with a performance management system.

The main background to the whole reform was to introduce more coordination mechanisms into a fragmented structure – a typical feature of post-NPM. The merger finally decided on was a watered-down version of the original plan, however, since it proved politically impossible to fully include the social services. Nevertheless, this was still the largest sectoral merger ever to have taken place in the Norwegian central administration, so the holistic aspect of the reform was certainly central.

The reform will probably tilt the balance in the direction of more central control and less local autonomy, but it is too early to say for sure. A new and stronger ministry, including all the relevant services has been established, together with a new and merged agency with a strong administrative apparatus that is also represented at the regional and local levels. This new organization has formed local partnerships with parts of the social services locally and will potentially be dominated by the NAV organization (Fimreite and Lægreid 2008). In addition, a further reorganization took place after the local partnerships had been established, creating regional pension units and reducing the task portfolio, responsibilities and resources of the local offices.
Transformation and complexity – process and reform content

Hierarchical design and complexity. The hierarchical design of complexity through reforms may be influenced by lack of rationality and control. Overall, more comprehensive reforms are the most difficult to design and control, while narrower and partial ones can often be decided on and implemented more easily (Wright 1994). The NPM and post-NPM reforms seem to present different types of challenges to leaders trying to control the structural design of public organizations. NPM-related reforms constituted a major challenge to the control of public leaders, because of their fragmented institutional structure, which potentially undermines leaders’ authority and power, while post-NPM reforms both challenge the control side, by creating capacity problems, and make rational calculation difficult because leaders have to figure out how to combine and integrate complex structures.

The development of complexity as a result of modern reforms may take different paths in different countries, depending on political-administrative structures and traditions, not to mention environmental and temporal contexts. Typical of the NPM trail-blazers like Australia, New Zealand and the UK is that they are all Westminster-type systems, which means it is quite easy to get reforms decided on and pushed through parliament (Hood 1996). Hence the preconditions for hierarchical design seem to be fulfilled, at least on the control side, which makes them different from the Scandinavian countries. But executive leaders in those countries have had general problems with rational calculation, partly because of the comprehensiveness of the reforms, partly because the underlying basis in economic theory was not solid enough (Boston et al. 1996).

What about the hierarchical design of complexity in the Norwegian welfare reform described? In the first phase of the process the administrative leadership obstructed the reform the Storting wanted, and got the support of the executive political leadership, which was internally divided. Overall the executive leadership scored low on control of the process and its legitimacy took a blow when the Storting rejected its proposal for keeping the welfare administration divided and sent it back. In the next phase, the main actor was a clever and proactive minister who, as the leader of a reorganized ministry overseeing all three sectors involved – employment, national insurance/pensions and social services – was in a strong position. Through skillful political negotiation he managed to get most of the other actors on board – the Storting, the sectors involved and the organization for the local authorities.

Neither the executive actors nor the main actors in the Storting scored high on rational calculation or organizational thinking. The main goals for the reform were decided on early on, but the weakness of this part of the process became evident when both sides, argued that their solution – a disintegrated and an integrated one, respectively – would further the same goals. The model finally chosen was also a complicated solution, combining increased coordination with control potential, with new strong local units. It lacked clarity concerning the possible effects, and it was partly modified during the implementation process, because the establishment of regional pension units implied moving personnel from the local level.
Negotiations furthering complexity. Structural complexity may reflect the wide range of different interests playing into a reform process. Central political and executive leaders are likely to be the main proponents of control measures, while agency and state-owned enterprise leaders, not to mention public leaders at the regional and local levels, may work hard to further autonomy measures. When the NPM reforms began, they were backed in many countries by a winning coalition of different actors (Gregory 2001). One might say that when the post-NPM reforms started, the winning coalition and compromises behind NPM were renegotiated in many countries. Actors who had been skeptical when NPM started gained influence, while formerly reluctant supporters of NPM changed course after seeing the consequences of the reforms and became part of a new winning coalition favoring post-NPM elements (Christensen, Lie and Lægreid 2007, Gregory 2003, Halligan 2006).

Negotiations are definitely an important factor contributing to complexity in modern reforms. This characteristic is most typical in non-Westminster parliamentary systems or in presidential systems (Wright 1994). Overall, negotiations make reforms and their underlying systems more complex, because of the necessity of attending to different interests that focus on different parts of the reforms. Even though NPM moved public organizations in the direction of more autonomy, NPM reforms also contained heterogeneous elements, which means they lent themselves well to compromises. Some actors were primarily interested in structural devolution, market-related elements and competition, while others focused more on the control and contractual aspects of the reforms. The emerging post-NPM coalition includes actors focusing on both vertical integration and horizontal coordination.

The organizational model finally chosen in our case reflects this tendency towards negotiation and compromise, i.e. a compromise was actually a main precondition for reaching a final decision. Often the new complex structures contain elements that are directly connected to the diversity of the actors designing them. In the labor and welfare reform process the incoming minister managed to resolve a stand-off between the executive and the parliament, by getting support for a compromise between control and autonomy. By merging two sector organizations and making local partnerships, he catered to the actors who wanted to see more coordination, but he also reassured the actors who still wanted strong central control, arguing that the merged agency would probably strengthen that control. In addition he also took account of the interests of actors who favored strong local government and maintaining the division of tasks between the central state and the municipalities, by establishing local partnerships and keeping the social services a local responsibility.

Cultural complexity. The cultural complexity of public organizations becomes rather evident when modern reforms are introduced, because NPM reforms represent a challenge to the traditional culture in the public sector (Christensen and Lægreid 2001b). Although the introduction of competition, performance systems and service-orientation under NPM challenged the culture of the traditional administrative system, the old rule-steering was preserved, producing a mixed administrative culture in many countries. Post-NPM reforms attempted to revive some of the cultural norms and values of the «old public administration» related to control and coordination, without completing replacing the NPM culture (Christensen and Lægreid 2008 and 2009a). The challenge
now was to culturally «reprogram» civil servants to think more about control, coordination and common culture again. This increased the cultural complexity at the «cultural cross-roads».

Our reform case also illustrates this increasing cultural complexity. Culturally speaking the challenges of this reform are huge, because it sets out to mold three different and distinct cultures into a new identity and culture. The former employment service, which had been modernized and become more results-oriented, was merged with the more traditional, rule-oriented Weberian culture of the national insurance service. And as if this were not sufficient, the reform also brought a third factor into the cultural equation, the locally based and discretion-oriented social services.

Environmental complexity. NPM was furthered by the combined influences of the technical and institutional environments. Sometimes real crises, like the economic crises in Australia and New Zealand, were responsible for the adoption of NPM (Aberbach and Christensen 2001). But even in cases where there was no particular crisis, NPM simply became the prevailing ideology. Supported by neo-liberal politicians and anti-Keynesian economists, it became so dominant and widespread that people began to assume that it was «natural» to take NPM on board and to take for granted that it provided the answer to most problems in public organizations (Self 2000). The same types of mechanisms occurred with post-NPM. In some cases there were actual problems or crises, related to lack of efficiency, problems of cross-sector coordination, particularly in the face of terrorism, pandemics and tsunamis, all making it easier to argue for more control and coordination (Christensen, Lie and Lægreid 2007). At the same time, the symbols of reform changed so that control and coordination were now held to be better than structural devolution and role purity.

The influence of a combination of environmental factors is also evident in the welfare reform. The reform certainly constituted a response to real problems of too many people on pensions and social benefits, creating efficiency problems. But it was not evident why such a large and complex reform was the answer to these problems. It was also characterized by symbols of unity and local partnership. In the first phase the Storting insisted on introducing a unified welfare administration but remained short on specifics because this would have revealed that there were internal divisions between strong supporters of central control and local autonomy. But it was difficult for the political executives to handle such a potent political symbol. The minister’s main symbolic card was «local partnership», which sounded good and had the necessary ambiguity. It also combined central standards – mandatory by law and minimum standards for individual services and tasks – with local autonomy, and allowed local offices to choose the leadership model and decide how many services and tasks could be included. All this made the model easier to sell politically.

Increasing complexity - emerging effects and challenges

Implementation of the reform at the central level – i.e. merging the two sectors – began in 2006, but implementation at the local level is taking place more gradually through 2009 with a number of new local offices opening every year. This makes it difficult to
judge the overall effects, particularly at the local level, but some preliminary effects and challenges are emerging. Implementing a reform as big as this is a major challenge, especially when unexpected environmental shocks occur in the middle of the implementation. It might be compared with rebuilding a ship on the open sea. When the implementation phase started the weather was quite smooth, with an economic boom and very little unemployment, but then the weather changed suddenly as the result of the financial crisis so that in the middle of the reorganization the organization has had to handle rapidly increasing unemployment. This has produced a lot of stress in the new organization as well as in the political environment surrounding the reform.

Let us start by focusing on the three main goals of the reform. The first deals with getting more people into the workforce and off different types of benefits. The preconditions for achieving this goal have changed dramatically with the financial recession. Until late 2008, the unemployment rate in Norway was so low – 1.8 percent – that central respondents in an evaluation of the reform conducted that year pointed out that it was difficult to discern whether the reform had any effect (Askim, Christensen Fimreite and Lægreid 2009). Since then unemployment has increased sharply, and even though it is still only 2.5 percent (in March 2009), the new welfare administration has found this rise difficult to deal with. Its inability to provide benefits to the newly unemployed fast enough became a hot political issue in Norway in the early months of 2009, and has allowed critics to portray the reform as a failure. Obviously the routines and resources of the new welfare administration are not yet good or established enough to respond to such a challenge, coming at a time when street-level bureaucrats who were previously specialists are struggling to acquire more general competencies and to implement a more complex system. Clearly, the organization has little slack to cope with emerging crises and this has undermined the legitimacy of the new welfare administration.

The second goal of the reform was to increase efficiency. Overall, this goal has not been the central concern, which is understandable given the Norwegian cultural tradition. One major argument here was that economy-of-scale effects could be achieved by merging two sectoral organizations and developing local partnerships. However, two other factors have run counter to this: firstly, that the merger has made the new organization very complex, and secondly, that strong unions have ensured that all employees kept their jobs after the reform. So far it looks as if this complexity is not doing much to enhance efficiency, and the financial crisis has shown that the new organization is vulnerable. The reorganization that the implementation involved, i.e. moving people from the local level to regional pension units, thus increasing complexity, also potentially undermines efficiency on the local level, while potentially increasing it on the regional level.

The third goal, increasing the user-friendliness of the system, is closely connected to the efficiency goal. Overall, the new organization has had problems delivering on this goal because of complexity problems. Clients have struggled to find their way around the new organization and have lost contact with their former case-worker. Call centers are not working well, and ICT personnel are struggling with coordination efforts. What has emerged during the implementation process is that the main group of clients the reform focused on – the multi-service users, encompassing around 15 percent of the
clients – have probably got better and more efficient service because of greater coordination effects. However, through the «reorganization of the reorganization», namely establishing regional pension units, some of that effect has been lost on the local level, although one-service pension clients are probably still getting a better service.

What about the effects of the two main changes in the reform, the merger and the local partnerships? The implementation of the merger seems to have gone rather smoothly on the central level, with good collaboration between the two former sectors – employment and pensions. One reason for this may be that the overall organization is rather complex, which has allowed the former sectors to keep some of their structures in the new organization, particularly in the big cities. Whether this will be an advantage in the longer term is another question. The relationship between the ministry and new welfare agency also seems to be working well, although because attention from the political leadership is high in such a salient policy area particularly during a crisis, this may potentially strain the relationship. The relationship between the leadership of the agency and the NDU – the central provider unit – is also functioning well, even though the «agency within an agency» solution is somewhat strange and the division of labor is unclear particularly concerning developmental questions.

The reform’s main problems and challenges are related to its most important element, the new local labor and welfare offices. Preliminary evaluations seem to point to both positive signs and major tensions (Alm Andreassen and Reichborn-Kjennerud 2009). The positive signs are that the local political and administrative leadership seems to be rather satisfied with the reform and to see it as a partnership that excludes the dominance of central government locally. One reason for this may be that the reform has enabled them to coordinate solving local tasks better; another is that the central level is providing more local resources. The employees affected by the reform generally seem to support it and think that one of its main achievements has been increased collaboration locally, an effect of the main structural changes. But they also point to some negative signs related to increased complexity. One is that many employees have had to take on partly new tasks (around 70 percent) meaning that they have to acquire new competencies that the new organization has had problems providing. Another problem and challenge is the enormous task of standardizing the laws and rules of the three former sector administrations to form a single system. This concerns things like structural solutions for case-work, wage systems, computer systems, etc. A third is to create a new cultural identity based on three rather different, sectorally based cultures.

Conclusion

Our understanding of institutional change in the case of administrative reform is as a combination of robustness and flexibility. Public organizations with institutional features do not adapt rapidly or easily either to deliberate executive reform initiatives or to shifting external pressure (March and Olsen 1989). There is a kind of layering Streeck and Thelsen 2005) or sedimentation process (Olsen 2009a) going on that implies that new reforms complement or supplement old reforms rather than replacing them. Old and new institutions co-exist and co-evolve even if they are founded on partly
inconsistent principles. This means that rather than being dead and replaced by post-NPM reforms, NPM reforms are being modified and adjusted through the addition of new and different reform measures. The result of such a process is increased complexity in the organization of the public sector but also increased turbulence, because the trade-off and balance between different principles tends to change over time, between countries and across policy areas.

Any shift in the balance between autonomy and control must be seen in the contested nature of administrative reforms and the limited understanding reformers have of the multi-functional nature of public sector organizations and competing institutional values, principles and interests (Olsen 2009b). These characteristics, together with a weak understanding of the consequences and implications of the reforms adopted, tend to encourage a never-ending reform process that makes public sector organizations ever more complex hybrids. This is not necessarily unhealthy but rather a systemic feature of public sector organizations in which one has to learn to live with partly conflicting principles, goals and values in a shifting environmental, cultural and structural context.

Precisely why this increased complexity occurs is, however, contested. Our argument is that there is no one-factor explanation and that we have to look for a complex mixture of different driving forces. We cannot assume that reform agents have sufficient capability, cognitive capacity and power to act as rational actors. Their behavior is constrained by different contextual features. Public administrations are reformed in organized contexts that are rather complex, and reformers normally have to act within such contexts, which constitute the «zone of indifference» that they can operate within. Polity, culture and environmental features exert important constraints on deliberate organizational design (Christensen and Lægreid 2001a and 2007b). There is no agreed upon empirical administrative theory specifying under which conditions one set of factors has greater explanatory power than other factors or how their mutual influence can be understood (Olsen 2007). We embrace the growing claim that context matters (March 2008), but there is still no good theory of context that specifies under what conditions different contexts matter (Pollitt 2003).

There is, however, an increasing realization that there is no panacea for administrative reforms and that they must be matched carefully with the needs, traditions and resources of each political system (Olsen 2005). Reforms that do not take the historical-institutional context into consideration tend to produce new reforms rather than better performance. In this paper we have argued that global prescriptions for administrative reforms have consistently been interpreted and responded to differently depending on national and sector-specific institutional arrangements and historical traditions. In addition there is the problem of co-evolution between reforms and organizations. Reforms affect the organization of the public sector, but equally the organization itself also affects the direction of new reforms. What often happens is that administrative reform elements, such as NPM, are translated when they are imported into a new context.

The Norwegian welfare administration reform focused on in this paper was about introducing more coordination. But it does not use a «pure» set of post-NPM principles. Rather the reform was designed by combining NPM and post-NPM reform elements in
a complex mix, albeit with a slant towards post-NPM features. Formal vertical and horizontal reintegration or de-specialization is used, blended with NPM instruments for performance management systems, purchaser-provider elements, a devolution element like strong local welfare offices, etc. The reform was also modified after it was decided on, potentially increasing complexity still further, but also increasing tension between control and autonomy. This is illustrated by the establishment of new regional pension units and moving resources from the local level, which was a centralizing move.

Overall, the reform studied is both atypical and typical in a comparative national and international perspective. It is atypical in the sense that the political leadership had to struggle for control and had, at least to some degree, to submit to the demands of the Storting. This was one of the main reasons why the process became more complex, because the minister had to strike a compromise to get the reform through. The process is typical in scoring low on organizational thinking, which is changing, ambiguous and not well founded, despite the inclusion of experts. Actors share common goals but propose widely differing routes for arriving at them. It is still difficult to say what effect the local partnerships may have on the main goals.

Preliminary effects show that there are a lot of challenges and problems with the new complex organizational model, but also advantages. The problems are connected to the complex way the main goals are being realized, but are also related to the more specific problems of standardization that a structural and cultural merger and collaboration poses. The advantages are the increased collaboration that a structural merger of this kind brings and also the flexibility offered by a complex structure.
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