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Agencification in Europe

Koen Verhoest

Introduction

In the past decennia many governments have put policy implementation tasks at arms-length, by creating – and later on, restructuring - a periphery of semi-autonomous organizations, denoted as 'agencies' or 'quangos' (cf. Flinders and Smith 1999; Pollitt and Talbot 2004). This disaggregation through 'agencification' is the result of a process of vertical and horizontal specialization, based on geography as well as different types of purposes, tasks, customer groups or processes (Christensen et al. 2007; Roness 2007). In this process of agencification and autonomization, the responsibilities and autonomy of public organizations are redefined (structural aspect). Moreover, the way that they are controlled by government, including the mechanisms of accountability, are redesigned, mostly from ex ante to ex post, and from input to result based rationales (functional aspect). However, in the last decade, this trend of 'agencification' has provoked a counter-reaction, aiming to rationalize the agency landscape in order to (re-)enhance transparency, political control and government-wide efficiency.

In this chapter we first highlight the features of public agencies in their different appearances as organizational form. A generic definition is given, and the variety of organizational forms in European countries is briefly sketched. It is asked which elements of this organizational form can be considered as new, as agencies in various forms in most countries were present already before the NPM-reforms. Although agencies as an organizational form is maybe not a novelty, NPM, and Post-NPM after that, has changed the motives for agency creation and the governance of agencies. After having sketched these broad changes over time, we focus on the two core-features of agency governance, being the organizational autonomy of the agency and the way it is controlled by its political principals. What have we learned so far from research into agency autonomy and control in Europe? We conclude by sketching some future challenges for research and practice, discussing among others the need for further research on the effects of agencification.

Agencification as a changing phenomenon[1]

[1] This section builds upon parts of the following book chapter of Verhoest (2013): Verhoest K. (2013). Agentification processes in the public sector: forms and governance. In: Valkama, P.; e.a. *Organizational innovation in public services*. Basingstoke, Palgrave Macmillan.

So, what are 'agencies'? There is much controversy over the definition of agencies. However, a consensus has grown that an 'agency' concerns an organization that is structurally disaggregated from the government or from units within core ministries. Moreover, an agency operates under more business-like conditions than the government bureaucracy (Talbot 2004; Pollitt et al. 2004; Van Thiel 2012; Verhoest et al. 2010). Agencies can for example have a different financial system and personnel policies, although the degrees of financial, personnel, and management autonomy vary per (type of) organization. Basically, they have some capacity for autonomous decision-making with regard to management or policy. Compared to government bureaucracy, agencies face less hierarchical and political influence on their daily operations, at least formally. Therefore, semi-autonomous agencies operate at arms' length of the government. But still, they are formally under some control of ministers and ministries which encompasses more than just control as shareholder or market regulator. Furthermore, these bodies are mandated to carry out public tasks like regulation, service delivery (ranging from paying students loans and individual benefits, delivering public transport, to job mediation or research), and policy implementation (see van Thiel 2012 for the variety of tasks agentified in 25 EU-countries). Last but not least, they have some resources on their own and have some expectation of continuity over time, making them distinct from purely temporary (advisory) committees, interdepartmental teams, task forces and tribunals of inquiry.

A 30-country comparison came up with a threefold typology, based on the formal-legal features of these organizations (van Thiel 2012, see also OECD 2002). The type closest to the core government (Type 1 agencies) are departmental agencies, which are semi-autonomous structurally disaggregated organizations, units or bodies without legal independence but with some managerial autonomy. Well-known examples are the Next Steps Agencies in the UK, and contract/executive agencies in the Netherlands, the 'agenzia' in Italy or the 'direct' agencies in Germany (see van Thiel 2012, Ongaro 2009, Bach and Jann 2010). Type 2-agencies are legally independent organizations and bodies (based on statutes) with managerial autonomy, mainly based on public law. The 'public establishments' in Italy, Portugal and Belgium, the *'Zelfstandige Bestuursorganen'* in the Netherlands and the Non-Departmental Public Bodies, and statutory bodies in Australia and Ireland belong to that category (see for example Wettenhall 2005). A last type, which is less straightforward, refer to private law based agencies established by or on behalf of the government like a foundation or corporation, company or enterprise, in which the government owns the majority or all ownership shares. Examples are commercial companies, state-owned companies (SOC) or enterprises (SOE), and government foundations. The notion of quango's, being 'quasi non-governmental organizations', usually refers to Type 2 and Type 3 agencies, which have their own legal identity separate from the state (Greve, Flinders and van Thiel 1999).

But are agencies to be considered as a *new* organizational form, arising from NPM and related reforms? The answer depends on how one looks at it. Agencies as organizational form, as defined above, were already in existence in most countries much earlier than the era of NPM (cf. Greve, Flinders and van Thiel 1999; Schick 2002; Wettenhall 2005). Nordic countries have a long standing tradition in the use of agencies to carry out public tasks, implement policies, regulation and service delivery, like in Sweden, where the phenomenon of agencies already exists for over three centuries. The 'public establishments' as an archetypical form in the Southern-European Latin countries have been widespread since the 1970's (see Ongaro, Parrado and Verhoest 2012). Even the UK, the hallmark of NPM, had a considerable number of non-departmental public bodies before Margaret Tatcher took power at the

end of the same decade (Talbot 2004; Schick 2002; OECD 2002). This old-style agencification had some common features in terms of governance which would be associated with traditional administration. Most of these forms were still strongly governed by rather detailed regulations, *ex ante* and *input-oriented control* instruments, and/or politicised forms of control, making their enlarged autonomy very relative in nature. In the old-style pre-NPM agencification, motives for agencification were linked to the creation of checks- and –balances (in the Swedish case to counterbalance the royal power), co-steering by societal interest-groups in (neo-) corporatist societies (like the tri-partite control of social security agencies in Belgium by government and the social partners), reducing political risks and securing persistent implementation of new policies under changing political coalitions by putting them sufficiently far away from government (see the arguments made by structural choice theorists like Moe 1989; Horn 1995; Yesilkagit and Christensen 2010). Also, other motives like enabling direct political control through politicization of the top management functions, or keeping specific expenses out of governmental budgets were paramount in this era of agencification.

However, the NPM doctrine and related reforms changed the motives and the ideal-type governance of agencies. A NPM-based ideal-type agency model and governance, associated with all kinds of acclaimed merits, was strongly propagated from 1985 onwards originally by Anglo-American governments and international organizations, like the OECD, the World Bank and IMF. This propagation sparked a strong increase of proliferation of agencies across the globe (James 2003; Pollitt et al. 2001). Basically, NPM-doctrines envisaged to make governments 'lean and mean' by trying to make public sector organizations function as private sector for-profit companies, and incentivising them by (quasi-)market-like pressures (Bouckaert 1997). NPM-style agencification mainly is motivated by the quest of increased specialization, efficiency, service innovation and responsiveness to customers, by 'allowing agencies to manage' while 'making them manage' (OECD 1994). Therefore, public service delivery organizations had to be disaggregated from their parent departments, in small 'single-purpose' bodies with a maximum of managerial autonomy. The enlarged managerial decision-making competences allowed agency managers to react swiftly on changing environments and demands of service users. Central to the NPM ideal-type of agency is that the relation between the government (parent department) and the individual agency is governed by some kind of performance agreement, which is negotiated between the two actors, like in the private sector. This performance contract, as a form of *ex post result-oriented control*, was supposed to set out clear and challenging performance targets, which are then monitored and evaluated by the parent department and to which (non-)achievement is financially rewarded (or sanctioned). Moreover, wherever possible these agencies should be facing (quasi- or real) competition (Horn 1995; Walsh 1995).

Very different from the old-style agencification was the structural split between policy development, steering and evaluation on the one hand and policy implementation and service delivery on the other hand, the former tasks being done by parent departments and the latter by the semi-autonomous bodies. So, NPM-style agencification is not just about organizational decoupling, but also a 'decoupling' in the policy cycle (Bouckaert, Peters and Verhoest 2010). This split, as was the entire concept of NPM-style agencies, was based on the principal-agent theory, in which distrust by the principal in the implementing agent is central and strong performance-based control and incentives are needed to avoid opportunistic behaviour by the agent. Central to this NPM-doctrine on agencification was the believe that such agencies would be superior, compared to traditional public organizations, in their result- and customer-orientedness, innovative behaviour, as well as their efficiency and quality of their services

(OECD 1994; OECD 1997). Its impact on structures of government globally was impressive, with policy implementation tasks being taken out of the core departments and structurally hived off (see for a recent account of 30 countries, Verhoest et al. 2012)[i].

However, since somewhat more than a decade, the initial enthusiasm about the NPM-style agencification has been tempered significantly. Post-NPM initiatives under the umbrella of 'whole-of-government' and 'post-crisis reforms' have problematized the fragmentation of the state apparatus and loss of transparency, brought about by NPM-reforms. These are said to have resulted in a proliferation of highly detached and different bodies, a lack of coordination and collaboration within the public sector, and a loss of economies of scale because of a multiplication of management support functions (like personnel or financial administration) (Christensen and Laegreid 2008). It has been strongly argued that although NPM-led agencification may have had benefits at the level of individual organizations and its service delivery, it has caused a loss of control and coordination at the level of policy domains and the whole government (Bouckaert et al. 2010). The Post-NPM concern related to agencification is also linked to the need to deal with wicked societal challenges, like climate change, internal security, poverty, and the limitations of a fragmented public sector to handle such cross-cutting contested problems.

Since 1995, but even more clearly in the last decade, one can notice in quite a lot of OECD countries a rationalization of agencies (see for example the experiences in France, the CEE countries, United Kingdom and Ireland and many more) (see for a recent account Verhoest et al. 2012). Agencies are reshuffled, renamed, merged (for example either through complete integration or by ways of sharing support services such as HR, IT or financial administration in shared service centers, see Elston and MacCarthaigh 2016), more neatly categorised in legal types, or in more scarce cases fully re-integrated in bigger entities (see for example Dommett and MacCarthaigh 2016)[ii]. Governments have issued more demanding requirements before a government organization can be agencified, and in several countries, departmental agencies are now preferred over legally autonomous agencies with a governing board. Because of the financial crisis and budgetary savings, agencies have lost some of their managerial autonomy. Moreover, besides this rationalization, governments invest heavily in better mechanisms for coordination and collaboration between agencies (see also in the field of regulatory agencies Mathieu, Verhoest and Matthys 2016, and with parent departments and their political principals. Trust, shared objectives, common cultures, and frequent interaction between these bodies are strongly emphasized, even by once hard-core NPM-advocates like the OECD (see e.g. the review by the OECD of the Irish public administration; OECD 2008). Reconnecting policy development and implementation has been another new element, even by bringing them back again into the same organization. To what extent post-NPM has brought about yet another new model of agencies as such is still to be discussed, but surely, the agency governance seems again to be reinvented to a large extent.

Hence, agencification throughout time has resulted in basically three archetypical agency governance models, which are more or less linked to the different periods of agencification (pre-NPM; NPM; and post-NPM). The governance of agencies theoretically has experienced a shift of a quasi-hierarchical relationship (still noticeable in the pre-NPM style agencification) with a public service agent to a contractual, horizontal relationship, either competition-based (in the NPM-style agencification) or collaboration-based (in the Post-NPM style) (Verhoest 2013). Across these different governance models, two basic features of agencies are redefined and reframed, being agency autonomy and agency control.

Governance of agencies: combining autonomy and control

Much research has focused, not only on conceptualizing and describing but also explaining both agency autonomy and agency control. The conceptual discussion on what exactly agency autonomy means has been rich and evolving (see for example Christensen 2001). Some consensus has grown around a conceptual distinction to which different dimensions of autonomy can refer to (Verhoest et al. 2004; Maggetti 2012). First, autonomy may refer to the level of decision-making competencies of the agency (concerning management on the one hand and concerning agency policy on the other hand). Second, autonomy may also be seen as the exemption of constraints on the actual use of decision-making competencies of the agency referring to structural, financial, legal and interventional constraints on the agency's decision-making competencies [2]. Important herewith is that autonomy is multi-dimensional, and that all kinds of combinations are possible, and to be found in real life. Service delivery agencies mostly have high levels of managerial autonomy, but almost no policy autonomy. But on the other hand, one can also find inspection agencies with a high level of policy autonomy, but almost no managerial autonomy, in case they are still part of the parent department. However, the autonomy granted to an agency on one dimension may in the day-to-day practice of this agency become less functional if autonomy on other dimensions is lacking. In this perspective, the overall autonomy of an agency is actually a question of balancing managerial, policy, financial and legal autonomy in such a way that it has a positive impact on agency performance in terms of policy execution, service delivery and regulation of public tasks (Lægreid and Verhoest 2010).

Clearly, these concepts of autonomy are linked to another important concept that is used in the context of agentification of public services: the control by government on agency behaviour. Control is defined here as the mechanisms and instruments used by the government to influence the decisions and the behaviour of the agency intentionally in order to achieve government objectives. Reflecting the different kinds of autonomy, political principals can control agencies by using ex ante input-oriented control through restrictions on how agencies should manage their resources, ex post result-oriented control in the form of performance agreements, structural control through the appointment and evaluation of agency managers and board members, financial control through budget allocation, or by inducing competition or collaboration (Verhoest et al. 2004).

Heavily inspired by structural choice theory (Moe 1989) or commitment theory (Majone 1997), a part of the literature has been oriented towards understanding the legal or formal autonomy of agencies, in particular regulatory agencies (see for example Gilardi 2008; Yesilkagit and Christensen 2010; Wonka and Rittberger 2010; Christensen and Nielsen 2010). However, many authors have noted that de facto autonomy of agencies does not necessarily fully correspond with its formal autonomy (Verhoest et al. 2004; Maggetti 2007; Van Thiel and Yesilkagit 2008; Hanretty and Koop 2012). Much research efforts have been invested in mapping the autonomy and control of agencies across Europe and beyond through comparative mapping excercises or surveys of agency managers (see Gilardi 2008; Jordana, Levi-Faur and Marin 2011; Bianculli, Marin and Jordana 2013 for mapping of regulatory agencies or

[2] When studying regulatory agencies, the concept of 'independence' is used, which can be similarly defined as the combination of two components, namely the (relative) self-determination of agencies' preferences and the (relative) lack of restrictions during their regulatory activity, both with respect to elected politicians and regulatees (Maggetti 2007).

Verhoest et al. 2012 for survey-based accounts of agency autonomy), showing high variation across but also within countries. Subsequent efforts to explain these varying degrees of agency autonomy and control have referred to different sets of variables being organizational factors, task-related variables, political variables and national path dependencies.

Explaining agency autonomy and control as static phenomena

In what is still generally considered to be one of the most influential study on agencies, Pollitt et al. (2004) explain the de facto autonomy and control of agencies in four countries in terms of both political-administrative culture and task characteristics, pointing to political salience, measurability, and complexity of the task at hand. Recent research has indeed shown that structural-organizational factors, task-related factors, and country-level factors interact in explaining agency autonomy (Gilardi 2008; Laegreid, Roness and Rubecksen 2008; Verhoest et al. 2010). It remains to be determined which ones of these sets of factors account the most for agency autonomy, or whether specific configurations of structural-organizational, task-related and country-level factors that influence each other are needed to explain different levels of autonomy and control. However, as is noted by Maggetti and Verhoest (2014), this interaction is most probably the reason why studies about the effects of single factors from each of these three groups remains inconclusive.

The first set of factors refers to the formal structure of agencies. According to this theoretical perspective, formal structure affects organizational behaviour as it defines the positions of actors and the rules determining who will perform a particular task and how this task should be executed (Christensen, Laegreid and Rovik 2007; Egeberg 1999). Task division between ministers and agency managers is expected to affect de facto autonomy, according to the concept of instrumental rationality, which indicates that rational policy makers design formal structures that allow agencies a pre-defined level of autonomy. The level of structural disaggregation can be measured by the legal agency type, ranging from departmental agencies without legal identity to agencies with a public law or private law status. The hypothesis that the agencies with a legal type further away from the centre of government will have more autonomy is supported in some studies (Egeberg and Trondal 2009; Painter and Yee 2011), but not entirely confirmed in other studies (Bach and Jann 2010; Maggetti 2007; Verhoest et al. 2004; Yesilkagit and van Thiel 2008). Likewise, whether agencies with a governing board have more autonomous, since the board can balance the influence of the minister with other interests from clients and experts has been disputed (Verhoest et al. 2010 versus Bach 2010). Thirdly, some studies found positive effects of organizational size on de facto autonomy of agencies, as larger agencies have more resources for agencies to perform their tasks (Verhoest et al. 2010; Egeberg and Trondal 2009, Hawkins and Jacoby 2006; Verschuere 2006), to build up their expertise and power, and thereby resist controls from superior bodies (Carpenter 2001). However, other empirical studies found a negative relation between agency size and autonomy (for example Bach 2010 for German agencies).

Likewise, empirical studies focusing on how task characteristics affect the autonomy of agencies do not seem to be consistent in their results either. In the task-oriented perspective, organizational forms and practices, including autonomy, follow a functional adaptation to the aims and tasks of the organization. (Maggetti and Verhoest 2014). For instance, rational choice arguments (cf. principal agent theory and transaction cost theory) that service delivery tasks are more easily measurable and can be autonomized

more effectively than other tasks has proved to be supported in some studies, but refuted in others (Lonti 2005; Verhoest et al. 2010, but not by Pollitt et al. 2004). Also, whether agencies with regulatory functions have more autonomy because markets require time-consistent commitments, as is posited by credible commitment theories is still open for discussion (Gilardi 2002; Majone 1997 versus Verhoest et al. 2010, Bach 2010, Painter and Yee 2011). As to political salience, it is expected that ministers are inclined to monitor and control the delivery of salient tasks more intensely, implying less autonomy for the involved agencies. Pollitt et al. (2004; see also Painter and Yee 2011) subscribe that point, while others would debate that (Bach 2010). One indicator of salience is the size of the budget, so that agencies with a large budget should have less autonomy than agencies with a small budget (Pollitt et al 2004), but empirical research presents mixed findings (Verhoest et al. 2010).

Both the effect of structural-organizational and task-related factors do not seem to be clear-cut. But it might be that country-level factors moderate these effects or intervene in yet another way in this relations. Clearly country-specific path dependencies related to the politico-administrative culture and legal-administrative traditions do matter for agency autonomy and control (Bianculli, Marin and Jordana 2013; Schedler and Proeller 2007; Thatcher and Stone Sweet 2002; Pollitt et al. 2004), so they might as well modulate the explanatory value of other variables. But this interaction or configurational effect has not been put to test. Countries with a Rechtstaat tradition are said to opt for traditional bureaucratic control systems, characterized by low de facto autonomy, whereas states based on common law tradition will place more value on independence and entrepreneurialism (Pollit and Bouckaert 2011). Cultural arguments can be found in Hofstede's study of the dimensions of societal culture (Hofstede and Hofstede 2001) pointing at power distance and uncertainty avoidance affecting organizational autonomy (Verhoest et al. 2012). With respect to administrative traditions (Painter and Peters 2010), Yesilkagit and Christensen (2010) found that countries that have a long-standing tradition of delegating authority will create new agencies more easily. Others have pointed at the role of actor constellations and veto points in influencing and constraining agency decisions (Huber, Shipan and Pfahler 2001; Huber and Shipan 2002). Therefore, more autonomous agencies are expected to be found in countries with strong corporatist traditions and high levels of policy conflict (for example multi-party coalition cabinets versus single party majoritarian cabinets as supported by Moe 1990, but not by Yesilkagit and Christensen 2010 and Verhoest et al. 2010) or with high levels of political uncertainty (that is short cabinet lifespans).

Understanding agency autonomy and control as dynamic, relational and socially constructed phenomena

Although much of the abovementioned research considers agency autonomy as more or less static in kind and as a feature of the dyadic result between the agency and its political principals, increasingly there is scholarly attention for the dynamic and relational character of agency autonomy in a multi-actor and multi-level context (Maggetti and Verhoest 2014). It is more and more understood that agency autonomy can change over time, being a result of the institutionalization of an agency, its deliberate strategies as well as of dynamics on the side of the political principals. Wilson (1989) already pointed at the importance of a clear mission and identity in order to build up organizational power and legitimacy. Groenleer and others (Groenleer 2009; 2014; Busuioc, Curtin and Groenleer 2011; Yesilkagit 2004) have

shown how agencies gain de facto autonomy through identity-building and institutionalization. In a similar line, building a strong reputation in the eyes of relevant audiences and embedding the agency in a strong network of support, enables agencies to forge more autonomy or to protect their autonomy in times of crisis (Carpenter 2001, Carpenter and Krause 2012). Similarly, the emergence of trust between an agency and its political and administrative principals may result in more de facto autonomy for the agency (Verhoest, Rommel and Boon 2015), while trust is being enhanced by more intense contacts and reporting towards their principal (van Thiel and Yesilkagit 2011). This indeed contradicts the commonly held belief that agencies will be reluctant to have close contacts with their principals in order to safeguard their autonomy, but it is in line with agencies acting as trust-worthy stewards (Schillemans 2013). Korinek and Veit (2015) dig more deeper in how these minister-agency relationships institutionalize over time, while Busuioc, Curtin and Groenleer 2011) shows that tailored accountability arrangements, which are acceptable to the actors involved, reinforce autonomy, whereas an inappropriate and contested accountability system has the opposite effect, stifling autonomous development.

This link between autonomy, reputation and trust connects with the increasingly acknowledged relational notion of autonomy. Agency autonomy is not only the result of the interactions between agency and its political and administrative principal, but also of it operating within supra- and transnational, national, regional and sectoral networks in which they interact with other agencies, stakeholders, the public and the media. For example, Yesilkagit and van Thiel (2012) developed an horizontal conception of autonomy suggesting that agencies interact with many other actors in the politico-administrative system and with societal actors: pressure groups, interest groups, consultants, public opinion, clients, target groups, the media, and so forth. How do these different actors and networks shape bureaucratic autonomy? Drawing upon resource dependency theory and trust theory, Rommel (2012; Rommel and Verhoest 2014) showed that coordination and collaboration between a regulatory agency and other regulatory agencies might have a dual effect: increasing dependencies from other organizations might reduce autonomy, while the same collaboration with other organizations might increase the legitimacy of the regulatory agency towards its minister as well as the trust of the latter in the former, resulting in larger de facto autonomy over time.

However, the most substantial contribution concerning the relational nature of autonomy comes from scholars studying the emergence of the EU multi-level administration and the functioning of EU regulatory networks (see the contribution of Bach and Ruffing in this volume, see Egeberg 2006; Bach et al. 2016). The work of Egeberg and Trondal on multi-level administration investigates the extent to which national agencies are controlled, not only by their own ministers but also (and maybe even more so) by the European Commission and affiliated agencies at the EU-level (see for example the concept of double hattedness, Egeberg and Trondal 2009). Participating in EU regulatory networks has been shown to have benefits for national agencies, as they can accumulate expertise and legitimacy towards their own government, increasing their involvement in policy making and their organizational autonomy over time (Yesilkagit 2011; Bach, Ruffing and Yesilkagit 2015; Bach and Ruffing 2013). Ruffing (2015) argues that this involvement of national agencies gives them the benefit of information advantage regarding negotiation information aggravating the control problem for ministers and enabling strategic behaviour by agencies. In sum, front-line research on agency autonomy increasingly focuses on the interactive dynamics between organizational autonomy and multi-actor influence (Maggetti and Verhoest 2014), as

well as the strategies developed by agencies to accumulate autonomy in such complex environments (Zito 2015; Ossege 2015)

Related to all this, is the increasing recognition that agency autonomy is more a socially constructed phenomenon, arising from perception, interpretation and interactions by actors, rather than an objective reality. That has some consequences. Indeed, recent work by the COBRA network and others acknowledges the perceptual nature of autonomy, with the underlying assumption that agency managers will act upon the autonomy they perceive to have and the control or influence they perceive to be confronted with, rather than following the formal affiliation of their organization. However, most of the current research uses definitions and operationalization of autonomy and independence which are imposed by the researchers upon reality. However, if one argues that autonomy and/or independence only affects behaviour when it is perceived to be present, we should also know how respondents define and construct this concept in social interactions. This kind of research is only very recently developing with, among others, Jackson (2014) studying how regulatory independence is understood in the eyes of its beholders and with Korinek and Veit (2015) studying how during micro-practices of ministry-agency relations the agency autonomy is gradually constructed.

Agencification: future challenges for research and practice

Following from the current state of the art of research into agencification, agency autonomy and control and their explanations we can highlight some future challenges and points of attention for research and practice. A first point of attention should be how agency governance develops in the next decennia. To what extent do current and future governance arrangements of agencies in different countries reflect the pure archetypical agency governance models (being pre-NPM, NPM and post-NPM) or are they hybrid arrangements as a result of layering of different agency models? There is certainly more evidence for the latter, with in some cases over-steering as a result. Also the question is if new such agency governance models will arise because of new developments in the environment. Most likely the intensified use of ICT and the internet of things will allow for new forms of agency governance in which transparency and real-time coordination is highly facilitated. This might evolve in a more trust-based agency governance model but what that exactly would entail in terms of balancing autonomy and control is yet very unclear.

Secondly, there is a need for more research in how task-related, structural-organizational features and country-level factors interact in explaining agency autonomy and control. This can only be tackled by international comparative research. But probably more promising is to do more systematic comparative studies on the dynamic and relational nature of autonomy, with carefully chosen multiple case studies on how agencies in interaction with their political principal, peer organizations, governments at other levels and other actors build up or lose their de facto autonomy and what strategies at the side of the agency and at the side of the other actors come into play. Organizational reputation and legitimacy are crucial variables in this context. In such kind of research one would need to have sufficient attention for organizational autonomy as a socially constructed phenomenon, which is continuously being re-defined in the interaction between these different actors. This poses also methodological challenges in terms of how to study autonomy.

A last major challenge is the study of effects of agencification in terms of combinations of autonomy and control. Although this chapter has not dealt in depth with the research on effects of agencification, this is not to say that such a research is non-existing or very scarce. Data on effects of agencification can be presented in three main categories, being economic, organizational and political effects, each of these categories referring to the main expectations of politicians or stakeholders as outlined by Overman (2015). As to the economic effects of agencification, in terms of economy, efficiency and effectiveness, empirical evidence of such effects is rather patchy and overall results of studies are inconclusive (see Yamamoto 2006; Kim and Cho 2014 versus Braadbaart, van Eybergen and Hoffer 2007; Bilodeau, Laurin and Vining 2007). These mixed results also show in larger review studies (Verhoest et al. 2004; Verhoest and Laegreid 2010; Andrews 2011; Dan 2014; Overman 2015): although "these findings point to certain improvements in outputs and outcomes in some countries", "the picture is far more nuanced with evidence of trade-offs and consequences in other areas" (Dan, 2014: 233; Dan et al. 2012). Some more recent studies try to link the impact of agencification on government-wide performance and are rather pessimistic in their conclusions, although one has to point to the major methodological difficulties in performing such studies on the macro-effects of agencification (Overman and van Thiel 2015; Perez-Lopez, Prior and Zafra-Gomes 2015).

Studies on the organizational effects of agencification in terms of using modern management practices, more result-oriented culture and staff satisfaction are somewhat more positive in their judgement (Dan 2014; van Thiel and van der Wal 2010; van der Wal 2008; Bilodeau, Laurin and Vining 2007; De Bruijn and Dicke 2006; van der Wal & Huberts 2008) although some studies clearly posit negative effects (Overman 2016). However one element which is making interpretation more difficult, is that only few studies account for the separate effects of extended managerial autonomy on the one hand and intensified result control of agencies by their political principals on the other hand. Effect studies using COBRA-related survey data from different countries focused on these separate effects as well as the interplay of autonomy and control in creating these effects (see for example Verhoest, Verschuere and Bouchaert 2007; Laegreid, Roness and Verhoest 2011; Wynen and Verhoest 2014)[3]. What shows from these studies is that the magic NPM-inspired recipe of granting organizations more managerial autonomy while controlling them for their results only seem to work under certain conditions and for certain organizational aspects, and more often this combined recipe has unintended consequences. So again, no clear and straightforward results arise from these studies.

However, one should not be too surprised by these mixed findings regarding the performance and organizational effects of agencification. It becomes increasingly clear that the effect of change in organizational form, enhanced autonomy, and control of agencies is not at all a straightforward one. Autonomy and control are only two of a potentially large number factors that determine performance, and are most probably not sufficient conditions on their own (Laegreid and Verhoest 2010). Literature on public sector performance teaches us that performance is depending on the complex interplay of many variables, like the leadership style, organizational culture, the clarity of organizational goals and

[3] These studies focused on, among others, the effect of autonomy and control on innovative culture and behavior of agencies (Verhoest, Verschuere and Bouchaert 2007; Laegreid, Roness and Verhoest 2011; Wynen and Verhoest 2014), on the shift from a traditional to a customer-oriented culture (Wynen et al. 2014b; Wynen and Verhoest 2015), internal decentralization within the agencies (Wynen, Verhoest and Rubecksen 2014a), and the use of performance management techniques within the agencies (Verhoest and Wynen 2016; Wynen and Verhoest 2016; Laegreid et al. 2006).

organizational size (see, for example, Boyne and Walker 2005). Future studies should delve more into the role of these intervening and moderating variables when studying the effect of agencification.

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[i] Apart from the NPM reforms, a second new turn to the agency-phenomenon came with the broader neo-liberal economic reform across the globe. From the mid-1980's the strongly propagated liberalization and privatization of public services (e.g. the public utilities like energy, telecom and public transport) across the globe became associated with a 'regulatory' orthodoxy, ordering that market regulation should be done by 'independent regulatory agencies' (IRA's). According to this regulatory orthodoxy doctrine, these IRA's should be maximally autonomous both in managerial terms as in their regulatory decision making, with a minimum of control and accountability requirements, in order to emphasize the credible commitment to objective and non-biased state regulation of the liberalised markets and in order to foster market interest by foreign private investors. These IRA's, as a form of agencies, would be not quite similar to NPM-style agencies, as the latter are constrained in their policy autonomy by their performance contracts, reporting requirements and performance-based sanctions (Gilardi 2008; Maggetti 2012). The literature on the independence of regulatory agencies is only touched upon to a very limited extent in this chapter.

[ii] As argued by van Thiel et al. (2012), this kind of rationalization has led to changes in the absolute numbers of agencies, but often not so much to the actual variety of organizational types and governance arrangements or the dissolution of organizations. Most agencies continue to exist, albeit under a different name or in a different composition. These 'new' agencies are established on the foundations of their forerunners. This had led observers to conclude that 'agencies are here to stay' (van Thiel et al. 2012).

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