Governance mechanisms at boundary-spanning policy implementation: External approaches to structure and authority

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Abstract

Despite a large body of scholarship on policy implementation, the increasingly boundary-spanning nature of public policies creates challenges at implementation, particularly when participants at implementation do not have perfectly congruent goals and/or common resources. This conceptual paper explores approaches to structure and authority in such scenarios, employing examples from the policy areas of science and technology and mortgage lending. The case findings suggest external approaches to structure and authority when such controls are perceived as valuable for eliciting participant contributions to policy implementation yet difficult to develop “internally,” i.e., within the implementation network. These findings may have implications for public management and policy research and theory and more broadly for research and theory on organizations and networks.
Governance mechanisms at boundary-spanning policy implementation: External approaches to structure and authority

1. Introduction

Policy implementation increasingly entails the coordination of diverse actors spanning institutional, sectoral, knowledge, and even philosophic and epistemological boundaries towards a particular goal or set of goals. This is reflected in a number of literatures, most notably the scholarship on intergovernmental cooperation during emergencies, which addresses the importance of managing intergovernmental relations for policy implementation (McLoughlin 1985, Waugh 1994, Donahue & Joyce 2001). Earlier, Vietor (1984) studied US energy policy as an exercise in government-industry cooperation. More general, Sabatier and Manzmanian (1980) emphasized the structural aspects of the implementation of social policies, which three decades ago they rightly observed require coordination across boundaries. More recent, there is a growing literature on collaborative networks, some (but not all) of which pertain directly to the implementation of public policies (O’Leary et al. 2006).

While these bodies of literature provide critical insight, the observation motivating this preliminary conceptual paper is that, sometimes, organizational technologies for policy implementation fail to exhibit many of the conventional governance mechanisms for coordinated problem solving. At implementation, policies can sometimes demonstrate little or perhaps even none of the “classic” organizational mechanisms, i.e., goal congruence, resource interdependence, and internal structure and authority (Ouchi 1980), limited amounts of the related mechanisms emphasized in the network governance literature, like prior acquaintance and trust (Powell 1990), nor many if any of the network-specific coordinating mechanisms, such as network administrative organizations (Provan & Kenis 2007) and informal role structures.
(Rethemeyer & Hatmaker 2008). Yet, many of these policies achieve the outcomes intended (though many do not).

The premise of this paper therefore is that coordination often occurs even when conventional governance mechanisms for coordinated problem solving are limited. We can further our theoretical and empirical understanding coordinated problem solving by unpacking these alternative approaches to coordination. Specifically, in our policy work in science and technology (Boardman & Ponomariov 2011) and mortgage lending (Moulton 2009, 2011, Moulton & Bozeman 2010, Moulton & Feeney 2011) we have noticed what we conceive as external (versus internal) approaches to structure and authority for policy implementation. Internal coordinating mechanisms are those that develop because of the program or policy objective to be achieved through coordination. That is, the authority or structures (formal and informal) to bring about joint outcomes are endemic to the public program or policy itself (such as grants and contracts, network administrative organizations, and even shared trust from repeated interactions).

However, we observe cases where internal coordinating structures and authorities are lacking.

Rather than traditional coordinating mechanisms for policy implementation, structure and authority are conceived as resources in their own right, i.e., as “organizational capital” (Barney 1991, Barney & Wright 1998) that can be accessed in the external environment when they cannot be developed internally (i.e., within the collaboration) amongst participants at policy implementation. The decision to pursue an external approach to structure and authority is thusly conceived as an organizational boundary choice (Chesbrough & Teece 1996, Poppo & Zenger 1998) in which managers make ties to external structures and authorities when such controls are perceived as valuable for eliciting participant contributions yet difficult to imitate internally.

The idea of external approaches to structure and authority is an extension of prior empirical work in public administration and more broadly organizational and network studies.
The preliminary framework we have developed builds upon classic organizational scholarship (e.g., Thompson 1967, Ouchi 1980; Scott 2001; 2003) as well as upon recent work on other organizational forms, including but not limited to Meyers’ and colleagues’ (2001) and Rethemeyer’s and Hatmaker’s (2008) work on networks, Page’s (2003) exploration of “entrepreneurial” management practices in interagency public service provision, and the business literature on corporate partnering (e.g., Eisenhardt&Schoonhoven 1996) and corporate social responsibility (e.g., Bies et al. 2007). We emphasize organizational technologies for policy implementation rather than collaborative networks for public service provision more broadly.

Sections 2 and 3 demonstrate external approaches to structure and authority for two cases of policy implementation. Section 4 outlines a preliminary analytic framework for different (i.e., internal, external, both internal and external) approaches to organizational capital. We conclude in section 5 with clarifications and caveats.

2. Case 1: Governance in NSF cooperative research centers

The findings of a cross-case comparison of 21 National Science Foundation (NSF) cooperative research centers involving university, industry, and government participants show many of the typical governance mechanisms for coordinated problem solving to be rare if not wholly absent.3 The cases had few instances of resource dependence and related informal structuration, little internal organizational structuration and formal contracts, no network administrative organizations or other organizational liaisons as defined by Provan and Kenis (2007), few if any network management activities like the manipulation of existing social structures and resource brokerage, and little goal congruence (see Table 1). Of the remaining governance mechanisms observed by past research and theory – trust, informal role structures, and full case findings are provided in the original article.

3 The case is in part excerpted from a manuscript currently under review at Journal of Public Administration Research & Theory (Boardman, under review). The purposive sample, cross-case method, and full case findings are provided in the original article.
and formal personnel authorities – the first two were evident across a majority of the 21 cases.

Formal personnel authorities (e.g., hire, fire, promote) were evident in some but not a majority of the cases, but in none of these cases were such authorities exercised over the academic faculty who constitute the core personnel in NSF centers.

Table 1 Governance mechanisms in NSF centers

<table>
<thead>
<tr>
<th>Governance mechanism</th>
<th>Summary of case findings (N=21)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource interdependence</td>
<td>Not evident in most cases</td>
</tr>
<tr>
<td>Goal congruence</td>
<td>Not evident in most cases</td>
</tr>
<tr>
<td>Cultural/normative controls</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>Internal structures and authorities</td>
<td>Evident in some cases, but not for core personnel</td>
</tr>
<tr>
<td>External structures and authorities</td>
<td>Evident in some cases, and for core personnel</td>
</tr>
<tr>
<td>Prior acquaintance and trust</td>
<td>Evident in most cases, though limited</td>
</tr>
<tr>
<td>Formal contracts</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>Informal structures</td>
<td>Evident in many cases, in terms of role structures only</td>
</tr>
<tr>
<td>Network administrative organizations</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>Network management activities</td>
<td>Not evident in any of the cases</td>
</tr>
</tbody>
</table>

Though many of the centers demonstrated trust, trust was not monolithic. Participating academic faculty were trusting of one another, but relationships between faculty and industry could not be characterized in this way. For informal structures, about half of the cases used non-binding (yet documented) agreements between academic faculty and centers, e.g., to complete particular projects, in a certain time period, and with a particular set of graduate students. In practice, these informal contracts seem much the same as the role structures discussed by Rethemeyer and Hatmaker (2008). For formal personnel authorities, sometimes the centers created these anew, but only by hiring full-time, non-tenure track researchers over whom formal authorities could be exercised and, importantly, not by establishing internal authorities and/or other structures over the academic faculty who constitute the core researchers for centers.

In some of the NSF centers examined, trust and informal structures were not all that center managers relied on to align the behaviors of academic faculty with the non-academic, policy goals of their centers. The findings of the cross-case comparison show centers with a particular type of goal incongruence – i.e., between the research goals of academic faculty and
the industry goals of center management – to demonstrate in most (but not all) cases what may be interpreted as an external (versus internal) approach to structure and authority. Specifically, NSF centers without non-academic, full-time researchers over whom internal structures and authorities could be exercised made ties to the university departments exercising these controls over the academic faculty participating in the centers.

Center managers explained the decision to make ties to university departments in one of two ways. Some reported “passive” and “informal” ties to departments by communicating the accomplishments of academic faculty on behalf of the center to department chairs, sometimes with a formal letter but more typically less formally, for instance via email. According to these center managers, the general purpose is to inform departments of the numerous activities and accomplishments that are not traditionally tracked by departments exercising formal structures and authorities over faculty and to legitimize such work to these bodies.

Other center managers reported relatively “interactive” and “formal” ties to the departments from which they draw faculty, including input into decisions regarding the careers of academic faculty participating in the center, e.g., related to teaching loads, course buy-outs, as well as outlets for publishing center-related research. In some cases, these center managers had input into tenure and promotion decisions for center faculty, though not formal participation on such committees. According to these center managers, the purpose was not only to legitimize the center-related work to the departments exercising formal structures and authorities over faculty, but also to work with these bodies to reduce role conflict.

Whether what we interpret here as an “external” approach to organizational structures and personnel authorities constitutes a new governance mechanism remains an open empirical and theoretical question. Empirically, the management practice on its face seems distinct from
conventional network management practice. For example, none of the center managers engaged with departments discussed as a motive the manipulation of departmental or university requirements for tenure and promotion; nor did any of these managers discuss negotiating the shared use of common faculty as an expectation of or impetus for center-department ties. This implies that accessing external structures and authorities perhaps constitutes a management practice distinct from the manipulation of existing social structures (Kickert et al. 1997) and resource brokering (Rethemeyer & Hatmaker 2008), respectively.

Theoretically, the idea of external approaches to structure and authority deemphasizes the tacitness and non-transferability of “organizational capital” (Evenson & Westphal 1995, Lev & Radhakrishnan 2004) and instead conceptualizes structure and authority as resources that are more explicit. However, the case of NSF centers should not be interpreted as structure and authority somehow being transferred from one actor that has controls to another that does not have them but needs them. Pending further inquiry, at most the cases of NSF centers making external ties to departments due to the controls they exercise over shared faculty should be interpreted as boundary decisions by center managers needing to participate in the careers of their core personnel, rather than as evidence of the acquisition or “buying” of structure and authority per se.

3. Case 2: Governance in a Public Mortgage Lending Program

Recent research by the author on the participation of private mortgage lenders in a public mortgage program, the Mortgage Revenue Bond (MRB) program, further highlights the importance of leveraging or acquiring authority external to the public program to enable and coordinate private lender participation towards desired outcomes (Moulton 2009, 2011, Moulton & Bozeman 2010, Moulton & Feeney 2011). As private institutions selling a product
(mortgages) in the open market to willing consumers, mortgage lenders are strongly influenced by economic authority when they make decisions about the types of loans that they originate. According to literature on the political economy and dimensional publicness, this strong economic authority makes private lenders less susceptible to control or coordination by public, or political, authority (e.g., Walmsey & Zald 1973, Bozeman 1987, Moulton 2009). However, because the outcomes of mortgage originations (i.e., homeownership) have strong public consequences (externalities) for community viability, wealth distribution, and even market functioning, there has traditionally been a strong policy rationale for political authority to shape mortgage outcomes.

The nature and extent of this political authority has waxed and waned over the past several decades, with the past decade (particularly, 1997-2007) marking one of the most laissez-faire in the history of mortgage lending in terms of formal regulations over lending practices. For example, from the 1980s though the first part of the 2000s, there was a policy push to increases homeownership among previously underserved low and moderate income households. However, rather than tightly structured regulations governing the types of mortgage to be originated to individuals with specific risk characteristics, the end goals were established (increase lending to underserved populations by specific thresholds)\(^4\) without specific authority to govern the “means” to achieve such goals. And, some less regulating lending institutions (mortgage companies and brokers) were not even required to demonstrate their performance on the “end goal” (i.e., they were not required to lend to underserved populations).

This confluence of loose regulation combined with a push for homeownership contributed in no small part to the current economic crisis. However, not all mortgage lenders

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\(^4\)For example, the Community Reinvestment Act of 1977, and the Government Sponsored Entities (GSEs) Affordable Housing Goals. For more discussion of these policies, see Moulton (2009).
were engaged in “high cost” risky lending practices with unsustainable outcomes. Some lending institutions instead made affordable loans to well-qualified, yet traditionally underserved borrowers. Specifically, some lending institutions and their agents voluntarily participated in (made loans through) affordable mortgage programs like the Mortgage Revenue Bond (MRB) program, despite the fact that such programs provided less short term economic gain than other riskier products (see Moulton & Feeney 2011 for a more complete discussion). The pertinent question for this conceptual discussion, is why? How can a public agency, in this case a State Housing Finance Authority, induce the ongoing participation of private lenders in a public mortgage program? Further, and of import here, what governance mechanisms can they employ to coordinate their relationship with private lending institutions?

In comparison to the case of science and technology presented above with multiple research centers (n=21) and academic departments, here we are dealing with three state agencies (comparable to the research centers) coordinating the participation of multiple diverse lending institutions (comparable to the academic departments), each with their own unique structures and sources of authority. To analyze these relationships, previous analyses have evaluated the role of the policy environment (Moulton and Bozeman 2010), the discretion of individual lending agents (Moulton and Feeney 2011), and the interactions between the institution and the individual lending agent (Moulton 2011), through a combination of multivariate, survey and interview research methodologies. While the full results of these analyses are beyond the scope of this present discussion, it is interesting to consider the implications of the findings from a governance perspective.

In the MRB program, State Housing Finance Agencies are limited in the extent to which they can rely on formal internal governance mechanisms to induce and coordinate private lenders. Table 2 presents a review of common governance mechanisms, and their applicability to this case. To inform
this review, data is extrapolated from in depth interviews with 21 lending representatives (executives, administrators and loan originators) from 12 private lending institutions participating in a state MRB program in one of three states (Ohio, Indiana or Florida). For a complete description of the research design, see Moulton (2011). The purpose of the interviews was to explore the rationales provided by lending institutions (their agents) for participating in (actively making loans) through the public MRB program. While the research framework for the original analysis (Moulton 2011) is different from the framework presented in Table 2, we employ the same framework here for consistency between cases.

Table 2: Governance mechanisms in public mortgage program

<table>
<thead>
<tr>
<th>Governance mechanism</th>
<th>Summary of case findings (N=12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource interdependence</td>
<td>Not evident in most cases, unless market niche captured</td>
</tr>
<tr>
<td>Goal congruence</td>
<td>Lacking at the organization level</td>
</tr>
<tr>
<td>Cultural/ normative controls</td>
<td>Evident in some cases</td>
</tr>
<tr>
<td>Internal structures and authorities</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>External structures and authorities</td>
<td>Evident for traditional lenders, through CRA</td>
</tr>
<tr>
<td>Prior acquaintance and trust</td>
<td>Evident in some cases, through community not stage agency</td>
</tr>
<tr>
<td>Formal contracts</td>
<td>Evident but not sufficient for lending activity (participation)</td>
</tr>
<tr>
<td>Informal structures</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>Network administrative organizations</td>
<td>Not evident in any of the cases</td>
</tr>
<tr>
<td>Network management activities</td>
<td>Not evident in any of the cases</td>
</tr>
</tbody>
</table>

First, resource interdependence and/or goal congruence are two conditions that facilitate the development of internal coordinating mechanisms. However, private lending institutions have their own business model that is not generally dependent on the revenue generated from one public program in one state. Thus, while the state agency is dependent on the private lender to originate mortgages, the private lender is not likely dependent on resources from the state agency. The exception is when a particular lending agent has been able to specialize in loans to low income households, and the affordable lending product allows them to capture a market niche. In terms of goal congruence, the affordable lending program and the private lenders have potentially contradicting business models; for the state agency, the goal is to maximize the number of affordable loans originated (at the lowest cost), for the private lender, the goal is to maximize revenue through
loan originations. There are two moderating factors that may mitigate this conflict. First, certain lending agents are strongly influenced by normative and cultural factors (Bies et al. 2007; Scott 2001; 2003); they are either pressured by the community to provide affordable loans (and their legitimacy is tied to their ability to do so), or they have internalized the values of making affordable loans. Second, at the institutional level, bank institutions are also regulated by the Federal Government to provide loans to their community under the Community Reinvestment Act (CRA). Some of these lenders view the MRB program as a vehicle by which to meet this obligation; however, there is variation in the extent to which regulated lenders feel pressure to meet CRA obligations, and in the approach they take to meet such obligations (affordable loans are not required).

Finally, while all of the lending institutions participating in state MRB programs execute an “agreement” with the state agency to become a “participating lender”, they are under no obligation to actively originate mortgages through the program. If they do originate mortgages through the program, there are additional requirements and restrictions that govern the types of loans (and borrowers) who can receive financing, and the amount that the lender can charge to originate the loan. However, these formal agreements (contracts) do not coerce participation, rather they constrain the types of activities permitted. For certain lenders, acquiring buy-in for the terms specified in the formal contracts becomes essential for continued participation.

On the surface, it may appear that the coordination between state agencies and private lending institutions relies on traditional governance mechanisms (such as formal agreements). However, before the state agency can even get to the formal agreement, it often must access external authority that resides within the lending institution (either in the form of economic incentives, such as a captured market niche, formal structures and authorities, like the CRA, or normative controls, such as legitimacy or shared values). These are not “endemic” to the public
program; rather, the public program must position itself to leverage these external authorities to achieve the public program’s objectives. Again, while similar, we suggest that this is perhaps importantly different than manipulation of existing social structures (Kickert et al. 1997) and resource brokering (Rethemeyer & Hatmaker 2008).

4. Preliminary framework for external approaches to formal governance

The preliminary framework for external approaches to formal governance at policy implementation is depicted in Figure 1. The overarching rule of the framework is that participants at implementation will require formal structures and authorities for coordination when there are low levels of both goal congruence and resource interdependence, and that high levels of either will mitigate this requirement. The more specific expectation of the framework is that the approach to structure and authority taken will entail the “internal” or policy-specific development of formal governance mechanisms when these are imitable or possible to develop internally and external approaches when the requisite formal structures and authorities are not possible to develop but rather must be accessed outside the policy implementation collaborative or group.
An initial observation to make about the framework is that it seems to exclude some of the informal governance mechanisms as identified in the literature on collaborative networks for public service provision. For example, there is no explicit incorporation into the framework of role structures and other informal mechanisms like prior acquaintance and trust. We exclude role structures and comparable informal mechanisms because these have been shown to be a function of resource interdependence (Rethemeyer & Hatmaker 2008) and more broadly of organizational culture (Vasu et al. 1997). Accordingly, informal role structures are implicitly addressed by the framework when resource interdependence and/or community culture mitigates the perceived...
need for formal structure and authority. We do not explicitly address prior acquaintance and trust as this oftentimes is accompanied by congruent goals, resource dependence, and culture (Powell 1990). Thus trust and related factors are addressed implicitly in the framework when one or more of these informal mechanisms mitigate the perceived need for formal structure and authority. The purpose of the preliminary framework is to predict different approaches to formal governance mechanisms, controlling for the informal.

Another observation is that the framework seems not to account for network management activities like resource brokerage (Rethemeyer & Hatmaker 2008) and the manipulation of existing social structures (Kickert et al. 1997). Based on a general view of the findings of the empirical and theoretical literature on governance in collaborative networks, network management activities seem most probable in the presence of traditional network governance mechanisms, i.e., resource interdependence and/or goal congruence. Therefore these too are implicitly addressed by the framework, specifically when resource interdependence and/or goal congruence mitigates the perceived need for formal governance mechanisms.

The framework does however account for formal governance mechanisms as addressed in past research on networks, like network administrative organizations (Provan & Kenis 2007). Network administrative organizations for policy implementation would, for all intents and purposes, constitute “internal” or policy-specific structures and authorities, as would the creation of formal personnel authorities by way of hiring policy-specific, liaison positions. An analog of this type of position and subsequent policy-specific or internal personnel authority from the NSF centers case presented in section 2 above is the creation of center-dedicated research staff devoted exclusively to the technology development and transfer missions of the center and the NSF.
The only original contribution that the framework stands to make (potentially) is with the accessing external structures and authorities by policy implementation participants when formal governance mechanisms like network administrative organizations or formal liaison positions and the internal structures and authorities that accompany these (e.g., personnel authorities, formal contracts) are not possible to develop internally (though some of these more traditional internal controls may be enabled once external authority is accessed). However, it will be critical for future research to distinguish the boundary choices made at policy implementation for access to other organizations’ formal governance mechanisms from the network management (e.g., Kickert et al. 1997, Meyers et al. 2001) and entrepreneurial management (e.g., Page 2003) practices already characterized in the broader literature on collaborative public service provision. Such boundary choices may perhaps constitute a theoretical contribution insofar that they conceptually seem to render formal structure and authority as something more explicit and therefore transferrable than past research on strategic human resources management, which consider organizational capital to be tacit and non-transferrable (and thusly a competitive advantage, see Lev & Radhakrishnan 2004). Yet, pending further inquiry, at most such cases should be interpreted as boundary decisions by managers in need of organizational capital to participate in the careers of shared personnel, rather than as evidence of one actor acquiring structure and authority from another.

5. Caveats

One caveat is that our focus has been on the mechanisms that facilitate coordination among diverse actors across boundaries, and not on the impetuses for actors to join a particular collaboration. To again draw on the NSF centers case, for these centers the adage about leading a horse to water (but not being able to make it drink) has some evidentiary support. Though the
motivations for the faculty joining a center are conventional (Bozeman & Boardman 2003), the governance mechanisms for facilitating coordinated problem solving after the decision to join are interpretable as theoretically innovative.

Another caveat is that throughout this note we have not distinguished between different types of organizational forms. In this we implicitly take the stance that what is most important is to assess different types and combinations of governance mechanisms and not to categorize discrete types or combinations as networks versus organizations, or as one type of network versus another type.

We hope that this preliminary research paper inspires further inquiry.

References


Moulton, S. and B. Bozeman (20XX)


