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**MIXING STATE, MARKET AND NETWORK GOVERNANCE**  
**MODES: THE ROLE OF GOVERNMENT IN “CROWDED”**  
**POLICY DOMAINS**

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## **MIXING STATE, MARKET AND NETWORK GOVERNANCE MODES: THE ROLE OF GOVERNMENT IN “CROWDED” POLICY DOMAINS**

### **ABSTRACT**

The state and the market have long been recognized as the key modes of social organization underpinning democratic society. However, the failure of these governance modes to solve complex public problems meant that new ways of working had to be devised. As a result, networks and the network governance mode have come to the fore. While inextricably inter-related, each of these three modes is underpinned by differing operating frameworks which are grounded in contrasting rule systems, moral orders and rationales and each requires different actors, institutional arrangements and strategies.

As a result of adopting and utilizing these differing approaches, the current policy arena is comprised of aspects of all three governance modes. However, not only do these modes stand alone, they often appear in cross-cutting, hybrid governance forms. This situation leads to governance complexity and what is contended to be a “crowded” policy domain in which differing governance arrangements, policy prescriptions, participants and processes bump up against and even compete with each other to cause overlap and confusion and, potentially erode the potential for positive service delivery and programme outcomes.

This paper argues therefore that policy and decision-makers need to recognise the difference between these modes, select optimal mixes and their associated components in order to create the space necessary for more meaningful dialogue and interaction to occur between the most favourable elements. It is contended that what is required is an ability to effectively isolate, select and, mix and match governance aspects of each of the three modes and thereby orchestrate the varying, and often competing, elements of these modes residing in the policy domain into harmonious collective action. The paper proceeds by tracing the evolution of the expanded mix, sets out a coherent framework to aid decision-making and explores the challenges faced by governments in balancing the structural and operational mechanisms necessary to sustain the engagement of such a diverse set of players.

## **INTRODUCTION**

Each of the three primary modes of social organization—the state, the market and networks—represents alternative ways of organizing society and is underpinned by a set of ideological assumptions and principles that guide its operation and optimal operating conditions. Under the state mode, hierarchy and “legitimate” authority provide the means to regulate relationships between actors. By contrast, the market mode relies on price signals and formalized, legal contractual relations to bring dispersed suppliers and purchasers together. Finally, the network mode relies on exchange relationships based on trust and reciprocity as a way of forging collective action. Each institutional arrangement and corresponding governance mode is considered optimal for different economic, social and political circumstances (Colebatch & Lamour, 1993; Scott, 1981).

Confronted by the complexity of the environment in which major policy initiatives are being implemented, the sharp definitions of these “ideal” forms have become blurred as they have given way to or sit alongside more variegated or hybrid modes in which the elements of the state, market and increasingly networks are continually being configured and reconfigured.

These remixes or hybrid arrangements reflect a new interest in flexible arrangements that retain some of the virtues of the state such as accountability and transparency and the efficiency and quality aspects of the market and yet may be underscored by interpersonal networks of trust, reciprocal relationships and shared responsibilities. In effect, public policy making and delivery is being shaped by new and variegated organizational and structural configurations that range from partnerships, alliances, networks, strategic collaborations and service clusters (Mandell, 2000; Mandell and Steelman, 2003) in which any particular set of organizational arrangements may be associated with a variety of modes of governance (Lowndes & Skelcher, 1998). As Bardach and Eccles (1991) expand, these new arrangements are often mixed and as a result, the market signal of price and the state authority structure is intermingled with trust that emanates from a focus on relationships and networks.

It has been argued that the effect of introducing new governance modes to policy development and service delivery has been a “crowding” of the policy arena or space (Hogwood & Gunn, 1984). That is, each mode brings with it additional actors, new processes and mechanisms as well as alternative values and goals that have to be considered and accommodated. This condition of crowding was first observed during the 1980s when the service range of many western governments expanded, bringing in new service fields and a wider array of policy actors, all of which required expanded coordination processes (Painter, 1987).

The current more formalised and deliberate inclusion of the community in the governance mix adds new and more complicated sets of considerations in relation to policy and decision-making and, service delivery. Issues arising from these new interactions include government no longer being in the “driver’s seat”, the community

being required to actively be a partner rather than just the recipient of funding, the need for new adaptations to these changes and the requirement for new terms of engagement by the different actors. In particular the inclusion of community representatives will result in an extension of the number and diversity of participants or stakeholders. The differing ideologies and goals between these new and existing players requires more detailed negotiation to achieve agreed outcomes and a recognition of a shift in power dynamics.

Together, these factors necessitate an adjustment in expectations for interactions. For example, communities are required to take a more active role in problem-solving, including making decisions on innovative ways of working that may lead to systems change. At the same time, governments need to learn to share power and be more flexible in their controlling mechanisms. Moreover, the existence of plural governance modes, the overlaying of “old” institutions, processes and actors with new arrangements leads to a crowded and even contested institutional arena, creating a sense of fragmentation which can prevent good policy and service outcomes. Or as Skelcher (2000, p. 12) notes “require the application of significant resources to negotiate the development and delivery of public programmes”. The inclusion of the community brings not just more actors into the governance mix, but arrays the institutional arena in ways that defy traditional operating principles.

### **The community in the new institutional mix**

The practice of institutional mixing is not new. Indeed, many western democratic countries have long engaged in a “mixed economy model” of development and service delivery in which predominantly the institutions of the state and the market interacted to provide public goods and services (Beresford, 2000; Crawford, 1996; Yergin & Stanislaw, 1998). This approach is explained by Quiggin (1999, p. 40), “The mixed economy involved large-scale government involvement in an economy that was nevertheless predominantly private.”

Although within this mix, the community and “community-based” services were often primary providers of public services, their contribution was often officially overlooked (Chanan, 1997; Osborne & McLaughlan, 2003; Brown & Keast, 2005) or was cast in the minor support role of “safety-net” (Saunders, 1998), “gap-filler” (Seibel & Anheier, 1990) or “watch-dog” (Ryan, 1998). Increasingly however, governments are looking to move beyond the utilization of community as a “service gap filler”, to capitalize on the networks and social capital located in communities as a way of enhancing policy development and implementation.

This shift is based on the increasing realization that governments are not the sole repositories of information or expertise and that actors outside of government and the traditional interest groups are able to contribute to enhanced policy development and implementation, particularly where this applies to local issues (Kickert, Klijn & Koppenjan, 1997). Government engagement within networks would fulfil the important purpose of co-opting specialist knowledge into the

policy process (Jordan & Richardson, 1983). Further, in bringing together the array of relevant stakeholders—state and non-state (both for-profit and not-for-profit)—ongoing links and relationships are established that will aid future actions and begin to “join-up” the diverse array of human and financial resources and, counteract service fragmentation and citizen dislocation.

As a result, in the current remixing of modes, by including networks and the network governance mode, community actors have been moved from the peripheral, support role, and are now given a legitimate decision-making role (Adams & Hess, 2001; Edwards, 2001; Brown & Keast, 2005). Bringing community actors into the new institutional mix, means that rather than being in distant arms’ length funding relationships with government, they are now poised as equal partners alongside other stakeholders. It is this legitimate or formal partnering arrangement that deliberately moves the community to the centre of the decision-making process. Consequently, in many countries (Adams & Hess, 2001; Bowles & Gintis, 2000; Edwards, 2001; Schwartz, 2001), the community has re-emerged as a critical component in the new reconstructed arena of public policy development and implementation.

Several case studies demonstrate the impact of the inclusion of community networks and actors in broader policy making and service delivery decisions. For instance, in one case study the community was made a focal point for developing a comprehensive and integrated plan for the locale (Mandell, 2001). By bringing in a broad spectrum of community actors, often from outside of the conventional policy making arena, it was noted that the process became “messy” at times, often bordering on chaos. Whilst this was an uncomfortable situation for those in the process who were used to orderly progress through agendas and structured decision-making, the new participants through their different perspectives and an enthusiasm to forge relationships allowed new ideas to emerge and establish practical and effective applications for these ideas. Further, the policy makers who were part of this group and used to making decisions in a top-down fashion, had to learn how to deal with a situation where “everyone is in charge” (Mandell, 2001). This case highlights how the inclusion of community actors into what otherwise would have been a “closed”, hierarchical decision-making environment, extended the participation base and required enhanced negotiation processes to accommodate and synchronise competing ideologies, goals and agendas.

This re-casting of community as a key player in the decision-making process together with the introduction of network governance forms can be linked predominantly to the perceived limitations of the state and the market forms of governance and the need for mediating arrangements (Considine, 2001). There is a growing convergence in both theory and practice of the need for and benefit of non-state actors’ involvement in public policy deliberations and implementation together with the appreciation of networks as an integrating mechanism for this (Adams & Hess, 2001; Kickert et al., 1997). The focus on networks as an additional governance mode emerges from

the desire to resolve the identified problems of state and market forms of governance.

## **STATE AND MARKET LIMITATIONS**

Historically the provision of the bulk of public services has been achieved through the institutions of the state, principally in the form of a bureaucracy, represented by large and divisionally disaggregated departmental entities, driven by rules and procedures, and hierarchical authority and restricted communication channels (Considine, 2001; Hasenfeld, 1983). This model was successful and efficient at producing standardized, universal services that helped to improve the life situation and experiences of many citizens (Considine, 2001; Crawford, 1996; Quiggin, 1999).

However, in the contemporary context in which citizens are demanding more integrated, flexible and personalized or community-specific services as well as greater efficiencies with public funds and more voice (Commonwealth Foundation, 1999; Keating, 2000), the characteristics of the state institutional framework and the predisposition toward rigidity, institutional and service fragmentation, and top-down, exclusive rather than inclusive, decision-making have been found to be an increasingly inadequate and inappropriate vehicle for the delivery of public policy and many public services (Aucoin, 1993; Beresford, 2000; Doyle, 1999; Head, 1999; Muetzelfeldt, 2001). It is also held that an over-reliance on government was a barrier to social well-being as it would squeeze out community and personal initiative and create dependency (Latham, 1998, 2001; Pearson, 1999; Tierney, 1970). In this case there is a preference for less government and less interference with citizens in their pursuit of life chances.

In response to these limitations, several broad-ranging reforms were commenced to enhance, reduce and, in some instances, replace bureaucracy as the primary instrument of service provision (Barry, 1987; Hood, 1991). Located under the label of New Public Management (NPM) in which the emphasis was on attaining efficiency, effectiveness and economy, initial reforms centered on the application of business-like principles and practices such as improved budget mechanisms, quality management, performance measures and greater emphasis on outputs as opposed to inputs and processes (Corbett, 1992). These largely internally-focused and hierarchically driven reforms were subsequently combined with the application of more entrepreneurial methods to free up management processes (Osbourne & Gaebler, 1992), as well as the introduction of market-based solutions that relied on competition and contestability to drive optimal service provision and maximize utility (Osborne & Brown, 2005).

Within this broad framework, reform was accomplished through separating policy and implementation decisions and actions, splitting large, diverse departments so that they focused on core business activities, and, increasingly, using contracting and tendering processes to assign previously held government tasks and responsibilities to the not-for-profit and private sectors. Underpinning strategies included options such as compulsory tendering of services on a price

competitive basis, purchaser-provider splits, corporatization, privatization and even the creation of quasi-markets where pure markets did not exist as well as various mixed, or hybrid arrangements of these (Brown, Ryan & Parker, 2000; Muetzelfeldt, 2001).

A number of timely, positive and necessary changes were implemented as a result of NPM ideas and practices. These alterations secured real improvements in the quality of management, important changes in the measurement of costs and outcomes, and some efficiency savings (Adams & Hess, 2001; 6, Leat, Seltzer & Stoker, 1999). These changes also provided the environment in which to attempt to implement a number of innovative services or service enhancements that were previously constrained by excessive red tape and protocol, and fixed-budgetary arrangements.

However, in terms of social policy objectives, for many social commentators and community members, and especially in relation to the more vulnerable populations, the assumed gains of competitive market models were seen as problematic. Specifically, the interplay of the various dimensions of NPM, especially the mix of corporate management and market principles, coupled with decentralization and continuing government changes and the creation of numerous specialized autonomous service agencies that are pitted against each other for funds and then formed into alliances, have added to, rather than decreased, the policy and service confusion (Williams, 2000) and further fragmented an already fractured institutional environment (Davis & Rhodes, 2000).

More generally, with the market emphasis on competition coupled with the “supply and demand” and “user pays” ethos, there is a concern that the market mode will result in the disappearance of the concept of “public interest” as an important rationale and aspect of policy-making and implementation and contribute to an undermining of social cohesion (Denhardt & Denhardt, 2000; Kettl, 2000). The strong competitive emphasis of the market mode is also asserted to have contributed to undermining community cohesion with citizens having to compete against each other for services and, in doing so, isolated citizens from their community and their governments. Funnell (2001, p. 74) argues these competitive arrangements,

Have pitted citizens against each other in the frantic competition for access to employment, justice and health, leaving them feeling betrayed. Community disaffection with the ‘benefits of economic change’ is reflected in community concerns about negative social consequences.

Thus, just like the state mode it was intended to replace or overhaul, an over- emphasis on “efficiency and effectiveness”, coupled with the inherent fragmentation and uncertainty of the market mode, has, over time, resulted in a constituency that is increasingly showing signs of disaffection with interactions with government, despite the outcomes achieved (Davis, 2001). In relation to the bureaucratic and contractual models, de Carvahlo (1998) stated: “Neither of these approaches has

provided a lasting improvement in the social and economic welfare of nations. They created as many problems as they solved”.

With the growing realization that the social fabric was under increasing strain and the acknowledgement that market exchanges are only one type of governance mode (Edgar, 2001; Funnell, 2001), there was a perceived need to restore the confidence of the citizenry in government. Around the world this decline in policy and service coherence has led to the adoption of networks by government and others as an alternative mode of governance with its associated mediating institutions and processes. The approach was widely portrayed as the “new” answer (Börzel, 1998; Gibson & Cameron, 2001). Davis and Rhodes (2000, p. 95) encapsulated this view,

Marketization may have introduced the private sector and price and quality competition to delivering public services, but it also fragmented the institutional structure of the public sector. Networks put it back together again.

The following section outlines the concept of network governance and examines in detail the different operational logic and dimensions of this mode.

### **NETWORK GOVERNANCE: RATIONALE AND DIFFERENT OPERATING LOGIC**

While the market and state governance modes are more well-known, the network governance mode is a relatively new concept in its emergent, official application. In networks, the emphasis is on a horizontal rather than a vertical organizing principle. That is, within the network mode, one organization does not have a superior-subordinate relationship with another (O’Toole, 1997). Instead there is considered to be a more collegiate or egalitarian approach to participation and decision making in which leadership arises and is shared around specific areas of expertise.

Further, networks are flexible in that they allow actors from a range of sectors to form and reform into action arenas to respond to existing and emergent issues (Agranoff & McGuire, 2003; Kamensky & Burlin, 2004; Mandell, 2001; Mandell & Steelman, 2003). Thus, networks can be comprised of a number of organizations and individuals representing a spectrum of different sectors. It is this unique coming together of people, resources that provides much of the advantage of the network mode. That is, through the interactions of diverse people and perspectives, novel and more responsive solutions to previously intractable social and public problems can be generated. In addition, far from being one dimensional, networked arrangements are based on varying degrees of independence and relationships as well as levels of operation, allowing for a variety of purposes to be accommodated and addressed (Considine, 2002; Brown & Keast, 2003; Mandell & Steelman,

2003; Agranoff, 2003). Increasingly governments are looking to capitalize on the inherently multiplex and malleable qualities of networks as a way of enhancing a wide array of responsibilities including policy development and implementation, the development of innovative responses, technologies and practices and achieving integrated service outcomes. In short, the application of networks and associated network governance arrangements is considered the new way forward within a complex climate.

### **Limitations of network governance**

However, the wholesale application of network governance as the solution to social and economic problems has been challenged by a number of theorists (Gibson & Cameron, 2001; Jessop, 1998). Just as the state and market modes have been proven to have their limitations so too does the network mode. Networks often lack the accountability mechanisms available to the state, they are difficult to steer or control, they are difficult to get agreements on outcomes and actions to be taken, and they can be difficult to understand and determine who is “in charge” (Keast & Brown, 2002; Rhodes, 1997; Taylor & Hodgett, 1994).

Consequently, in view of these considerations, many of these new network based initiatives, while remaining based in a “network governance” mode, are widening their options through the strategic application of aspects of the market and state modes (Lowndes & Skelcher, 1998).

One such example of a deliberative effort to interplay governance modes to enhance outcomes centres on the Chief Executive Officers of Government Committee of government departments, which was formed around the mix of state, hierarchical and network, interpersonal relational components and processes. The emphasis of this group was on developing a coherent policy and service framework to foster a whole-of-government approach to human service delivery (O’Farrell, 2002). Initial arrangements based solely on the hierarchical and subsequently on informal network relations proved to be insufficient mechanisms to make the necessary adjustments to working to achieve this goal. In response, an approach that mixed horizontal relationship building, characterised by informal meetings, increased information sharing and joint projects, with a formalised, structured and vertically aligned approach, underpinned by routine schedules, planned agendas and ordered meetings, was implemented. Coupling the informal relational aspects of the network mode with the more formalised and mandated processes of the hierarchy, provided the additional leverage necessary for the project to achieve the changes sought. The result of this strategic mix, was the achievement of some cross-cutting initiatives that moved beyond narrow sectional interests and outcomes to produce broader gains for the whole public sector that had not been previously possible through conventional modes of operation (Keast, 2004).

In this way it can be seen that the potential to move between governance modes provides an expanded terrain from which decision

makers can design effective policy and program responses. Duclaud-Williams (1993, p. 239) explains the rationale behind this approach,

It could be argued that there are certain disadvantages to applying only one of the modes. Each mode has its blind spots as well as its strong points. Thus, it is only natural to draw from the other modes to improve the functioning of the mode in question. An organization characterized by all modes of governance can be expected to be sensitive to a diversity of societal demands.

The notion of selecting between governance mode is not new. Indeed, the policies of many western countries have been bound up in a continuous oscillation between state intervention, community and network governance arrangements and contractual market exchanges (Brown & Keast, 2005). However, earlier versions were based on an understanding of the three domains being static, or in a stable, constant balance. Following Polanyi (1957) a number of theorists including Offe (1996) and Coghill (2001) have depicted the three modes as forming a triangular relationship which requires a balance of each to achieve a “good society”. More recent conceptualisations of the shifting interface between governance modes portray an approach based on the judicious selection and mixing between these modes, strategically drawing upon their components and associated arrangements to achieve optimal outcomes.

The potential for mixing and remixing of governance modes and their associated components is the enabling of a more adaptive and flexible response to changing environmental contexts and, as such, enhanced public policy development and implementation. However, unmanaged, this expansion of modes and mechanisms can also contribute to a more crowded, complex and contested policy arena. The various elements of the crowded policy domain have to be isolated, selected, configured, monitored and reconfigured in order to achieve cohesive, effective public service outcomes. As well as selecting between modes, there is also the need to carefully monitor and remove the negative or mediating effects of prior interventions.

Although the expansion of the governance mix has provided a broader set of options, as Brown and Keast (2003) forecast the plethora of options creates difficulties in choosing the right mix. The central challenge for cooperative strategy lies in the managing the intersection of different governance modes. As Rhodes (1997, p. V11) succinctly stated on this revised approach to governance: “It’s the mix that matters”.

Since to some extent the prevailing contextual environment is expected to be characterized by the concurrent existence of all three modes (state, market and networks), although in differing degrees of intensity and at differing stages in the operational life cycle, a primary challenge becomes the task of selecting and managing the mix and intersection of these different modes of governance. However, while clearly within the present policy domain there is an understanding of

the need for interface and interplay between governance modes, little has been provided by way of prescription for optimal application.

## **UNDERSTANDING THE TOTAL FRAMEWORK**

It is argued that a possible solution to the problems of crowded policy domains relies on a better understanding of the operational models that underpin the three governance modes. These models highlight the optimal structures, integrating mechanisms, relationships and institutional arrangements of each of the modes. Through this understanding, policy and decision-makers are able to better mix and match the various components of each allowing for flexible and adaptive responses to intractable and complex public problems. In doing so, this process promotes selectivity and creates the space to better manage the policy and decision-making arena, in effect, “uncrowding” or decongesting the policy domain.

Table 1 presents a framework which provides a starting point in which decision-makers and policy framers can understand the totality of the possible range of choices available to draw upon for designing innovative governance approaches. It covers the three governance modes, state, market and network, setting out the optimal outcomes for utilization as well as delineating the operational models that underpin each mode. For each mode there are specific structural arrangements (public organizations, private organizations and collective organizations) that establishes the terms for the relationships among the actors. In the state mode, hierarchical relationships govern the behaviour while contractual relationships govern the behaviour within markets and social/communal relationships govern the behaviour within networks.

Different integrating mechanisms are used to link actions to outcomes within each mode. The integrating mechanisms for the state mode are legal authority, formal rules and regulations, procedures, policies and mandates. Generally, these mechanism are based on the idea of command and control techniques. The integrating mechanisms for the market mode are arms length, contractual transactions and are based on concepts of supply and demand. Social exchanges comprise the integrating mechanisms for networks. These exchanges are largely voluntary and are based on the idea of building trust and reciprocity.

Finally, each of these governance modes will result in different institutional arrangements that allow for the operationalization of the relationships, designed to produce desirable outcomes. For the state the emphasis is on the establishment of regulations, mandates, policies, procedures and legislation implemented through different organizational agencies and/or departments that will drive actions taken. For the market, the emphasis is on the establishment of mergers, alliances, partnerships, acquisitions and other structural forms that bring independent actors together. With respect to networks the emphasis is on moulding the various strengths of interpersonal relationships, into collective action through mechanisms such as compacts, negotiation tables and collaborations which have a stronger social orientation.

(Put Table 1 here)

The contribution of the framework set out in the table is that by outlining the governance modes and their associated arrangements and processes, it expands the terrain of available options from which decisions can be made. To explain, if the goal is to secure a level of certainty around responsive policy development and service delivery then the interplay of network relational governance aspects with state, hierarchical elements of planning and scheduling will be a useful strategy. However, if efficiency is a key outcome, then relational aspects can be coupled with market based arrangements such as brokerage mechanisms to fast track endeavours.

This approach enables a more considered selection of governance modes and matching to desired outcomes/situations. The result is a more adaptive and flexible response to changing environmental contexts and, as such, enhanced public policy development and implementation.

Given that government has been a primary architect of many of these arrangements and because of its ultimate responsibility for the good order of society, the role of selecting and matching will often fall to government and in particular the central agencies of government. It is appropriate that government takes on this role as a logical extension of their traditional coordination role, for if the domain within which decision-making becomes fragmented with numerous actors crowding and contested, useful outcomes are unlikely to be realised.

### **THE PIVOTAL ROLE OF GOVERNMENT IN THE CROWDED POLICY DOMAIN**

In undertaking a central role in the mixing and matching of governance modes, government will have to weigh the costs involved in selecting one mode over another. For instance, market mechanisms will often result in short term benefits that will be highly visible. Over the long term, however, these benefits may not be enough. In order to capitalize on these short term benefits, government may need to get involved with state interventions to coordinate unrelated market efforts in order to sustain these efforts over the long term. Finally, the coordination of existing programs may be insufficient to solve the more complex, intractable public problems and more innovative forms of collaborative efforts may need to come to the fore.

Although as government moves from one mode to another, short term benefits can become long term benefits, the efforts will also take more time and effort and will be more complicated in terms of number of actors involved, possible interactions, institutional arrangements and strategies needed. In effect, this will mean that government will be moving from efforts involving low risks to those involving high risks. Although governments may want to capitalize on these long term benefits, therefore, there may be barriers or constraints that will limit their ability to do so.

### **Barriers and constraints**

Mandell and Steelman (2003) have indicated a number of these different barriers and constraints and their impact on the type of strategies that are most appropriate for governments in deciding on the type of mode that would be most effective. Although there can be many such constraints, a number of key ones which relate to the changing roles of government are worth noting here. They relate to the need for: formulating new rules; changing cultures; dealing with the existing political/power structures; and the mesh between participation and accountability.

Although governments are very familiar and comfortable with the need to formulate and implement rules to guide performance in the state and market modes, they may not be as familiar and comfortable with those that are needed in the network modes (Keast & Brown, 2002). Kickert et al. (1997) discuss the difference between formal and informal rules in network governance. Formal rules are those that officially guide the efforts of government to work through networked arrangements. Informal rules, however, are those that arise out of the interactions of the actors as they learn to trust and better understand each other. Government has to be aware that these informal rules may often take precedence over the more formal rules and to learn the importance of allowing these informal rules to stand alongside of and to guide the intricate interactions that are needed to maintain networked arrangements. Although the literature on intra-organizational relations discusses the impact of informal rules, within a network the emphasis needs to not only recognize this phenomenon, but also on developing trust within the network in order to capitalize on these informal rules (Mandell & Steelman, 2003).

Culture changes refer to the need to understand the impact of values, attitudes and perceptions on the different modes available to government. Each mode is grounded in different moral orders and rationales that guide the behavior of participants. For the state mode, it is the reliance on maintaining order through the legitimate authority vested in the hierarchy. For the market, there is a reliance on contracts and agreements to guide exchanges. For networks it is the shared values and trust built up among the participants. The difficulty is that although these moral orders and rationales are well understood and accepted in the state and market mode, they are not as well understood, nor accepted, when acted out and/or applied in the network governance mode. Participants must work on building trust and accepting the different perceptions, values and attitudes of the diverse members of the network. Government's role, therefore, is to ensure that a foundation is laid down in which this can take place and then to let these arrangements take their course.

Governments are very astute in understanding the need to pay attention to their surrounding political/power structures. This is particularly important when moving from one mode to another. Many of the existing political/power structures are well attuned to giving their support to the state and market modes. The network governance mode, however, often is seen as a threat to their very power base. Governments must therefore not lose sight of the need to endow those

responsible for the governance architecture with sufficient and ongoing legitimate support and backing to select and implement the modes that are most appropriate.

Finally, the move to allow for more participation by actors outside of government must be tempered with the need for government to maintain accountability and responsiveness. As has been indicated, no one mode holds all the answers. Government's role, therefore, is to ensure that regardless of the mode selected, there is a recognition of the role of protecting the public trust and being accountable for actions to the public. Being able to select different modes of governance does not change this critical role for government, it only makes it more complicated to maintain.

Despite the fact that governments are increasingly taking on this additional role, there is a lack of role clarity and ambiguity in relation to authority sources and lines of responsibility therefore, there may be a tendency to revert to the more conventional roles (Keast & Brown, 2002). Mixing and matching presents some contradictions to the traditional authoritative functions of government and, as such, there is a need to remain alert to any tendency to drift back to more customary roles, without recourse to implementing the more complex collaborative and participative relations and associated network governance arrangements.

## **CONCLUSIONS**

The failures of state intervention and the negative impacts of market-based rationalities have created the space for the re-emergence of network based ideals and governance patterns. The evidence of contemporary public sector operation points to a continued and perhaps increased practice of hybrid institutional and governance forms in which the three-way oscillation between state, market and network modes have been extended to include arrangements that may contain a mix of all three. The residual traces of failed or stalled policy stances and the intermingling of governance modes have produced a crowded policy domain that is argued to prevent coherent and effective policy and decision-making to occur. This paper has posited that aligning the governance mode and the type of relationships along with recognizing and identifying the different dimensions on which these modes may differ is a crucial step to implementing successful policy and service delivery outcomes. Specifically, it has been argued that in order to capitalise on the mix of governance modes, it is necessary to be able to make appropriate selections, configure the arrangements and monitor the outcomes.

The task of managing the resultant crowded policy domain has fallen to government. Although government may be well placed to undertake this role, the traditional skill base and culture will need to be extended to embrace a non-traditional governance approach. Although a difficult undertaking at best, it is not an impossible one. More importantly for governments to realize, it is one whose time has come.

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**TABLE 1: UNDERPINNING MODELS OF THE THREE GOVERNANCE MODES**

<b>GOVERNANCE MODES</b>	State	Market	Network
<b>OUTCOME FOCUS</b>	Certainty	Efficiency	Reflexivity
<b>STRUCTURAL ARRANGEMENTS</b>	Public Organizations	Private Organizations	Collective/Communal Organizations
<b>RELATIONSHIPS</b>	Hierarchical Dependent	Contractual Independent	Social/Communal Interdependent
<b>INTEGRATING MECHANISM</b>	Legal Authority Formal rules Regulations Mandates Procedures Policies	Arms length Contractual transactions Price Supply & demand	Social exchange Common vision Trust Reciprocity
<b>INSTITUTIONAL ARRANGEMENTS</b>	Departments Committees Task Forces	Partnerships Mergers Alliances Acquisitions	Compacts Accords Negotiation tables Informal networking
<b>ISSUE COMPLEXITY</b>	Routine	Intermediate Complexity	Complex
<b>ACCOUNTABILITY</b>	To Polity & Public	To Self - Board	To Group - Internal