Principals and agents or principals and stewards?
Performance management of agencies in Norwegian state administration.

Summary
Modern public administration has been described as existing in an era of performance management. This thesis studies the performance management of government agencies in Norway. Research has shown that within ministry-agency steering labelled performance management, varying steering practices exists. Hence, this thesis asks two questions: i) How do ministry-agency steering practices vary, and to what extent do organizational characteristics explain varying ministry-agency steering practices? And ii) How do different performance management practices affect ministerial control of agencies and interagency coordination?

The research questions are explored using agency theory and stewardship theory. Both theories concern steering in hierarchical relationships where a task is delegated from a principal to an executive acting on behalf of the principal, but the theories differ in their assumptions about the motivation of the subordinate. Agency theory assumes that the executive’s interests diverge from those of the principal and that executives behave as agents that will exploit information asymmetry to pursue self-interest at the expense of the principal. Stewardship theory assumes aligned interests and that executives behave as loyal stewards.

Empirically, the research questions are answered using inter alia content analysis of letters of appropriation between ministries and agencies. These letters contain steering demands from ministries that agencies are to carry out and may be regarded as a form of performance contract. Data obtained from these documents are combined with other sources, such as register data of government agencies and survey data.

The research questions are answered through four articles. Article 1 bridges two discussions on ministry-agency steering practices. The first discussion has been concerned with the shift in focus from input to output steering, while the second discussion has viewed steering as one-dimensional, moving from low intensity to high intensity. The article develops a typology of ministry-agency steering practices and studies how organizational characteristics affect the type of steering practice.

Article 2 studies how ministry-agency steering practices affect the impact of performance management in the steering of agencies (understood as bureaucrats’ perceived relevance of performance management in their work). The main argument is that the impact of performance management in the steering of
government agencies is dependent on ministry-agency steering practices, and the type of relationship between ministries and government agencies. The effect of ministry-agency steering practices is analyzed as conditional to whether the relationship between ministries and government agencies tends towards a principal-agent type or a principal-steward type.

Article 3 analyses how variances in interagency coordination are affected by ministry-agency steering practices, which leaves agencies with different levels of policy autonomy. Theoretically, this article uses agency and stewardship theory to discuss why agencies might regard coordination as either desirable, or undesirable. Empirically, this article analyses letters of appropriation between and annual reports of ministries and government agencies.

Article 4 studies how computer-assisted text analysis may be used in public administration research. The article uses the data obtained from the manual coding of letters of appropriation that are used in articles 1, 2, and 3 as a basis for a training model that can replicate manual coding. To illustrate the utility of such computer-assisted text analysis tools, the model is applied on an extended sample of letters of appropriation to analyze changes in ministry-agency steering over time, an analysis that would have been practically impossible to conduct manually. The article serves two purposes. First, it shows how new methods may be used to study the overarching research questions. Second, it shows how steering practices vary over time and with organizational characteristics.

The thesis finds that varying ministry-agency steering practices exist, and that to capture the variations, it is necessary to take both input-oriented steering and output-oriented steering into account. Organizational characteristics only partially explain steering practices: there is more variation in ministry-agency steering practices than one should expect based on variation in organizational characteristics. One possible explanation may be the type of relationship between ministries and agencies. That is, whether the relationship resembles a principal-agent relation or a principal-steward relation.

The findings also show that ministry-agency steering practices affect the impact of performance management in the steering of agencies. Bureaucrats who perceive performance management to be more oriented towards a bottom-up approach perceive performance management to have a higher impact in the steering. Ministry-agency steering also affects the extent to which agencies coordinate with each other: the findings show that agencies subjected to stronger ministerial steering, and thus have less policy autonomy, coordinate more with other agencies than agencies subjected to looser steering do.