10. The Relationship between Guidance, Control and Evaluation

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Abstract

A basic inquiry into the problem of coordination: How can the establishment of chains of action be explained? The focus is not on decision making but on conditions for learning. Institutional and operational coordination are distinguished, and coordination is analyzed on the individual, the interindividual, the organizational and the interorganizational level. Effective coordination involves guidance, control and feed back. These functions are explained by analyzing market relationships and processes of planning.

10.1 Introduction

Previous chapters have shown that we have to consider the public sector as the interplay of various collective actors belonging either to the state or being state-independent (private or public) actors. If therefore the public sector has to be perceived as multi-bureaucratic rather than mega-bureaucratic, i.e. as a multiplicity of actors rather than of one dominating actor, then the question about how coordination within the public sector takes place becomes a serious issue.

We shall deal with this issue in the following three parts of this book, starting from different points of view. We have first, to deepen our understanding of what the problem of coordination means, Two basic perspectives can be adopted for looking at the problem of coordination, the perspective of order and the perspective of performance and we need language to deal with both of them. Moreover, we have to take into account, that the output of what is conventionally called the public sector has to be responsive to the ends and interests of the citizens/taxpayers/consumers, and that this output as well as the needs it attempts to meet are very diverse. In a pluralistic democratic system political preferences will change over time, and there are always competing issues and multiple goals both within and between various policy areas.

It would be a false simplification to perceive "the public sector" as a boundary maintaining system, as a kind of enlarged notion of the state. It is more realistic to see it as a large number of specialized interorganizational networks, which are linked to various segments of government (cf. Franz: Ch. 23). As we have shown in chapter 6 and as has been made plain in the previous chapter by C. Hood, there is no clear empirical boundary between 'public' and 'private'. The distinction is rather a question of normative definition. There are large 'grey zones' at the boundaries, were there is e.g. a coproduction of services by (formally public or

private, but always publicly regulated) organizations and purely private users. We perceive 'public' and 'private' primarily as foci of different concerns. Coordination in the public sector therefore means the coordination of actors and actions insofar as a public responsibility is concerned. We adopt the *perspective* of what may be called a *public* interest, i.e. an interest that is primarily embodied in the constitution of government. In democratic societies government is confronted with a multiplicity of claims and interests, and it is therefore impossible to define "the" public interest, e.g. in terms of an aggregation of individual interests or in terms of a higher "raison d'état". The substance of public interest is always contested, it is the domain of politics. But there is a basic agreement in democratic societies that public interest is to be related to the multiplicity of individual interests *as well* as to shared values. Government is considered as an institutional framework to further common purposes of citizens. It is a classic question of political theory how the institutional framework of the public domain may be built to actually fulfill these expectations.

In this volume a new approach is taken to that old question. We assume, that there is no one best way to solve this problem. We consider the multiplicity of institutional arrangements we find when we analyse various aspects of the public sector as an indication of the need to distinguish various patterns or modes of coordination which operate jointly or separately to maintain order, efficiency and responsiveness within the public sector. We assume that they have different merits and weaknesses which need to be assessed in order to define the conditions, under which they may lead to a more or less efficient coordination.

But before we can establish an inventory of different modes of coordination we need to understand what they have in common. It is the concern of the present chapter to develop the categories of guidance, control and evaluation in order to deepen our understanding of the coordination problem. In the broadest sense *coordination* has to do with the establishment of chains of action.[1] In the context of investigating coordination within the public sector we are interested in explaining how and under what conditions the interplay of various organized actors (e.g. ministries, local governments, political parties, business firms, welfare associations etc.) may lead to a satisfactory performance in terms of e.g. policy decisions, program implementation, resource allocation and effective satisfaction.

It is characteristic that the same organized actors may meet in different action arenas[2], e.g. in the decision process about a program and in its implementation. Coordination problems (as inter-actor coordination) are related primarily to specific action arenas. Moreover the particular actors have to coordinate their own actions among the different actions arenas (intra-actor coordination). It is reasonable to assume that consistency in various stages of the policy process is dependent on both regulations that link the processes in various action arenas, and the dynamics within the participating organized actors. As will be developed later the relationship between intra-actor coordination and inter-actor coordination is of crucial importance for understanding possibilities for and deficiencies of coordination within the public sector.

Coordination takes place on various levels of social reality: even the individual has to coordinate single acts to perform any purposeful action. Insofar as we consider two or more individuals as actors and we are interested in the outcome of

their joint actions we have to ask how their actions have been coordinated. Sociological theory helps us to distinguish two basic forms of social coordination: coordination by a configuration of rules (institutional coordination) and coordination by interaction (operational coordination). Normally both forms operate in the establishment of any chain of actions where more than one person is involved.

Actors within the public sector are however not individuals but organizations. Organizations may be viewed either as social systems or as corporate actors.[3] Taking organizations as social systems emphasizes their institutional aspect. They appear as relationships of rule-ordered actions of various individual actors. Taking organizations as corporate actors emphasizes their operational aspect, they appear as a source of outputs that may be considered as elements in a chain of actions. With respect to coordination we are now confronted with two different perspectives: If we consider organizations as social systems, coordination takes place among the actions *within* the organization (intraorganizational coordination). If we consider organizations as corporate actors, coordination takes place among the actions of *different* organizations (interorganizational coordination).

We have therefore to distinguish between four levels of the coordination problem: intraindividual coordination, interindividual coordination, intraorganizational coordination and interorganizational coordination.

In order to develop the common features of the coordination problem we proceed from the most elementary level of intra-individual coordination to the more complex levels of social reality.

10.2 Individual Action

Considering an individual actor (a human being as actor), an action implies first some intention, motive(s) or goal(s), second some behavior and spending of resources for their realization and third some observation and evaluation of the effects of the behavior with respect to his intention. This normally leads either to a continuation or modification of the action (i.e. learning) or to its end (through satisfaction or by resignation).

Notice that this concept of action implies an identity of intention in the sense that the actor pursues in the course of his action a goal stated in advance. Consequently he measures its outcome using the original goal as a standard. At first glance this is nothing other than rationality – a model of rational action. The rationality implied here, however, is restricted to a definite means-end relationship. For an individual actor it may be more satisfactory to change the original goal, and hence the intention of his behavior, rather than to change his actions to achieve a more promising outcome. It is common experience that unexpected outcomes are revaluated in order to make them 'meaningful', cf. also the theory of cognitive dissonance (Festinger 1957).

As an observer we may then judge that he has changed his action, but it would be difficult to call that irrational on the part of the actor. As will be shown by Majone (Ch. 21) such 'rationalizations expost' may have an important coordinative power. If we insist upon a model of action that is formed by an identity of

intention, we really do not take the position of the actor but of a generalized 'impartial observer' claiming that in the interest of third parties a consistency of explicit goals, implicit intentions, modes of behavior and evaluation of outcomes *should* be maintained in order to secure reciprocity of expectations and hence interaction in the sense of a mutually positive relationship. It is the *moral* point of view, as it has emerged in modern times, which makes man responsible for the outcome of his actions and hence imputes a consistency of intention to him.[4]

Beside the categories of *intention, realization* and *evaluation,* theories of action emphasize a fourth aspect the *situation* in which inaction takes place. In addition to the behavior of the actor, the situation determines the outcome of the action. The details of the situation may be well or badly known to the actor, but one assumes that he has a *picture of the situation* in which his action intervenes. The intention of the action is to change the situation in some respect. Hence the definition of a situation is not independent of the intention of an action. In the case of rational decision-making one wants a model of action where the intended behavior and the resources for disposal are coordinated to change the situation in the direction of the intendend goals.

Whereas older conceptions of actions and of decision theory emphasized the conditions of rationality of behavior, newer approaches emphasize the *constraints* on the actor to follow a 'fully rational' path of action:

- Individuals do not have given preferences. Even if one assumes a set of human needs and value orientations, internal conflicts exist about the priority to be given to certain needs or values with respect to given options and situations. Hence, *instability of preferences* is a normal feature of human behavior.
- Individuals have an *imperfect knowledge* of their situation. They are unable to gather all the information necessary for a fully rational decision. This stems from limitations in their cognitive capacity as well as from the variability and/or complexity of the factors that determine the situation in which they want to act.
- Individuals have a *limited capacity for information processing* in order to reach a decision. Thus only a limited number of goals may be valuated in preference building, and only a limited number of ways of action may be considered in addition to the cognitive constraints already mentioned.
- Individuals have a *limited memory.* Hence only a selection of the points of view and informations that were really taken into account in order to reach a decision are stored, other are forgotten. Even if an individual tries to be consistent in his intentions one has to assume that he/she is unable to do so perfectly.[5]

Whereas most modern theories of action focus on the *decision* aspect of action, our concern is more with its *learning* aspect. Given 'bounded rationality' it may be more successful to act and to learn from the results of one's actions than to try to improve one's decision structure in advance (see Shackle 1961). But learning from the results of one's actions implies that the individual remembers the projected action (and not only the goal of the action!) in order to compare experiences with the original project and to explain alternative outcomes. Such an 'experimental attitude' to the world is as artificial as models of rational or even 'bounded rational' decision making are. Whereas, from a decision point of view, the main constraints on rationality in human action are based on cognitive and computational limita-

tions, instability of preferences and shortcomings of memory are the main constraints within learning processes. Moreover learning depends on features of the situation: learning will occur more easily when actions can be iterated than in "one-off" situations.

Action is not a single act at a given time but *a process through time* (Parsons 1949: 48). A *decision* is an attempt to concentrate the features of an action into a single moment. The decision does not concern the action but only the *projection* of the action. If we analyse an action in terms of goals, means, definitions of a situation, etc., we do in fact reconstruct an imputed projection for the actor. The course of the action, i.e. the sequence of coordinated acts, does not necessarily follow the projection. It may consume more and other resources than planned. New issues may arise. Side-effects may become important etc. Thus the unifying element in an action as a process through time is not the projection itself, but the meaning or intention of the actor which defines the boundaries of an action (see Schütz 1932: 62).

This short analysis of individual actions shows that in this apparently simply case it is quite difficult for an impartial observer to ascertain the unity and the boundaries of an action. Insofar as we take the actor as autonomous master of his actions there is no reliability and hence no reliance possible among actors except in the situation of immediate exchange.

10.3 Interindividual Chains of Action

The high contingency of individual actions would be multiplied into the "double contingency of the process of interaction" (Parsons 1951: 36) and lead to chaotic situations incompatibel with human survival if they were not sufficiently controlled by elements of social order (see V. Ostrom: Ch. 5).

The idea of individual responsibility as it has emerged in early modern times is only one rather precarious form of controlling the contingencies of human interactions. Customs, patterns of behavior, as well as laws, courts and modern organization and the generalized media of communication like money, are other means of controlling such contingencies. They all contribute to the establishment of long chains of actions by giving more consistency but also more flexibility to human interactions. More complex and more efficient forms of human cooperation can thus be established. Our concern in this volume is to explore the possibilities of lenghtening the chains of action within the public sector.[6]

The relationship among actors is a contingent one insofar as they do not interact in a shared definition of their situation. The question of how human beings bring themselves to meaningful interaction is a classic issue of sociological theory-building that cannot be dealt with here. It can only be noted that one can distinguish three main referents for the coordination of actions: meaning, rules and interactive problem solving (e.g. by discussion, bargaining or exchange). Interactive problem solving always presupposes at least some shared notions of meaning and/or rules, i.e. common elements related to the interaction which are external to the actual situation. They may stem from former interactions (as is typical e.g. for family relationships), or they may be shared by a wider community, e.g. an

organization, a profession, the educated of a society or everybody, who is to be accepted as a 'normal' human being. Language is of course a main constituent for interindividual coordination, but non-verbal communication may also be used.

The interindividual coordination of actions presupposes therefore:

a) *Shared elements of the defined situation* (meaning). In the context of policy making this aspect is accounted for in theories emphasizing 'belief-systems' of 'policy-communities' (cf. Sharpe: Ch. 8; Sabatier 1983).

b) *Rules of behavior.* In the context of policy making these rules stem first from public law. They may regulate policy-making in general (e.g. by defining procedures, competences and domains) or they may be specific to particular policy areas or even policy programs. But beside these formal laws a wide range of more or less explicit rules (e.g. contracted rules or custom) regulates interaction in various action arenas (cf. E. Ostrom: Ch. 22).

c) An awareness of the behavior and the interests of third parties and their interpretation in terms of the situation as well as of individual interest and adaptive reactions. In the context of policy making *mutual adjustment* seems to be a factor of paramount importance (cf. Lindblom 1965; Majone: Ch. 21).

10.4 Lengthening Chains of Action

The evolution of the human species, especially the emergence of its ability to organize into larger and more complex societies demands the development of longer chains of actions which go beyond immediate individual and interindividual experience.[7] The lengthening of chains of action corresponds to the division of labour, to the functional differentiation of society. The interdependence of a complex society can only be maintained insofar as it is possible to establish again and again the interrelatedness of necessary actions from different parts of society. As we have sketched in chapter 6 the notion of the public sector denotes problems of relationships between the political and the economic system as well as relationships between the political system and the daily life of members of society.

We are therefore concerned with the coordination of actions which are very distant in terms of structural differentiation. There are many structured boundaries to cross, if coordination is to lead to satisfactory results in terms of public interest.

The problem is however not without solutions as the mere fact of the emergence of complex societies shows. The existing complexity could not have been stabilised if the coordination problem had not been solved to a sufficient degree in practice. Our primary task is not to find out optimal modes of coordination but to explain the existing forms of coordination and their interplay. This is what parts 4 and 5 of this volume aim to do.

Simon (1977: 246) has argued, that complex systems always show a hierarchic character. He understands the term 'hierarchic' not in the narrow sense of a vertical authority structure but as "a partial ordering", e.g. the fact that complex systems show more strongly ordered parts which are only loosely coupled with other parts and together form the more complex 'hierarchic' system. This *principle of partial ordering* may be iterated and thus lead to very differentiated structures.

In the following we use the term 'hierarchy' not in this broad sense but in the conventional sense of a partial ordering *by authority*. There may be other forms of partial ordering, e.g. by exchange or by association. For our purposes it remains an open question if and to what extent the relationships among social systems emerge into a new, more comprehensive boundary maintaining system. Especially in the case of markets it is implausible to perceive them as necessarily boundary maintaining. Be as it may, the basic idea of Simon is of paramount importance for the understanding of our problem: The extraordinary lengthening of chains of action in modern societies has become possible only by partial ordering, i.e. *by the creation of formal organizations as boundary maintaining social systems.* In the case of formal organization the constituent boundary is membership, but additional organizing principles (e.g. hierarchy) are needed, if organizations grow larger.

Within an organization the most relevant social relationships are rule-ordered, i.e. they exhibit features of *institutional coordination.* Thus there exists a preliminary order that enables the members of the system under normal circumstaces to produce the output it needs to cope with the demands of its environment. For analytical as well as for practical purposes it is therefore possible to take the solution of the coordination problem within an organization for granted if one deals with interorganizational relationships. It is therefore possible to perceive the organization as a corporate actor, and in fact most organizations are constituted in the form of a legal entity, represented by individual actors acting as representatives of the organization concerned and interacting with third parties. Insofar as they represent the whole organization there seems to be no reason to take the intraorganizational transactions into account. The organization may be said to perform collective actions and the contributions of its parts may be considered as productive acts.

To perceive the organization as a corporate actor whose internal transactions are of no interest to wider systems is however a one sided perspective. For the *maintenance of internal order within a social system is not costless.* The cohesion or integration of social systems is not obtained by physical force (as in the case of material systems) but depends upon social ('homeostatic') processes within the system. A certain amount of psychological involvement and perhaps also of physical work on the part of its members is needed in all organizations to maintain internal order and to coordinate the actions necessary to cope with the various segments of the environment. The amount of this 'entropy' (to use the thermodynamic equivalent) or of 'transaction costs' (in terms of economic theory) is not fixed for a certain system but depends essentially upon the efficiency of internal coordination as well as upon external constraints. Their strengthening may result in 'organizational stress' and increase transaction costs, as every member of a University knows, when e.g. the budget is cut.

Hence every organization is confronted with a double task: to maintain its internal order and to provide output for third parties, e.g. other organizations or clients.[8] These two tasks may conflict, as the conflict of interests between mangement, personnel and clients in an organization shows (see Hegner 1978). Thus the efficiency of internal coordination is an important variable for its effectiveness as measured in terms of output to third parties. Given the necessity to cope with different external demands as well as with various internal interests it is too simple

to assume an ordered hierarchy of preferences within an organization. Rather organizations tend to replicate the principle of partial-ordering in differentiating sub-systems with particular objectives. Thereby the self-regulating power of an organization is substantially enhanced (see Dunsire: Ch. 16).

The necessity for partial ordering in complex societies is also the central argument for explaining the impossibility of a centralized and authoritative steering of the whole public sector. Government is forced to grant increasing degrees of autonomy to organizations of the public sector as the complexity of its task grows. Thus the problem of *interorganizational coordination* is of paramount importance in the steering of the public sector and we will treat in extensively in part 5 of this volume. In emphasizing this level of analysis one should not forget, that this is an emergent level overlapping the three other levels mentioned.

We now proceed to the three dimensions of the coordination problem: guidance, control and evaluation. The basic idea is of course to be found in the cybernetic concepts of control and feedback, but its development aims at a more substantial sociological and political theory.

Guidance

Chains of action imply a plurality of actors. They also imply mechanisms to secure the interrelatedness of the actions of particular actors i.e. the functional equivalent of intention in individual action. Two main types of interrelatedness are discussed in the literature.[9] Following Dahrendorf (1966) we may call them market-rationality and plan-rationality. Note that we do not speak simply of 'markets' and 'hierarchies' but of specific forms of rationality indicating that the kind of interrelatedness we are interested in shows some evidence of consistency and order, i.e. *we want to understand and to define institutional arrangements under which individuals as representatives of and as actors in organizations behave in their decisions and actions in such a way that the output of the organizations concerned may correspond to some overlapping goals or standards.*

Social scientists generally agree that economic systems which are steered either by pure competition in a market-price-mechanism or by a centralised planning body are limiting cases or ideal-types seldom found in reality. Their heuristic value remains insofar as they present two different hypothetical solutions to the problem of coordinating multiple actors. In anticipation of later analysis (cf. Chapters 17–19) a short sketch of the two 'classic' coordination mechanisms is needed here for our argument.

Let us begin with *planning:* A plan is a set of goals and rules that defines the expected contribution of each actor to a chain of actions in order to reach a desired outcome.

In this case it seems possible to consider the planned chain of actions as the *projection* of a *collective action*, for which the particular contributions are elements, just as we can perceive the projections of the action of an individual as consisting of various acts to be performed through time.

Whereas the mainstream of Western economic thinking did not seriously consider the problems of a state-coordinated economic system, and hence, of mechanisms of centralised planning, a growing literature in organization theory deals with

problems of inter-organizational or even societal planning (e.g. Churchman 1968; Ozbekhan 1969; Ackhoff and Emery 1972).

The common feature of these approaches lies in the assumption that planning is above all a process of coordination *of decisions* and that the criterion of consistency has to be found in a kind of *normative* inquiry, as a hierarchy among goals of action. Chains of action are here considered as following a logic of transitive goals where the more specific goals and projects contribute in obvious way to the desired outcomes defined in terms of more general goals.

Comparing this procedure with our model of individual action, we can see, that these authors emphazise the *problem of consistency of decisions* that is analogous to the problem of stability of preferences or intentions on the level of individual action. There is no doubt that in collective action the question of consistency is even more precarious than in the case of individual action. Each actor has to know what contribution is expected from him to reach the more complex outcome which should result from the coordinated acts of different actors. We call this first functional problem of the building of chains of action the *problem of guidance*. It is emphasized in the sketched approaches to normative planning, but as we shall argue, this is only the most obvious and by no means an exhaustive approach to the problem. In a more general sense the *function of guidance is performed by any process or mechanism that indicates to single actors standards by which they can ascertain the value or the expected utility of their actions in a wider context.*

In the case of the *market* there is also guidance, but no collective action. The single actors are not coordinated by a plan, but by competition and the price-mechanism. Floating prices of commodities indicate to particular actors the degree of scarcity of goods and services. By comparing the expected proceeds with the costs of production of different commodities the particular actors ascertain the utility of their products in the market economy, i.e. in terms of effective demand.

This outline of how planning processes and market mechanisms perform the function of guidance remained immanent to the two theories. There was no discussion of the question, to what extent the results of such a coordination would be generally acceptable. Planning processes may be performed by an uncontrolled elite or with the participation of all actors involved. The desired outcomes of planning processes may be in the interest of a ruling class or in the interest of the common man. Similarly coordination by markets does not, per se, maximize individual welfare in substantive terms but has external effects and needs additional mechanisms e.g. for the protection of labour or for the redistribution of income in order to achieve satisfaction of needs for the non-earning members of society. In this first step the function of guidance has no definite relationship to societal values or other standards of general acceptability. The outline of normative planning however tries to solve this problem by relating the desired outcomes of planning to societal values. We shall come back to the issues implied here.

Control, Evaluation and Feed-Back

Planning aims at the coordination of decisions, not of actions. Hence planning has to assume, that actions follow the path anticipated in the decision-situation and

that the decision makers were able to consider all relevant factors for success in advance.

Three main problems remain to reveal this perception as an idealistic oversimplification. They can be derived from our analysis of individual action. First, a plan as a coordination of decisions has no immanent device to ensure the conformity of particular actors to the plan. Hence devices of control are necessary supplements for any plan that is meant to be realized. Second, decision makers are not able to gather and to process all relevant informations and to consider all issues affected by the collective action in advance. Third, collective action takes places in a (perhaps changing) situation and evolves through time. Hence modifications of the original plan may become necessary in order to attain the desired outcomes. Such modifications are possible only to the extent that a collectivity of actors is *able to learn*. Feed-back devices are needed, i.e. forms of evaluation of outcomes of particular actions as well as of chains of action in order to assess their success. However feed-back operates effectively only if there is some link between processes of evaluation and processes of control, i.e. if knowledge and power fit together.

A plan is not the collective action itself. A plan is at best the *projection* of the action – or the chain of actions – that has to be acted out by the particular actors. If we consider the contingencies implicit in the concept of individual action, it becomes clear that a theoretical reconstruction of interrelated actions has to consider the constitution of the interrelatedness as well as the constitution of the particular acts and actions that are considered elements in the chain of actions. Individual actors cannot be assumed naturally to follow a collective plan; they must either conform their intentions to the standards set by the plan or they must be motivated by factors that are not explicit in the plan, e.g. by money or by force, to incorporate the standards in their own project of action.[10] For more details, see Wirth (Ch. 29).

Hence plans have to be implemented, and this needs processes of control, of *linking decisions and output* (see Lundquist 1972). But as decisions or plans normally cannot consider the whole course of action, it is very unlikely that the desired outcomes would be reached if plans were acted out without modifications. Perfect "work to rule" would lead to a break-down of chains of action. The success of plans and decisions partially depends upon the ability of the actors to modify details or even major parts of it in the course of action, if initial assumptions prove to be incorrect or if aspects of the situation emerge that have not been taken into account at the time of the original decision. This leads to our third problem of coordinated action, i.e. the *problem of evaluation and feed-back*. To maintain the interrelatedness of a chain of actions there must exist sufficient feed-back among the participating actors to facilitate its adaptation to unanticipated problems, whether they stem from contingencies in the situation or from difficulties in the interplay of the actors themselves.

In the case of *market-relationships*, feed-back operates on two levels: First single actors are linked together by contract. This normally refers to a definite action that has been defined in advance by a contract fixing the price of that action (i.e. goods and/or services). From Roman law very sophisticated regulations have defined the rights and duties of the partners in a contract. These regulations imply an evaluation of for example the performance of the seller of a good by its buyer and

define the time-limit for objecting to deficiencies in the performance as well as the methods for dealing with defective performance. Hence the laws of contract define not only a method of feed-back but also sanctions that may be imposed by the contracting parties in the case of defective performance. Hence evaluation is linked to control by law in order to maintain the anticipated relationship of actions. In case of conflict a mediation by law courts is assigned for.

But there is also feed-back on the aggregate level: The evaluation of the utility of goods and services will influence the development of future demand and hence the price-level for certain commodities. At this aggregate level evaluation is immediately linked with the operation of control by competition and by the interdependencies of pricing. By gains and losses an economic actor is informed of the evaluation of the utility of its own performance as well as of the performance of all producers of comparable goods. Even if there are strong constraints upon competition and the freedom of prices (as in oligopolistic, monopolistic or even state-controlled markets) there may be some feed-back from the development of demand and hence the profits of large corporations which need them for generate the basis of their assets (see Krüsselberg 1969 and ch. 17).

In the case of *coordination by planning* the problem of feed-back proves to be the most precarious. To clarify this point we need to consider the social *structures* required for performing a planned action. Even assuming that the participating actors are willing and intelligent, the realization of a complex plan that transcends the cognitive capacities of the particular actors needs some coordinating body to assess its course of action and to modify parts of it.[11] This coordinating body (or person) may also be the author of the plan itself. Or the plan may be established by other procedures (e.g. by all participating actors). In any case, limitations of time in the realization of a plan (that normally faces actors with different interests) force the establishment of a *coordinator*. It is therefore the growing complexity of tasks themselves (and not merely the problems of control) which account for the establishment of a kind of hierarchy and/or a mechanism of representation in the case of collective action. Moreover, the problems which stem from the contingencies of individual actors are evidenced in the facts observable in social history; that collective actions with some degree of complexity and durability are impossible without the *establishment of social structures* to bind the actors together and facilitate the problems of goal and standard setting (guidance) and of the control of the actors. We have dealt with this issue under the headline of 'partial ordering' in a preceding section.

Most of these empirical structures are *hierarchic* in character – the Weberian sociology of dominance gives a long account of its various forms. A special form of dominance has proved to be particularly suitable for planning processes as considered here, i.e. the modern forms of formal organization. By establishing a hierarchy and by separating members of an organization as in-group formally from other settings, modern organization has gained a kind of autonomy which gives it a high planning capacity. Hence the top of the organization may have effective control over the members of the organization, *but this does not improve feed-back correspondingly* mainly for two reasons: Insofar as the members of the organization conform not by commitment but by utility or fear there is no implicit consensus about the standards for an action and therefore no correspondence among the

evaluation criteria. In addition the clear-cut boundaries of an organization also operate as filtering devices for information from outside so that the assessment of the impact of an organization's activities must be organized separately. This explains the frequent evidence from organization studies of a lack of information flow from the bottom to the top and corresponding difficulties in assessing the success of planned actions.

In sum there is no inherent feed-back in purely hierarchic organizations or other forms of coordination by domination. One has to assume here a *structural variability* and sometimes incompatibiliy of *evaluation criteria* by the top and the bottom of the hierarchy notwithstanding a certain complementarity of interests that may exist among them. This may provoke vicious circles of bureaucratisation (see Grunow: Ch. 2).

This seems to hold, a fortiori, in the case of planning processes where *different* organized actors are involved, as is characteristic of the public sector. If there is a strong hierarchical relationship one can expect only an amplification of the problems just sketched; if one assumes in addition a substantial autonomy of the organizations concerned one can hardly see how the interrelatedness of their actions may be explained and how these may lead to desired outcomes, acceptable from a more general point of view. The question how feed-back is operating in the public sector is therefore a focus of the present volume (cf. Hellstern: Ch. 14 and Part 6).

Under the heading of steering the most salient difference between coordination by markets and by plans is grounded in the fact that *the market mechanism links the functions of guidance, control and performance evaluation in the same process of price-regulated interactions among the concerned actors*, and that it is (or at least presumes to be) compatible with a high degree of autonomy of the particular actors and establishes chains of action at minimal cost. By contrast coordination by planning needs *separate* devices for guidance, control and performance evaluation. Hence there seems to be no inherent tendency for feed-back in organized planning processes. This is a major factor for the eulogies of economists for a market-economy. This statement should however not obscure the fact that efficiency in chains of action coordinated exclusively by markets is restricted to *economic* standards: manifest scarcity is the only guiding criterion. If one wants to introduce other standards one has to look for additional coordination devices.

10.5 Operational and Institutional Coordination

In the previous sections guidance, control and evaluation have been worked out as analytically separate functions. It has already been emphasized that the establishment of interrelated chains of actions *needs some fit of these three functions*, i.e. they must operate as ordering factors to secure the orientation of an interplay of actors towards accepted goals or standards and to improve the complementarity of the particular actions as an (often recurrent) chain or system of actions.

In this last section we have to deal with the normative issue of coordination left open until now: how is it possible to perceive processes of guidance if we cannot assume a general consensus on possible and actual goals of political action?[12] This

inquiry will lead us to a better understanding of our distinction between institutional and operational coordination.

As stated by Emile Durkheim (1893), modern societies are characterized by a progressive indetermination of the 'conscience collective' insofar as the division of labour – or in a modern language the functional differentiation of society – is in progress. Consensus in modern society becomes more and more generalized and hence only visible in quite abstract ideas or general values like freedom, equality, security, health, democracy, constitutionalism etc. The universal declaration of human rights of 1948 may be cited as an example of the general standards of acceptability operating in modern societies. As already mentioned, theories, of normative planning assume that problems of guidance in planning processes can be solved by establishing transitive relationships among ultimate values, general aims for certain institutional spheres, goals for organized action and targets for particular acts. This procedure is however an exclusively theoretical one and does not account for variability in the interests of particular actors and the problems of bounded rationality (see Kaufmann 1977). Normative planning assumes an a priori fit of plan and action and considers neither the contingencies of implementation and impact nor the importance of learning through experience and the need to adapt of priorities and standards as well as resource spending in the case of ambivalent or negative feed-back. The progressive indetermination of the 'conscience collective' also means that the 'oughts' and 'ought-nots' become differentiated and have to be worked out in quite separate ways considering their normative as well as their organizational and situational relationships.

As has been demonstrated by various scholars (e.g. Luhmann 1968) the intellectual structure of a normative planning-process is too inflexible an approach for explaining the planned coordination of multiple actors and has to be replaced by a perception of sequential planning with iterative feed-back loops. No fixed hierarchy of goals can guarantee the fit of guidance and evaluation standards (see the following chapters). Differences between stated and operational goals of organizations, goal displacements and symbolic uses of politics are quite common deficiencies in the consistency of political planning processes. Notwithstanding the contingencies of the situation in which political planning interferes, inspection of the planning processes itself shows that it is often to be expected that outcomes will not be in accordance with the general aims that legitimize the establishment of these political measures.

It is therefore too simplistic as assumption to postulate a kind of 'policy cycle', in which the political articulation of problems leads to political programs which are implemented and then evaluated by the citizens in voting for or against the government in office. Feed-back by voting is much too rough a measure for guiding political decisions in major policy areas. Political voting is effective only in changing the comprehensive belief system, not in changing particular policies.

As Sabatier (1983; see also Ch. 15) shows, there is growing evidence that policies which are implemented and reinforced over a sufficiently long period may be more successful, as the early results of implementation research have suggested. If we want to understand why this is the case, we have to assume that learning occurs within a 'policy community', i.e. among those who are (or feel) concerned with a particular policy area or issue. The members of a 'policy community' (e.g.

politicians, administrators, representatives of professional associations, researchers or journalists concerned with particular issues) normally form one or more 'advocacy coalitions' which share particular belief systems. As Majone (1982) and Sabatier (1983) show, it is however unlikely that learning occurs within the 'core' of a belief system. The competition of belief systems and the compromises in their 'peripheries' thus sometimes account for viable policies, and this is more likely insofar as learning occurs within the policy community. Learning on the aggregate level of organizational and interorganizational relationships needs more time than on the individual level. It will therefore occur only insofar as a program or a law is operating for a sufficient period.

If we assume that *for effective policymaking it is more important to make learning processes possible than to make the best decision in advance*, we are approaching a new paradigm of political theory. We then have to ask how processes of guidance, of control and of performance evaluation may be systematically incorporated in policy areas. A realistic approach to this issue has to assume that feed-back processes as relationships of guidance, control and evaluation operate simultaneously on various levels and between different stages of the policy-making process. The idea of combining various levels of control is of course elementary to cybernetical thinking but has not yet been incorporated in a systematic way in theories of policy-making.[13]

This short outline should have already made it clear, that the idea of an exclusively operational coordination of actors with high degrees of autonomy is far too simple for understanding what really happens in political and economic coordination. Sequential planning processes cannot operate without institutional structures that guarantee basic rules for the interplay of the actors. In a certain sense the establishment of these basic structures is itself the first step in what normative planning theories consider to be the task of planning.

We prefer to distinguish institutional and operational forms of coordination. In defining domains and competent actors institutional coordination is itself a first form of guidance, which eventually may have a deeper impact on possible outcomes than the solutions produced by the actors participating in the various stages of the policy-making process. It depends also on the procedural rules which control and feed-back may operate within a constituted frame of action. Rule configurations operating to coordinate interindividual or interorganizational relationships may therefore be analysed in terms of their potential for a fit of guidance, control and evaluation as well as the interactive processes themselves. If we recall a multiplicity of independent actors with limited rationality and various preferences as the starting point of our inquiry, we can now see how important it is to find rules of institutional coordination flexible enough to enable learning by the evaluation of experiences and by redefining standards as guidelines within the process of policy making.

To understand guidance, control and evaluation in the public sector we have therefore to use the process-oriented approach of the policy sciences as well as the institutional approach as developed e.g. by theories of public choice. We have to perceive coordination as operating on various levels of social reality (individual, interindividual organizational, interorganizational) and we have to consider coordination by institutional ordering as well as coordination by interaction. The latter

is emphasized by theories of policy-making, the former by institutional economics. These are two sides of the same coin.

10.6 Summary

In this chapter we were concerned with an exploration of the relationship of guidance, control and evaluation in order to explain different modes of establishing complex chains of actions as they are needed in a society that has founded its destiny upon the division of labour and consequent specialization and improvement in efficiency, as well as upon a self contained state and individual liberties with consequent pluralization of individual intentions and problems of consensus building. We have derived the three dimensions of coordination from an analysis of pure types, i.e. coordination by markets and by plans. We have analysed them from the perspective of coordinated actions and not just coordinated decisions in order to maintain an outcome-oriented approach.

To summarize: *Guidance* means the function of standard-setting for actors who are to be linked for some of their potential actions into a system in order to achieve outcomes of higher complexity. *Control* means the function of information and motivation for intelligent conformity to such a system of interrelated actions. *Evaluation* means the function of feed-back and concerns particular acts as well as the output of a whole system of action as far as it matches some desired outcomes and some mechanism of control. It is the thesis of this approach that some fit or consistency in the operating of these three functions is needed if one wants to speak about efficient coordination of a plurality of actors in terms of linked actions. This has been demonstrated by analysing the rationality of markets as well as of plans.

The unsatisfactory assumptions underlying pure market as well as pure planning theory have led in the last decades to new approaches which are important for explaining the functioning of the public sector, i.e. theories of policy making and institutional economics. They emphasize different but complementary aspects of coordination. We assert that they should converge with respect to the problem of policy-learning on the question, how may the evaluation of experience in the outcome of political and administrative decision making be incorporated more efficiently in political and administrative processes? From a conceptual point of view it is then important to distinguish forms of institutional coordination (by configurations of rules) and operational coordination (by mutual adjustment and interaction). Moreover one has to distinguish between individuals or corporate actors, i.e. organizations, because they exhibit distinctive features of social interaction.

Notes

1   Note that we do not take a decision-making-approach (for a critique see Majone: Ch. 3), we are not interested primarily in intentions, but in outcomes. The action-oriented approach is more complex but also more realistic. However decision making is an important form of ex-ante coordination that will be dealt with too. Note also that the coordination problem is focused on actions and not on actors. It is only in a system-environment approach to organization that the analytical difference between the actor oriented and the action-oriented approach becomes fully understandable.

2   For the development of the term 'action arena' see E. Ostrom (Ch. 22).

3   The system-environment approach (e.g. Luhmann 1964; Thompson 1967) and the actor-approach (e.g. Etzioni 1968; Coleman 1974) are not incompatible but emphasize different aspects: if we consider organizations (or even individuals) as systems, we emphasize their structural aspects and their striving for internal order. If we consider them as actors we emphasize their ability to influence their environment by intention, i.e. to act in a situation (cf. also Willke 1978).

4   Former times attributed events to the gods or to destiny and therefore didn't hold individuals responsible for the relationship of intentions and outcomes. The ethical problems implied in this subject are of course numerous and cannot dealt with adequately here.

5   These are now common features of decision analysis (cf. first Simon 1955; March and Simon 1958).

6   There is another perception of our problem which emphasizes the contingency of intraorganizational and interorganizational relationships: The Garbage Can Model (cf. Olsen 1972). In the garbage can model chains of action are neither predictible nor ordered by rules but stem from very loosely regulated interactions as a kind of byproduct. Here chains of actions remain necessarily short. We therefore do not deal with this issues here, although it may be of practical importance in some very unstructured situations.

7   The idea that lengthening the chains of action ("Verlängerung der Handlungsketten") is an essential feature of the process of civilisation has been formulated first by Norbert Elias (1939). A similar idea is implicit already in Boehm-Bawerk's (1889) concept of roundabout production.

8   An analogous problem may occur on the individual level: the double task of production and reproduction, as already seen by K. Marx.

9   The initial and perhaps still the most thoughtful analysis of these two basic forms to solve the problem of coordinating the decisions of a multiplicity of economic actors is found in the work of Walter Eucken (1944; 1955). We have to generalize his approach in order to cover political processes.

10   Normative commitment, utilitaristic interest and fear are considered the main motives for conformity in the case of individuals (Etzioni 1968). The arguments against a predominantly normative solution as advocated by T. Parsons and theorists of normative planning are convincing (see Ellis 1971).

11   We neglect here the simpler case of immediately joint action of a plurality of actors who are able to control themselves mutually and to adapt their particular action spontaneously to the general purposes of the joint action. This case will be dealt with later under the headings of solidarity (see Kaufmann 1984; Gretschmann: Ch. 18 and Hegner: Ch. 19). At this point we are interested in institutional arrangements that allow longer chains of action.

12   If a general consensus may be assumed one has to refer to solidarity as a mode of coordination; cf. the preceding note.

13   Note however the distinction of macro- and micro-implementation (Berman 1978), the

idea of multi-step-implementation (Majone and Wildavsky 1978) and the idea of overlapping in various stages of the policy-making process (Dahme et al. 1980), which all presuppose the existence of intermediate feed-back loops.

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