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TRUST AND VERIFICATION: BALANCING AGENCY AND STEWARDSHIP THEORY IN THE GOVERNANCE OF AGENCIES

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ABSTRACT: *Many government services are delivered by (partially) autonomous agencies. Governments need effective measures for contracting, steering, and monitoring agencies and to balance control and trust. In the literature, control-based agency theory and trust-based stewardship theory have often been portrayed as alternative and competing approaches. In empirical studies in public administration, however, these approaches often find mixed and contradictory results. Against this background, this article analyzes how a combination of trust- and control-based approaches, explicitly founded on agency and stewardship theory, can help explain when participants find a given governance regime to be most satisfactory. A survey instrument is developed which, for the first time, fully measures the rich concept of stewardship theory in conjunction with agency theory. The analysis of the governance of Dutch agencies shows that government indeed combines governance solutions from both theoretical camps and illuminates under which conditions this combination is most satisfactory.*

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INTRODUCTION

Modern governance is very much like herding: it is the art and craft of coordinating, steering, and controlling a large flock of individual agencies threatening to go it alone. Many of those agencies are not as docile as sheep. The waves of public management reforms have left the public sectors of many governments scattered, sporting a variety of more or less (quasi-)autonomous (quasi-)public agencies (James and Van Thiel 2011). As a result, modern governments need to find ways to steer and coordinate these diverse agencies *and* to control and hold them effectively accountable (Hood et al. 2004; Christensen and Laegreid 2006). In this article, we will refer to the combination of these activities as governing agencies. And with “agencies,” we refer specifically to agencies with (some) autonomy in relation to central government (see Verhoest et al. 2010; Christensen and Laegreid 2006).

The landscape of public administration theory is characterized by a great diversity of approaches (Dong 2016; Balla, Lodge, and Page 2015; Smith and Frederickson 2003), and the governance of public sector agencies has been studied through a variety of those lenses. It is telling that agencies feature as examples in many of the distinctive chapters in Smith and Frederickson’s (2003) primer in public administration theory, such as those on political control of bureaucracies, public management, and rational choice theory. The different theories have been classified into different families, distinguishing between instrumental and value rationalities (Dong 2016), reminiscent of the classic distinction between the logics of appropriateness and consequentiality (March and Olsen 1989:160). Instrumental theories assume goal-directed, willful action by policy actors pursuing rational goals. Agency theory is one of the prime examples of a theory of instrumental rationality in which the logic of consequentiality is assumed to guide the actions of actors. Agency theory has also been one of the important approaches in studies of the governance of agencies (Aucoin 1990; Verhoest et al. 2010; Schillemans and Busuioac 2015) and in studies on public sector contracting (Greve 2000; Verhoest 2005; Pierre and Peters 2017),

Critics, however, point out that consequentialist theories such as agency theory do not suffice to explain various outcomes and behaviors in governance settings (Olsen 2015; Schillemans and Busuioac 2015; Maggetti and Papadopoulos 2016; Pierre and Peters 2017), and that its application may be like “fishing in muddy waters” (Skelcher 2010). March and Olsen (1989:161) challenged the idea of purposive action geared towards stipulated preferences, claiming that political behaviors are guided by social identities, rules, and felt obligations. Political institutions educate people on how to behave and what behaviors are seen as appropriate. Individuals may behave in various ways, may focus on selfish interests or on institutional interests, and institutional contexts play a crucial role in determining which of these potential behaviors is enacted and takes precedence (March and Olsen 1989:162). A number of recent theoretical approaches fit in this line of reasoning; for instance, focusing on the fiduciary principle (Majone 2001), trust (Le Grand 2010; Pierre and Peters 2017), and also stewardship theory, acknowledged as an example of an institution-based approach (Olsen 2015:436).

Within the broader theoretical contestations between instrumental and value rationalities, between consequentialist and institutional approaches, this article

focuses on the narrower debate on stewardship, as triggered by Davis, Schoorman, and Donaldson (1997a) in their article in the *Academy of Management Review*. Principal-agent theory is based on calculated contracts and the logic of consequentiality (Olsen 2015). Stewardship theory, in contrast, assumes unselfish behaviors from stewards involved in the same supra-individual cause as their principals. The concept of stewardship theory has been embraced by scholars as a contrasting and promising alternative approach in the study of the governance of agencies (Dicke 2002; Dicke and Ott 2002; Van Slyke 2006; Schillemans 2013; Snippert et al. 2015; Boon 2016). In studies of contracting, agency theory is often used to understand why some contracts are “hard” or “complete” in the sense that they aim to cover all eventualities, while elements from stewardship theory are used to explain “soft” or “relational” contracts that are based on trust and cooperation (Greve 2000; Amirkhanyan, Kim, and Lambright 2010).

Agency and stewardship theory are suited for the study of the governance of autonomous agencies for the following reasons. These theories have been developed in different fields of social science (economics, political science, public administration, organization theory) and have helped scholars in analyzing many governance-related issues. They focus on the relationship between a delegator and a delegatee, which is the central object of analysis in the design of governance regimes. They depart from assumptions about the behavior of individuals and organizations that are then translated into comparably built theories. But, as they are founded on contrasting assumptions, this means that they cover a continuum of possibilities in which concrete forms of governance can be identified. Finally, these two contrasting theoretical approaches focus on a narrower level on classic theoretical debates in the field, between instrumental- and value-rational perspectives (Dong 2016) and consequentialist versus institutional perspectives (March and Olsen 1989).

Existing empirical studies in public administration settings have so far mainly *contrasted* both perspectives and have sought to test the superiority of stewardship theory. The research findings have, however, been mixed and contradictory (Dicke 2002; Dicke and Ott 2002; Van Slyke 2006; Schillemans 2013). Against this background, this article aims to further our understanding of theories of governance for agencies by making two innovations. In the first place, we have chosen not to contrast but to *combine* agency and stewardship theory in our analysis. In earlier studies, governance settings were analyzed in exclusive, binary schemes, and classified as cases of either agency or stewardship. We believe that the theories may have a different relevance to different aspects of steering, which may explain the indecisive outcomes of named earlier empirical work. The question should not be which of these two theories prevails, but rather how they can be most effectively combined. To this end, we have developed a survey instrument in which agency and stewardship theory are operationalized in combination. This allows us to score a given governance regime on its combined fit with both theoretical perspectives. This survey instrument is the second innovation we aim to bring to the literature. One of the problems with earlier research is that the complex theory of stewardship is translated into simple and crude indicators, falling short of measuring the full

concept. Scholars have, for instance, used indicators such as the legal status of an organization (nonprofit or family business) or board composition (one-tier versus two-tier) as indicative of stewardship. While there is good reason to make these associations, it is also clear that agency and stewardship theory are much more complex constructs than these unidimensional indicators, calling for a more intricate form of measurement.

The purpose of this study is to analyze how a combination of elements from both theoretical traditions may lead to the most satisfactory governance regime for agencies. More specifically, we ask two questions. The first is, how can the governance regime of agencies be characterized? And secondly, what combination of steering measures in the governance regime of agencies is found to be most satisfactory by participants?

As a dependent variable, we then use an index measuring satisfaction among respondents with the current governance regime. Satisfaction is an important, yet in itself not sufficient, condition for a governance regime, nor even the formal goal of a governance regime. For the purposes of organizational performance, however, satisfaction has been found to be highly relevant, both on an individual level (Petty, McGee, and Cavender 1984; Frey and Jegen 2001), and from an interorganizational perspective (Klijn, Steijn, and Edelenbos 2010; Turner and Zolin 2012). It is also important from an institutionalist perspective, in which the political problem is to devise procedures that allocate resources and responsibilities in satisfactory ways, without ever believing that everybody can be fully satisfied (March and Olsen 1989:119).

To answer our research questions, we have investigated how Dutch governmental agencies are governed, using a battery of questions derived from both agency and stewardship theory. Our analysis proceeds in three steps. We first describe the existing governance regime on the basis of the survey. We subsequently analyze to what extent the existing model is found to be satisfactory by contrasting the existing regime with the optimal model, as described by our respondents. We finally calculate which factors explain higher levels of satisfaction with the regime. Our analysis suggests that measures consistent with agency and stewardship theory are in effect used conjointly in the governance of agencies and, also, that respondents by and large appreciate this combination. The analysis, however, also suggests that further improvement is possible with a stronger reliance on stewardship theory in certain areas.

STEWARDSHIP AND AGENCY THEORY

Stewardship theory was first introduced to the management literature by Davis, Schoorman, and Donaldson (1997a) as a criticism of the postulated selfishness and shirking of agents in much of the literature, which in the public sector may be a “terrible caricature” (Kelman 1987:81; see also Maggetti and Papadopoulos 2016; Pierre and Peters 2017). Similar to agency theory, stewardship theory also analyses how to ensure accountability when a task is delegated from a principal to an executive. Stewardship theory, however, diverges from agency theory in its view on the motivations of agents. Subordinates or executives are assumed to be “motivated to

act in the best interests of their principals” and they prioritize “pro-organizational, collectivistic behaviours” (Davis, Schoorman, and Donaldson 1997a:24). The steward simply wants to be a good and loyal steward and will put organizational goals above self-interest (Donaldson and Davis 1991:51; Davis, Schoorman, and Donaldson 1997a; see also Block 1993).

Stewardship theory views the delegatee as a *trustee*, more strongly focused on collective goals than on individual goals. If the executive (e.g., a state agency) is not acting opportunistically but shares the same goals as the superior (e.g., a ministry), there will be no reason for the superior not to trust that the executive will fulfill a delegated task without (too much) bureaucratic drift. Stewardship theory seeks to understand the qualities of and conditions for good stewardship. The theory therefore also changes the perspective on the relationship between the principal and the executive. Stewardship theory focuses on how to lay the foundation and foster steward-like behavior. That is: under which conditions will stewardship flourish in the management of tasks?

Agency theory, in its simplest form, focuses on the problems that arise when a superior (e.g., a ministry or a purchaser) delegates a task to an executive (e.g., an agency or a service provider) (Jensen and Meckling 1976; Waterman and Meier 1998:174). Relationships between executives and agencies may be best described as a series of contracts regulating how agencies now are to provide services that are “bought” by central government departments.

Agency theory is generally concerned with two problems that may arise in the principal-agent relationship: (1) conflicting interests between principal and agents; and (2) how the principal can control what the agent is doing (Eisenhardt 1989:58). In essence, agency theory focuses on the regulation of conflicting interests between two self-serving actors (see Moe 1984; Meier and Krause 1997; Bendor, Glazer, and Hammond 2001; McLaughlin and Osborne 2003; Shapiro 2005). Therefore, agency theory is essentially a theory of conflicting interests, whereas stewardship theory departs from aligned and overlapping interests (Schillemans 2013).

The most fundamental distinction between both theories lies in their conceptions of human motivation. Agency theory assumes self-centered actions and extrinsic motivation to be the primary sources of human behaviors. Stewardship theory, on the other hand, is based on psychological and sociological analyses of human behavior and assumes that intrinsic motivation *and* collectivism go a long way to explain behaviors (Van Puyvelde et al. 2012:437). Stewardship theory is rooted in a self-actualizing perspective on people (Corbetta and Salvato 2004:356). The steward chooses service above direct self-interest and is driven by the higher needs in Maslow’s pyramid, such as self-realization, recognition, achievement, and respect (Davis, Schoorman, and Donaldson 1997a). Stewards, then, are driven by internal motivation to fulfill their mission. This means that the foundational conflict between principal and delegatee, supporting agency theory, is relaxed or may even disappear (Caers et al. 2006:28). As Wasserman (2006:961) puts it, stewards are managers who act on behalf of the organization. The difference has been summarized as follows:

Agents, by definition, are given authority by those for whom they act—a contractual relationship. Stewards are entrusted with resources and may act on behalf of individuals with whom there is no direct contractual relationship. Therefore, agents act on behalf of shareholders whereas stewards act on behalf of all stakeholders. (McCuddy and Pirie 2007:958).

There may be a variety of reasons why stewards act upon broader interests than their own personal ones. The simplest, and most rational, explanation for such behavior would be that the interests of stewards and principals are simply overlapping or aligned (Caers et al. 2006:29). Other explanations for this behavior focus on non-financial rewards (Van den Berghe and Levrau 2004:463), mutual relations (McCuddy and Pirie 2007), or altruism (McCuddy and Pirie 2007:958; Kluyers and Tippett 2011:277).

Stewardship theory has been criticized by Albanese, Dacin, and Harris (1997) for not being an independent theory, but rather a special case of agency theory where the interests of the principal and the executive are aligned; it is a “limiting” case of agency theory (Caers et al. 2006:42). However, Davis, Schoorman, and Donaldson (1997b) argue that if the interests of the principal and agent coincide, or if interests diverge yet the agent still acts in the interest of the principal, there would be no principal-agent problem in the first place. Stewardship theory should be viewed as an “addition” to agency theory (Brennan and Solomon 2008), as well as the “other end of a continuum” (Kluyers and Tippett 2011:278).

Applying Agency and Stewardship Theory

As with all theories, agency and stewardship theory can be used either in an explanatory way or in a prescriptive way. As explanatory theories, they can be used to analyze retrospectively whether given outcomes can be explained with the theoretical model. For example, Dicke (2002) explains accountability gaps in human service contracting through agency and stewardship theory. Van Slyke (2006) uses agency theory and stewardship theory to examine how contracting relationships between government and nonprofits are managed. And Boon (2016) translated stewardship theory to research on shared service centers in the public sector.¹

Alternatively, however, theories can also be used prescriptively and provide recipes for policy. In some instances, policymakers have explicitly based their policy recommendations on agency theory (Van Oosterom 2002; Australian Public Service Commission 2009) or stewardship theory (Ministry of Finance 2007, 2011). In this article, we use agency and stewardship theory in this second form, as general theories providing specific recipes for the governance of agencies. More specifically, we have developed an analytical model in which we translate both theories to ideal typical measures for governing agencies. With this approach, we are able to identify to what extent agencies are governed in ways consistent with agency and stewardship theory. It is important to note that we do not imply that

government departments do so deliberately or explicitly. Neither do we make a claim about whether governments view their agencies more as selfish agents or as selfless stewards. Rather, the model identifies specific realistic measures consistent with both theoretical perspectives and helps to typify actual governance regimes.

This approach provides, we believe, two important steps forward in the academic debate. To begin with, as already was specified in the introduction, we use a combined model from both theories where applications of stewardship theory so far have primarily contrasted the two approaches. Existing empirical studies of stewardship theory in public administration settings strongly support the point of the continuum between agency and stewardship. Many researchers have tested stewardship theory as a viable alternative to agency theory, particularly in government-agency/third-sector organization-settings, but the theory did not fully “fit the bill” (Dicke 2002). More specifically, most existing studies using stewardship theory in public sector settings have mixed findings, supporting elements of the theory but also, sometimes surprisingly, underscoring elements of agency theory (Dicke 2002; Dicke and Ott 2002; Van den Berghe and Levrau 2004:463; Corbetta and Salvato 2004:356; Nicholson and Kiel 2007; Van Slyke 2006; Marvel and Marvel 2008; Lambright 2008; Schillemans 2013).

Secondly, our model also provides a much more fine-grained measurement which we believe is more suitable to capture the underlying theories. In private sector studies, board composition, board structure, and organizational ownership are generally used as indicators of stewardship (Dulewicz and Herbert 2004; Van den Berghe and Levrau 2004:463). The indicators used are often rather broad, and based on specific assumptions on the behaviors of board members, and they also significantly reduce the complexity of the theory to a single crude, arguably strong but nevertheless reductionist, indicator. Applications of stewardship theory on public sector governance are still quite rare. Hence, measures and operationalizations are still under development and several methodological approaches have been used. For example, Dicke (2002) uses survey and qualitative interviews, Van Slyke (2006) uses semi-structured interviews, while Schillemans (2013) uses a combination of a survey and focus groups. One of the drawbacks with qualitative interviews, semi-structured interviews, and focus groups is that the results are more difficult to compare in different contexts. Hence, we believe that the research on stewardship theory now is in need of a more standardized instrument that may be used in different contexts and that taps into different aspects of governing.

Operationalizing Agency and Stewardship Theory

Our operationalization takes the existing governance regime between government departments and government agencies as its point of departure. When public tasks are delegated to agencies, government departments perform (at least) six different tasks, both *ex ante* and *ex post* (Schillemans 2013). Government departments need to (1) select an agency (who is going to do the job?); they need to (2) transmit their preferences and (3) stipulate additional due procedures in their

contracts. Ex post measures include (4) monitoring requirements, (5) incentives (how will the agency be rewarded?), and also (6) relationship management.

Agency theory and stewardship theory suggest quite different ways in which these six departmental tasks should be fulfilled. We discuss each of them in turn and will develop the extreme positions on the continuum between agency and stewardship, being fully aware that agency theory has developed in a series of different and more nuanced models (Gailmard 2014). As the objective of this article is to find the optimum between both extremes, however, we focus on the ideal-typical cases.

Selection: Self-Interest vs. Shared Interests

The analytical first step in any regime of delegation revolves around selecting the most appropriate delegate (Strøm 2000). Agency and stewardship theory propose very different measures for this task. Agency theory is based on the recognition of conflicting interests, whereas stewardship theory is based on an assumption of overlapping interests. From the perspective of agency theory, it is important to find ways to counteract the potential abuses of the discretionary space of agents (Behn 2001:90–1). Competitive tendering in the market is the preferred way to align the various interests and to reach agreement through a contract. The selection process should then revolve around the question of how this potential conflict of interest can be tamed or even be made to work out productively. From the perspective of stewardship theory, selection should be centered around the question of how to identify and engage delegates with maximally overlapping interests. The task of the principal then is simply—although not simple at all in practice—to find the steward with maximally overlapping interests and goals.

In the real world of public sector governance, however, this model of optimal selection is only relevant in the relatively uncommon cases where a new organization is sought for a new task. Mostly, tasks may be executed for many years, sometimes even for centuries, which fundamentally alters the dynamics of selection and introduces elements of path dependence (Verhoest et al. 2010). Government departments are often “stuck” with a given agency, and both parties will develop specific self-interests as well as shared interests. In our survey, we have therefore chosen to ask questions about the interests of both parties, where one question focuses on self-interest (in line with agency theory perspective) and the other on shared interests (stewardship theory).

Preferences: Performance Indicators vs. Co-Production

Once an agency is selected to perform a task, the next step is to stipulate one’s preferences. What is it that the agency needs to do and deliver? Agency theory would generally suggest a top-down perspective to this issue, where the principal spells out in a contract what is expected of the agent in order to minimize agency loss (Strøm 2000). This has been institutionalized in the Dutch public sector, where

agencies, sometimes serving the government for centuries, are (re-)contracted annually (Van Oosterom 2002). Of particular relevance is the definition of pre-defined performance indicators, simultaneously clarifying exactly what the government department seeks to get accomplished and minimizing the room for slack on behalf of the agent (Shapiro 2005).

The stewardship perspective on preferences would be more procedural than substantive. Stewardship theory revolves around the culturally important notion of a low power distance (Hofstede 1983) between principal and steward (Davis, Schoorman, and Donaldson 1997a). This relationship is more about a collaboration towards some end than about hiring a third party to do a specific job. The stewardship perspective on stipulating preferences thus would suggest that they are developed conjointly by the two participants developing a shared perspective on goals and the implementation of tasks.

Procedures: Detailed Boundary Conditions vs. Substantial Discretion

It is not enough for public agencies to realize the specific preferences of principals; they also (with the rare exception of special agents such as James Bond) need to reach their goals within specific procedural constraints. There are many rules to follow and numerous guidelines to comply with in the public sector, which, according to critics, may lead to the “accountability paradox” where accountability for procedures takes precedence over accountability for performance (Behn 2001).

The general assumption of conflicting interests and the risk of adverse selection in agency theory means that its prescription for management would be to spell out and register in detail in what ways and within which boundary conditions a task needs to be performed. Assuming that agents may be opportunistic, it makes sense to clarify all relevant factors in the quasi-contract between department and agency. This is consistent with the literature on contracting, where the baseline agency approach to contracting would mean simply to have more detailed and longer contracts, also referred to as “hard” contracting (Greve 2000).

In stewardship theory, on the other hand, it is more reasonable to trust that the agency will behave accountably and will find the best way to reach its goals. In stewardship theory, self-management of the agent is important (Schillemans 2013). Lengthy and detailed contracts risk alienating the agent. Systems of accountability provide signals that give cues on how one is seen which, in turn, will affect how one behaves (Patil, Vieider, and Tetlock 2014:82–3). This means that for agencies to develop as stewards, they need substantial discretion in deciding how tasks are performed in order to attain their results.

Incentives: Material vs. Professional Rewards. Incentives are important to stimulate any agent. On the material level, financial rewards and, for departmental agencies, more tasks and larger budgets, are available as incentives. Financial incentives are easy to understand, relatively easy to administer, and they speak directly to parties who need to be convinced through extrinsic means of motivation. In the civil

service, financial rewards are not readily available as incentives, yet a widened portfolio of tasks is. These are also relevant in the cases analyzed in the empirical part of this article; the agencies all operate a mixed task portfolio which has been subjected to change over the last few years.

Stewardship theory is not about material rewards, but centers on immaterial rewards. As stewardship theory is founded on a model of self-actualization (Corbetta and Salvato 2004), incentives relating to this are important. One specific form of informal incentives is verbal praise for good performance. This kind of immaterial reward stimulates task performance, but is also important in a context where accountability and reputational concerns of agencies are connected (Busuioac and Lodge 2017).

Monitoring: Detailed External Monitoring vs. Internal Control. The agency theory perspective on monitoring could be summarized in the well-known adage: “In God we trust; all others we audit.” It is a natural companion to the points made earlier: if agents have valid reasons to underperform, and when you are bothered by hidden information and hidden action, it is only natural to demand extensive and precise monitoring information relating to the realization of stipulated preferences as well as to relevant procedures. Stewardship theory, on the other hand, suggests a more relaxed and hands-off strategy. Stewardship theory assumes that principal and stewards operate on the basis of shared goals and that their interests are largely aligned. The relationship is built on trust and, as long as the steward can document and show to the principal that she is in control, monitoring provisions can be quite lean. The agency theory prescription to monitoring would then be that agencies report in detail so that departments can verify exactly what has been done in practice. The stewardship theory recipe for monitoring, however, would be that the parent department entrusts the agency to ascertain that its services are of a high quality.

Relationship Management: Formal vs. Informal

The final task in the governance of agencies is to come to some form of relationship management when the agency is implementing a given task. This is specifically relevant in the context of (quasi-)autonomous agencies performing the same task for many years in continuation. In agency theory, the formal contract between both parties is the main operative device. This also suggests a more formal form of relationship management which, in the extreme case, would even mean that informal contacts are minimized. For stewardship theory, the sphere of ongoing collaboration between two mutually dependent yet distinctive parties is crucial. The relationship between central government and the (quasi-)autonomous agency is then mostly characterized by equivalence. This means that the relationship between the ministry and the agency is less hierarchical and that they communicate as equal parties (albeit with different roles and responsibilities).

Satisfaction with Governance Regime

Stewardship theory has been related to a large variety of potentially positive outcomes where it is supposedly “better” than competing theoretical approaches. Stewardship theory has, for instance, been found to be better at explaining behaviors in family firms (Corbetta and Salvato 2004), organizational diversification strategies (Fox and Hamilton 1994), the puzzlingly large extent to which employees can be organization-oriented in both the public as well as in the private sector (Van Slyke 2006; Kluvers and Tippett 2011), and also organizational performance (Eddleston and Kellermanns 2007). The latter outcome, in particular, would be most suitable for our study, as we are investigating the effects of combinations of agency and stewardship measures on the governance of agencies by government departments. The ideal dependent variable would then be performance.

Performance, however, is a thorny issue in public administration. In the previously mentioned study by Eddleston and Kellermanns (2007), organizational performance of for-profit organizations was simply deducted from publicly available annual turnovers and surpluses. The public sector does not, however, yield a comparably simple yardstick, and financial performance is by no means the effective bottom line in bureaucracies. Furthermore, there are many relevant external political and societal stakeholders who would single out different outcomes or outputs as good or bad performance (Radin 2011). And, to conclude, there are many issues relating to causality and control, such as whether outputs and outcomes actually are the result of willful action by government agencies and, even if so, of those agencies alone. In layered and interconnected systems of governance, the responsibility for positive or negative outcomes is thus extremely difficult to attribute.

A second-best, yet still good, alternative would be to go by the satisfaction with the governance regime of agencies. If the participants in the governance regime are satisfied with the regime, this can already be seen as a positive outcome. Satisfaction should be understood as the match between one’s expectations and how things actually are. Hence, if the governance regime is closer to what the participants regard as optimal, they are more likely to be satisfied with the regime. In the complex settings of public administration, there are various relevant goals, values, and interests, and realities on the ground are often messy and difficult to disentangle. This means that there is no objectively optimal solution to the governance problem of agencies. We thus invoke the term “optimal” with reservation, simply claiming that, everything else being equal, the governance regime that is experienced to be most satisfactory by participants is more optimal than others.

Satisfaction is by no means a complete and uncontested criterion for evaluating a governance regime, but is nevertheless important for a number of functional reasons. On a personal level, the relationship between individual satisfaction and performance in jobs is important and robust (Petty, McGee, and Cavender 1984). We also know that heavy external infringement may drive out intrinsic motivation, with a negative effect on work effort (Frey and Jegen, 2001). Furthermore, “contractor satisfaction”—the extent to which the agent or steward, in our terms, is satisfied—is known to be relevant to project control and, thus, to project success

(Turner and Zolin 2012). A review shows that the satisfaction of users and other participants can be a valid measure of the effectiveness of systems in organizations (Gatian 1994) And the literature on network governance teaches that mutual trust and “connecting strategies” are important for eventual outcomes (Klijn, Steijn, and Edelenbos 2010). Finally, as both agency and stewardship theory depart from models of man and assumptions about motivations, relational satisfaction is a relevant factor, as it relates directly to motivation. All of this suggests that the satisfaction of the agent with a governance regime is a highly relevant, although not final, criterion for judging the quality of a governance regime.

Satisfaction is an intuitively appealing, yet also confusing, concept. In many public management reforms, increasing satisfaction of participants and citizens with increased performance has been a goal, while research finds that the *reputation* of better performance is actually more important. This suggests that the phenomenon as such is sometimes poorly connected to real policy measures and is more susceptible to persevering images and reputations. The causal chain leading to satisfaction, thus, is difficult to isolate (Bouckaert and Van de Walle 2003). Also, the measurement itself can be tricky, particularly when questionnaires use direct questions (e.g. “How satisfied are you with ...?”) and single-item measures (Wanous, Reichers, and Hudy 1997; Judge, Heller, and Mount 2002) asking whether people are satisfied with a given service or experience. It is therefore important to use indirect measures for satisfaction.

There is a wide set of measurements available in the literature for the quality of services and products, particularly in marketing studies, as well as measurements for job satisfaction (Spector 1985). They are related but not directly applicable to our study. As our participants are self-conscious, and as the governance regime is officially enacted and discussed, we have chosen an intersubjective approach to measuring satisfaction. We have asked participants to describe both the actual governance regime on specific items as well as to indicate what they believe would be the optimal situation. We understand satisfaction with the governance regime then as congruence between the actual and the optimal governance, according to our respondents. We further calculate an aggregate measure for satisfaction by combining the various survey items so that a composite and indirect measure is developed, protecting against social desirability and other possible biases in the measurement. This also means that overall satisfaction is not based on a single-item measurement, which makes it more robust (cf. Wanous et al. 1997).

RESEARCH METHODS

The Agencies

The survey instrument developed for this article has been used to analyze the governance of three distinctive Dutch government (quasi-)autonomous agencies at three points in time. The first agency has a diverse task portfolio, where some tasks require high levels of professional judgment (which seems more in line with stewardship theory) while other tasks are more rule-abiding implementation tasks (theoretically better suited to agency theory in combination with traditional

bureaucratic practice). The second agency has a few major core tasks which are all of a precise, rule-applying nature. The third agency has a more coordinating role, where the core functions are performed by highly skilled professionals. If steering and accountability should be “calibrated” to the nature of the task at hand (Schillemans 2016), then these three agencies represent a good testing ground for our inquiries. For one agency, an agency-theory approach would theoretically seem most suitable, for the other a stewardship approach seems to fit from the outside while, for the third, a combination would be most suitable.

The agencies involved are part of larger government departments but enjoy some operational autonomy and, as such, are subjected to governance from the center. They have some operational and financial autonomy and perform tasks for more than one government department. On the one hand, these agencies have existed for many years, which may have led to established patterns of interaction and may lead to path dependence. On the other hand, however, there have been important disruptions of established routines in the years immediately preceding the survey: all three agencies were reconstituted on the basis of mergers between predecessors, and for all agencies a formal process to modernize contracting and collaboration had been initiated.

All agencies perform legally prescribed tasks, but can also be contracted for additional projects. There is a formal annual contracting process in which tasks and priorities for the year are set. The minister is still, as for the core executive, politically responsible for the agencies, yet the agencies are mostly governed by a practice of accrual accounting, product finance, and annual contracts. The contracts are established in annual rounds and dialogues. The process is based on the idea of market procurement, yet is different, as both parties are mutually dependent. The basic idea was to introduce market-based contracting processes to modernize essentially intragovernmental processes in order to push for performance. Interactions between government departments as principals and agencies as contractors are formalized in a procedure modeled on external contracting in for-profit settings. These agencies rank as Category-I or Category-II agencies (James and Van Thiel 2011:211): semi-autonomous organizations without legal or political independence but with some managerial and financial autonomy, mostly through the accrual accounting system deviating from central government practice.

Subsequently, a survey was distributed via the agencies among all employees who were in active professional contact with the parent department (agency 1 and 2) or to the full set of operational managers (agency 3). The rationale behind this is that the actual governance regime of agencies in the Netherlands is (re)constituted on many levels. The highest executives from both entities interact, but so do their communication people, auditors, legal aids, policy officers, and others. The governance by the department of the agency in the Netherlands is thus shaped on various hierarchical levels. It is likely that actual steering will be somewhat dissimilar along the different hierarchical layers, although it is also likely that the “tone at the top” will trickle down and affect and, to some extent, homogenize interactions between less senior officials. [Table 1](#) below provides descriptive and factual information on responses and response rates for the surveys used.

TABLE 1
Responses and Response Rates

| | <i>Response rate</i> | <i>Total N of usable responses</i> | <i>N of population</i> | <i>Year of survey</i> | <i>Legal type</i> | <i>Type of task</i> |
|-------------------|----------------------|------------------------------------|------------------------|-----------------------|-------------------|----------------------|
| Aggregated | 38% | 303 | 805 | | | |
| Agency 1 | 55% | 74 | 110 | 2011 | II | Mixed task portfolio |
| Agency 2 | 59% | 70 | 119 | 2013 | II | Rule-following task |
| Agency 3 | 31% | 175 | 576 | 2014 | I | Professional task |

The Governance Regime

Agency theory and stewardship theory have, as described in the theoretical section, been translated into 12 descriptive questions based on the six elements of their relationship: selection, preferences, procedures, monitoring, incentives, and relationship management. We have chosen to base one question on each of the two theories that aim to catch its most distinctive element. The aim was to translate the two abstract theoretical models to specific and realistic questions. The models, and the constituting elements, have been presented and discussed with practitioners in at least eight meetings, verifying the relevance of the model as a whole as well as the specific questions. The questions were pre-tested and some slight revisions were made. Respondents answered on a 5-part Likert scale. Table 2 lists the 12 questions used, where PA indicates that the question relates to agency theory and PS that it relates to stewardship theory (the P denoting the principal).

Satisfaction with the Governance Regime

We have further calculated measures for the level of satisfaction of all respondents. This was measured by subsequently asking all respondents to also rank the optimal situation for each of the questions on a 5-part Likert scale. This allowed us to calculate the average gap between the current situation and what the respondent would identify as the optimal situation. We have then concluded that respondents are perfectly satisfied with the governance regime when the actual and optimal situation are similar (artificial score of 0), while they are deeply dissatisfied when there is a large gap (maximal average score of 4). This procedure has allowed us to compare between the groups of respondents and, more importantly, to analyze which aspects of the governance regime are significantly correlated to higher levels of satisfaction with the governance regime.

Analysis

We surveyed three rather different agencies, with different task portfolios and, accordingly, somewhat different compositions of managers and employees, across

TABLE 2
Questionnaire of Governance Regime

| | | |
|--------------------------------|----|---|
| Selection | PA | "During negotiations with its parent department, the agency keeps a close eye on its own interests." |
| | PS | "In practice, department and agency share the same interests." |
| Preferences | PA | "The parent department primarily steers on the basis of pre-defined performance indicators." |
| | PS | "Parent department and agency conjointly develop a shared perspective on the goal and implementation of a task." |
| Procedures | PA | "The parent department registers in detail in what ways and within what boundary conditions a task needs to be performed." |
| | PS | "The agency has substantial discretion in deciding how tasks are performed, as long as it leads to results." |
| Incentives | PA | "When the agency performs well, its parent department will more readily expand its portfolio than when the agency does not perform well." |
| | PS | "When the parent department is satisfied with the way in which a task is performed, it will explicate this, not only to the agency but also to relevant third parties." |
| Monitoring | PA | "The agency reports in detail to the parent department, so that it can verify exactly what has been done in practice." |
| | PS | "The parent department entrusts the agency to ascertain that its services are of a high quality." |
| Relationship management | PA | "In mutual interactions, informal contacts are avoided." |
| | PS | "The relationship between parent department and agency is characterized by equivalence." |

a three-year time span. The politico-administrative context was also not stable, and there was a change in government; for instance, between the first and the second rounds of the survey. The first survey was sent out while the government had the official policy goal to improve the linkages between policymaking and the agencies implementing policies. It is thus reasonable at the outset to expect differences between the agencies in how they describe the actual governance and the optimal model of governance. Appendices A1–A3 display the results for the separate agencies. Even a brief look will confirm that the patterns described by our respondents are by and large quite similar for the three agencies. As the surveyed population in one of the agencies is more than double the size of the other agencies combined, their results are most similar to the aggregate results. Nevertheless, the results from the different agencies are really quite similar. We will therefore only briefly discuss individual differences for now and focus our analysis on the combined data.

RESULTS

The Actual Governance Regime

What does the actual governance regime of the three Dutch (quasi-)autonomous agencies look like? [Figure 1](#) provides an overview with the means on the six dimensions, showing both answers for agency and stewardship indicators, describing the actual governance as experienced by our respondents.

The figure shows a number of things. To begin with, even a superficial glance at the figure confirms that the governance regime tends a little bit to the middle on many, but not all, indicators. This may be a response effect only, where the wording of the survey may prompt respondents to opt for less extreme attitudinal positions (Krosnick and Schuman 1988). More importantly, the figure suggests that the measures from agency theory to some degree describe how agencies are governed. In more substantive terms, this means that formal relationship management is somewhat important, that performance indicators are relevant, and that self-interest is important in negotiations, as are formal systems of monitoring. Simultaneously, however, the figure also suggests that many indicators from stewardship theory are relevant as well. This particularly relates to the importance of internally assuring quality and being entrusted to ascertain good quality.

The co-existence of measures from both theories further underscores our guiding assumption that stewardship theory and agency theory are distinctive, yet in practice not mutually exclusive, theoretical approaches. Had they been clear opposites, [Figure 1](#) would be characterized by greater differences in means between actual usage of agency theory and stewardship theory. Answers implying a high degree of the application of one variable along the agency-theory line would be accompanied by answers implying a low degree of the application of the variable on the stewardship-theory line, and vice versa. The two indicators for relationship management are an illustration of this, pointing in opposing directions. However, our results suggest that the agencies are governed by a combination of moderate doses of measures related to both theories.

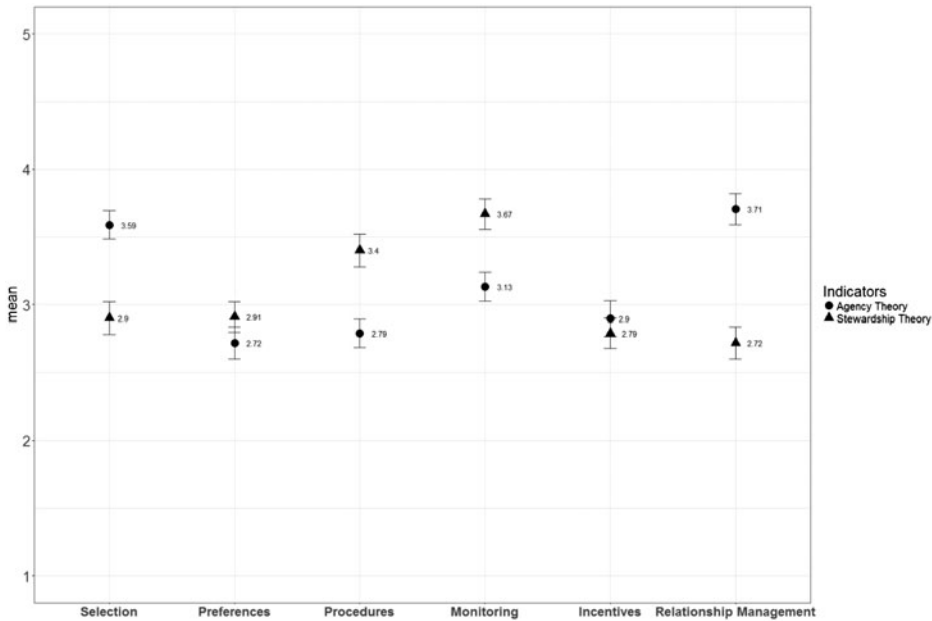


Figure 1. The actual governance of agencies. *Note:* The figure shows the respondents’ perceptions of actual steering practices on a scale from 1 (little use of the indicator) to 5 (strong use of the indicator). Error bars represent 95% confidence interval.

The Optimal Governance Regime

Respondents were subsequently asked to identify what the governance model would look like in the optimal situation for each of the different measures in the survey in their perceptions. They could, in principle, indicate that more of all the measures, or less of all the measures, would be optimal, although this was not how they responded. We would not contend that if the respondents would find a given regime to be optimal, that it would then be optimal in any objective sense. Rather, these questions helped to gauge on which dimensions respondents report their implicit satisfaction with the regime, which is evidenced by either an overlap on dimensions of steering (the actual regime is the same as the optimal regime) or their dissatisfaction (the optimal regime is quite different from the actual regime).

Overall, there is a tendency that respondents are relatively satisfied with the extent to which measures from agency theory are used in the governance of agencies. The optimal situation on these indicators is mostly not too dissimilar from the actual situation. The deviation of the total average (all six indicators combined) of the actual application of agency theory compared to the optimal situation is only -0.3 points (but significant). This indicates that the optimal governance regime would imply slightly more use of measures from agency theory. This, however, is different for the measures relating to stewardship theory. Here, the deviation

between average actual application and optimal situation is -0.87 , which indicates that the respondents would be more satisfied with increased use of stewardship steering. Overall, the respondents would prefer the approach to be somewhat stronger, in line with stewardship theory. This is most clearly the case for two indicators: preference formation and relationships management. Here, the respondents signify that, in the optimal situation, the relationship between central government and agency would be much more characterized by equivalence and that “parent department and agency conjointly develop a shared perspective on the goal and implementation of a task.”

Figure 2 shows the average score on each indicator for all agencies. The pattern is quite similar for each single agency. The figure shows that there are differences between the actual and optimal situation on all indicators. These differences are also almost always significant, with the exception of two indicators from agency theory: selection and relationship management.

If we break down the data to look at differences, there is some more variation among agencies, as described in Appendix A2. However, the overall picture is quite robust: the actual governing of agencies combines elements from agency and stewardship theory to moderate degrees. The existing situation is, according to our respondents, already fairly close to the optimal situation for measures emanating from agency theory. For the elements from stewardship theory, however, respondents implicitly indicate that a stronger use would be preferable.

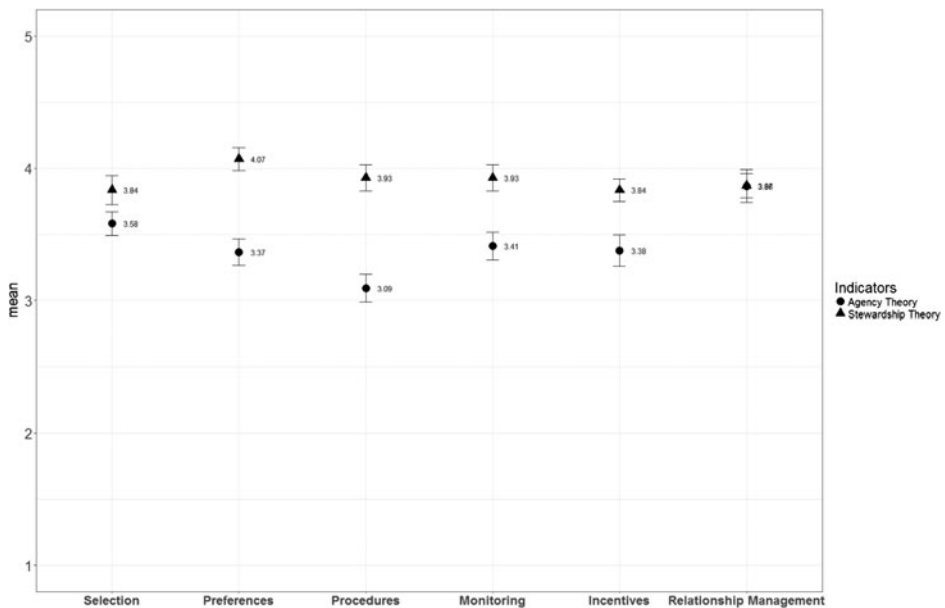


Figure 2. Optimal governance of agencies. *Note:* The figure shows the respondents’ perceptions of optimal steering practices on a scale from 1 (little use of the indicator) to 5 (strong use of the indicator). Error bars represent 95% confidence interval.

A Satisfactory Governance Regime?

The optimal satisfaction with the governance regime is here the situation in which the actual situation and the optimal governance model completely overlap. We have calculated the average deviation between the actual and optimal steering for all respondents as an overarching indicator of their satisfaction with the governance regime, assuming that additive major differences between actual and optimal steering signify more generalized dissatisfaction. The average deviation from actual and optimal steering is displayed in Figure 3. A deviation above zero indicates that a respondent, on average, perceives the elements from agency theory or stewardship theory to be more prominent than in the optimal situation. The other way around, deviations below zero indicate that, on average, a respondent finds the presence of the indicators to be less present than optimal. As we can see from Figure 3, the respondents find the presence of the agency indicators to be more close to the optimal situation, implying that the actual situation for the agency theory factors is much closer to the optimal situation than for the stewardship factors.

The indicators used in this survey are not mutually exclusive. For example, it is possible for a department to primarily steer on indicators (following agency theory) that are conjointly developed by both the ministry and the agency (following

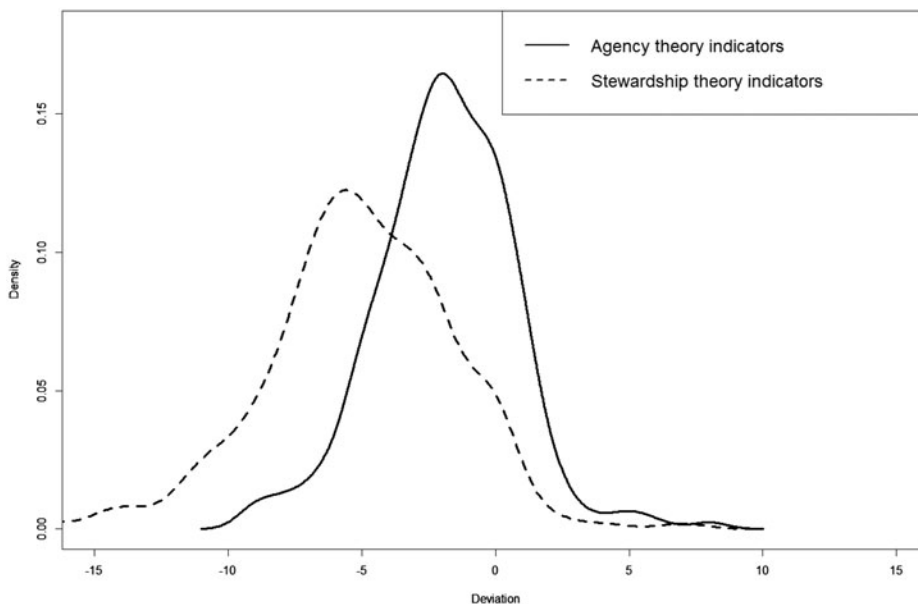


Figure 3. Optimal versus actual steering on agency and stewardship indicators. *Note:* The density plot shows the distribution of the deviations between the respondents' perceptions of optimal and actual steering. The black line marks the deviations between optimal and actual steering on the agency indicators, while the gray line marks the deviations on the stewardship indicators. All responses combined.

stewardship theory). Hence, both elements from agency theory and stewardship theory may coexist. The results may therefore also be interpreted in another way. Respondents seem to be quite satisfied with the use of elements from agency theory. By imposing more (in terms of broader use of the elements in this survey) agency theory, the respondents' satisfaction will increase slightly and then start to decrease as actual use of agency theory would exceed what is regarded as optimal. But, by increased use of elements from stewardship theory, the respondents' satisfaction with the stewardship elements would increase. As [Figure 3](#) shows, the actual use of elements from stewardship theory is less prominent than what is regarded as optimal. Therefore, by increasing the use of elements from stewardship theory in the steering of agencies, the employees would be more satisfied with the steering overall, as the use of both elements from agency theory and stewardship theory would to a larger degree match what is regarded as optimal.

On average, the gap between the actual and the optimal situation for agency and stewardship steering instruments combined was -0.6 , meaning that respondents, on average, saw quite a number of elements where the governance regime could be improved.

We have subsequently analyzed which of the individual components of the model were positively related to more satisfaction (thus a lower gap). For this purpose, we calculated the respondents' total satisfaction with steering. This is the sum of the absolute deviations between actual and optimal steering (maximum of 4 for each indicator), ranging from 0 (actual steering is equal to optimal steering) to 48 (maximum deviation between actual and optimal steering on each indicator). To make our measure of total satisfaction relative to the five-point scale, we divided the score on the number of indicators (12). Hence, our measure of total satisfaction ranges from 0 to 4, where a value of zero signifies a completely satisfied respondent and a value of 4 is a totally unsatisfied respondent. Further, we correlated the respondents' level of total satisfaction with their perception of the actual use of each indicator of steering. Positive correlations imply that more use of the indicator makes respondents less satisfied and negative correlations imply that more use of the indicator makes respondents more satisfied. Seven of the indicators correlated significantly ($p = 0.05$) negatively with satisfaction (meaning that more use of these indicators makes respondents more satisfied), two of the agency indicators, and all of the stewardship indicators. None correlated positively. [Table 3](#) below lists the significant correlations we found.

The correlations are strongest for four of the indicators from stewardship theory. They suggest that government departments could increase the satisfaction rate of their governance regime when they:

1. would be able to more strongly identify shared interests;
2. would develop a more strongly shared perspective on tasks;
3. would be more willing to express praise for good performance; and
4. would operate more strongly on the basis of equivalence.

TABLE 3
Correlations between “Total Satisfaction” and the Use of Agency Theory Indicators and Stewardship Theory Indicators

| | | <i>Pearson corr</i> |
|----|-------------------------|---------------------|
| PS | Selection | -0.42 |
| PS | Relationship management | -0.39 |
| PS | Preferences | -0.37 |
| PS | Incentives | -0.37 |
| PA | Relationship management | -0.21 |
| PS | Procedures | -0.19 |
| PS | Monitoring | -0.15 |
| PA | Monitoring | -0.15 |

Note: Positive correlations imply that more use of the indicator makes respondents less satisfied and negative correlations imply that more use of the indicator makes respondents more satisfied.

Or, put differently, the governance regime would be deemed more satisfactory by respondents if it were characterized by more collaboration and more trust. The policy implication of these findings would be that central governments, wanting to stimulate satisfaction with governance in agencies, would be well-advised to follow the recipes from stewardship theory. Simultaneously, however, our results suggest that this should not come at the expense of the measures inspired by agency theory since, as was argued earlier, the existing measures from this perspective were already deemed to be fairly close to optimal. All of this suggests, then, that the optimal form of governance of agencies is not about a tradeoff between control and trust, as is often suggested (Roberts 2001), but rather about fruitful combinations of controlling measures (inspired by agency theory) and trust-inducing measures (stewardship theory).

DISCUSSION

Our analyses suggest that agency and stewardship theory may be combined in the effective governance of agencies. It would obviously be a bridge too far to conclude that our research now fully and generically captures how agencies should be governed by central government departments. There are many further issues to be taken into consideration, both within our specific theoretical and empirical approach as well as in relation to the broader theoretical anchoring of our arguments. Optimal solutions are not possible in complex settings of governance. This article does not reflect a quest for a best and portable solution but, rather, an exploration of which aspects of a governance regime may be somewhat better than others with regard to participant satisfaction within specific institutional contexts.

One further important reservation to make is that our responses are based on the perceptions of agency staff, which could potentially explain the extent to which stewardship theory was found to be useful and appealing. Stewardship theory is based on the idea that the entity performing a task is intrinsically motivated to do well. It is easy to understand why this would appeal to respondents working for agencies. Our results may thus be somewhat biased by the selection of respondents. Simultaneously, however, our study also indicates that the respondents in many cases are quite satisfied with the measures from agency theory in the governance system. Somewhat surprisingly, perhaps, our respondents by and large accepted the control-based measures existing in the governance regime for Dutch agencies, which is explicitly modeled on the controlling strategy from agency theory (Van Oosterom 2002). Perhaps some of the elements derived from agency theory may not be understood to be controlling by agency staff. Most notably, the use of measurable performance targets is often understood as a form of external control in some literature (Radin 2011), and this does seem to explain the behavior of oversight agencies in the Netherlands, yet our respondents seem to endorse this approach, possibly because they do not experience those targets as external constraints. One reason for this could be that those targets are easy to meet in practice, and principals have chosen to set soft, unchallenging targets for their agencies

(Hood et al. 2004:410). They may well endorse the underlying goal of a performance measurement regime as being to improve organizations' performance. Or they may experience the targets to be liberating in the sense that they provide a clear framework within which to work and clear directions for orientation. This is in line with earlier studies from the Netherlands where executive agents seek scrutiny and accountability (Van Hassel, Tonkens, and Hoijtink 2012; Karsten 2015). This goes to show that what may be interpreted as an external constraint from a top-down perspective is possibly interpreted quite differently from below. In order to further understand these phenomena, though, it would be highly commendable for future research to survey both parties to the relationship. In addition, it would also be important to investigate more qualitatively why participants are (dis)satisfied with particular mechanisms and how they interpret and experience specific measures.

A second point for future research relates to the outcomes of the governance regime. As was indicated in the theoretical section, we used satisfaction as a measure, which is a salient dimension of collaboration in systems, contracts, and networks (Klijn, Steijn, and Edelenbos 2010; Turner and Zolin 2012; Gatian 1994), yet not the only, nor even the most important, indicator of success. Measuring satisfaction is also complicated, as it is dependent on people's expectations, which may be influenced by numerous factors. Causality can be very difficult to assess (Bouckaert and Van de Walle 2003). For example, how satisfied the respondents are with the regime could affect their view on how they are actually governed. Also, their normative convictions may cloud their perceptions of the actual steering. And even when there is a linear relationship between the governance regime and satisfaction, as we established in our analyses, we cannot rule out that third factors could be important (partial) explanations. To protect against potential biases related to the effect of normative convictions, we based our overall measurement on an index with indirect questions and multiple items. Furthermore, outcomes in terms of organizational performance (effectiveness or efficiency) are, at the end of the day, more important (Eddleston and Kellermanns 2007; Van Slyke 2006). A more complete further test of the viability of the combination of agency and stewardship theory should focus on the links between the governance regime, on the one hand, and relevant indicators of performance (Eddleston and Kellermanns 2007) or public value (Hartley et al. 2017), on the other.

A third reflection is: who actually decides what the governance regime of an agency is? One would expect the principal to take primacy, but it may in reality be a messier struggle as well, in which both parties may actively shape the regime and views of appropriateness, and in which formally subjugated agencies have some powerful tools: numbers of staff, constituencies, and/or expertise. This suggests that the question of which model—or which combination of models—is optimal is also dependent on the question of who gets to decide the nature of the collaboration in the first place (Segal and Lehrer 2012). Davis, Schoorman, and Donaldson (1997a) describe steering as a kind of prisoner's dilemma. The principal could

either take a principal-agent approach or a principal-steward approach, and the subordinate may either act as a calculating agent or motivated steward. If the principal designs a system of steering in line with agency theory and the subordinate acts as an agent, the model works. There would also be a mutual fit if the principal goes with a stewardship approach and the subordinate acts as a steward. Problems arise when there is a mismatch between the approach taken by the principal and the motivational base of the agent. If the principal takes a stewardship approach but the agency is more of an agent than a steward, there would be a high risk of shirking and bureaucratic drift. This may cause increased agency loss. On the other hand, if the principal assumes a principal-agent relation and the subordinate is more of a steward, this may reduce the desire to act as stewards (Davis, Schoorman, and Donaldson 1997a:39). In fact, an increased focus on incentives and sanctions may even undermine intrinsic motivation, according to motivation crowding theory (Frey and Jegen, 2001). The controlling principal may then actually stimulate the subordinate to act in calculating and self-serving ways.

This link to the motivation of public sector agencies ties in with more recent individual-centered approaches in the literature; for instance, on public service motivation (Alonso and Lewis 2001) and public service ethos (Rayner et al. 2011). These literatures interestingly shift the focus of attention away from structural features, rules, and power in governance regimes—from external attributes, so to speak—to the intrinsic drives and values of people working in the public sector. These studies and theories can be helpful to further our understanding of *why* people would have preferences for specific dimensions of a governance regime which would bring our knowledge further. Furthermore, these studies also underscore the links between motivation, satisfaction, and performance, suggesting productive linkages among the three (Alonso and Lewis 2001; Frey and Jegen 2001).

In line with this, many European public administration studies have focused on what is called a structural perspective (Verhoest et al. 2010). While this has been valuable in the literature, focusing on important structural features such as the legal type of agencies or formal degrees of autonomy, it would be worthwhile for future studies to ingrate more individual-focused approaches with such structural approaches in order to understand the relative success of different models of governing and steering (Schillemans 2016). The visibility and measurability of a task (Wilson 1989) should, for instance, be important for the applicability of measures from agency theory. Clear performance targets are much easier to administer for agencies with clear outputs (e.g., building or maintaining roads) than for agencies with less visible outcomes (intelligence, for instance). On the other hand, particularly for professional organizations (Scott 1965), whose core tasks are performed by highly skilled, self-correcting (and intransparent) professionals, the pre-conditions for stewardship are clearly more promising than for some bureaucratic service providers such as machine bureaucracies. The applicability of the models and the proper combination of models are thus presumably also contingent on the type of core task performed by an agency, in line with structural expectations.

Finally, this article has been concerned with the construction of effective and fitting models of governance for agencies with some autonomy. This may have given the suggestion that we believe governance regimes can be crafted and changed at will. There is, however, a long tradition of research demonstrating the relevance of historical legacies, path dependence, and the logic of appropriateness for intraorganizational relations in the public sector (Verhoest et al. 2010; Olsen 2015). What is considered to be optimal by the respondents in our research thus may not only reflect the actual steering, but in important ways also the shadows of the past, and be path dependent. What is optimal may differ from a perspective of value rationality or from a perspective of instrumental rationality (Dong 2016). The interactions between specific governance regimes and historical legacies are therefore important to understand and call for more longitudinal research. Our modest contribution to these and related future research endeavors is hopefully twofold: pointing out how agency and stewardship theory can be combined, and developing measurements that more adequately tap into those productive, yet conceptually packed, theories.

CONCLUSION

This article has used agency theory and stewardship theory to analyze the governance regime for Dutch (quasi-)autonomous agencies along six important dimensions. Our analysis suggests that the actual governing model displays elements from both theories, suggesting that combination is possible in practice. In terms of the respondents' satisfaction with the existing governance model, it seems that the perception of the actual use of elements from agency theory is close to what is regarded as optimal. The perceived actual use of elements from stewardship theory is lower than what the respondents would regard as optimal. Hence, the overall satisfaction with the governance model would hypothetically be increased with increased usage of elements from stewardship theory. In more specific terms, this would mean that government departments could further increase the satisfaction with the governance model with four measures in particular: a stronger identification of shared interests, operating on the basis of equivalence, conjointly develop a shared perspective on the implementation of tasks, and the willingness to express verbal praise for good performance. This suggests more generally that the optimal governance model of agencies is characterized by a *combination* of both theoretical approaches, by a combination of verification and trust, and by a more general approach of *collaboration* between more or less equal partners with different responsibilities.

Earlier applications of stewardship theory in public administration settings tended to generate mixed or inconclusive results (Dicke 2002; Dicke and Ott 2002; Van Slyke 2006; Schillemans 2013). Our analysis has aimed to reconcile the two approaches in order to get it right; finding the proper balance between control-oriented agency theory with trust-oriented stewardship theory. Our analysis now shows that a combination of the two approaches would make the employees in

executive agencies most satisfied with the governance model. We believe that our approach and our measurement instrument as such for agency and stewardship theory are the most important contributions of this article. This instrument can be used in future research aiming to understand the effects of external steering on public agencies and can assist the search for optimal and fitting governance regimes in the messy realities of public administration.

NOTE

1. Shared service centers integrate overhead tasks such as cleaning, HR, and IT helpdesks of multiple organizations within one organizational unit.

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APPENDIX A

Measurement Governance Regime Agencies

TABLE A1
The Average Actual Steering, Highest Average Highlighted, Standard Deviations in Parentheses

| | <i>Total</i> | | <i>A3</i> | | <i>A2</i> | | <i>A1</i> | |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> |
| Selection | 3.59 (0.85) | 2.90 (0.96) | 3.5 (0.95) | 2.49 (0.82) | 3.65 (0.79) | 3.21 (0.82) | 3.73 (0.65) | 3.56 (0.93) |
| Preferences | 2.72 (0.96) | 2.91 (0.91) | 2.79 (0.99) | 2.73 (0.78) | 2.79 (0.84) | 3.02 (0.87) | 2.48 (1.00) | 3.23 (1.08) |
| Procedures | 2.79 (0.84) | 3.40 (0.98) | 2.91 (0.86) | 3.15 (0.88) | 2.77 (0.76) | 3.62 (0.93) | 2.51 (0.85) | 3.76 (1.11) |
| Monitoring | 3.13 (0.88) | 3.67 (0.92) | 3.04 (0.83) | 3.45 (0.94) | 3.17 (0.87) | 3.76 (0.78) | 3.29 (0.97) | 4.11 (0.88) |
| Incentives | 2.90 (1.06) | 2.79 (0.88) | 2.96 (0.99) | 2.64 (0.76) | 3.02 (1.04) | 2.87 (0.99) | 2.61 (1.19) | 3.10 (0.96) |
| Relationship Management | 3.71 (0.93) | 2.72 (0.96) | 3.49 (0.86) | 2.38 (0.86) | 3.75 (0.92) | 2.95 (0.86) | 4.20 (0.91) | 3.28 (0.96) |

Note: Scale from 1 to 5. A higher number indicates that the indicator is regarded as “more close to the actual situation.”

TABLE A2
The Average Optimal Steering, Highest Average Highlighted, Standard Deviations in Parentheses

| | <i>Total</i> | | <i>A3</i> | | <i>A2</i> | | <i>A1</i> | |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> |
| Selection | 3.58 (0.72) | 3.84 (0.88) | 3.45 (0.76) | 3.59 (0.97) | 3.72 (0.67) | 4.15 (0.70) | 3.75 (0.58) | 4.09 (0.64) |
| Preferences | 3.37 (0.81) | 4.07 (0.71) | 3.39 (0.78) | 3.90 (0.72) | 3.44 (0.76) | 4.19 (0.69) | 3.23 (0.93) | 4.339 (0.61) |
| Procedures | 3.09 (0.86) | 3.93 (0.81) | 3.22 (0.82) | 3.71 (0.76) | 3.09 (0.90) | 4.06 (0.74) | 2.80 (0.86) | 4.29 (0.84) |
| Monitoring | 3.41 (0.85) | 3.93 (0.81) | 3.54 (0.80) | 3.64 (0.78) | 3.44 (0.91) | 4.09 (0.81) | 3.09 (0.84) | 4.421 (0.53) |
| Incentives | 3.38 (0.97) | 3.84 (0.70) | 3.17 (0.93) | 3.76 (0.68) | 3.76 (0.88) | 3.8 (0.71) | 3.47 (1.03) | 4.02 (0.69) |
| Relationship Management | 3.86 (1.02) | 3.87 (0.75) | 3.62 (1.02) | 3.74 (0.75) | 4 (0.99) | 3.94 (0.83) | 4.30 (0.91) | 4.11 (0.59) |

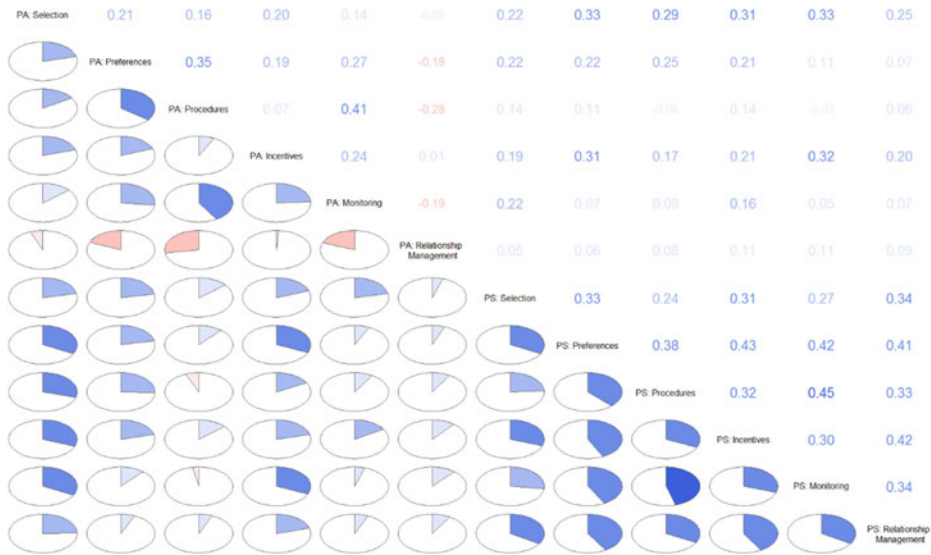
Note: Scale from 1 to 5. A higher number indicates that the indicator is regarded as “more optimal.”

TABLE A3
The Average Deviation between Actual and Optimal Steering, Lowest Average Deviation Highlighted, Standard Deviations in Parentheses

| | <i>Total</i> | | <i>A3</i> | | <i>A2</i> | | <i>A1</i> | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> | <i>PA</i> | <i>PS</i> |
| Selection | 0.004 (1.06) | -0.93 (0.96) | 0.05 (1.21) | -1.10 (1.08) | -0.08 (1.02) | -0.93 (0.73) | -0.02 (0.65) | -0.52 (0.74) |
| Preferences | -0.64 (1.08) | -1.16 (0.96) | -0.60 (1.16) | -1.17 (0.90) | -0.63 (0.99) | -1.16 (0.95) | -0.74 (0.97) | -1.11 (1.09) |
| Procedures | -0.30 (1.04) | -0.53 (0.95) | -0.30 (1.02) | -0.56 (1.00) | -0.32 (1.07) | -0.46 (0.91) | -0.28 (1.08) | -0.53 (0.86) |
| Monitoring | -0.29 (1.09) | -0.25 (1.00) | -0.49 (1.06) | -0.20 (1.10) | -0.29 (1.16) | -0.31 (0.99) | 0.21 (0.93) | -0.32 (0.76) |
| Incentives | -0.46 (1.17) | -1.06 (0.96) | -0.20 (1.22) | -1.13 (1.00) | -0.69 (0.86) | -0.96 (0.85) | -0.87 (1.17) | 0.98 (0.95) |
| Relationship Management | -0.15 (0.96) | -1.15 (1.08) | -0.14 (1.03) | -1.36 (1.11) | -0.24 (1.03) | -0.98 (0.91) | -0.09 (0.67) | -0.82 (1.07) |

Note: Deviation > 0 = actual steering > optimal steering.

APPENDIX B2: optimal steering, correlations (pearson’s r) between agency theory indicators and stewardship indicators



Note: The correlation matrices show the correlations of the actual and optimal use of agency theory and stewardship theory in the steering of government agencies, as it is perceived among civil servants. The matrices indicate a pattern where the correlations between the indicators of stewardship theory seem to correlate stronger with each other than the indicators of agency theory do. Hence, it seems that the respondents are more coherent in their view on the actual use and optimal use of stewardship theory in steering. The stronger positive correlations between the stewardship indicators measuring optimal steering also indicate that more use of stewardship theory is regarded as optimal. For the use of agency theory, the results are more mixed.