Reforming the state: Understanding the vicious circles of reform

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ABSTRACT

Organization scholars have often criticized the discipline of being distant from practical managerial problems. In this article we discuss another form of distance: from citizen's problems. The recent financial crisis in Europe, especially in the South, made manifest formidable needs for massive state reform. The challenge, from a process view, is that previous reform attempts have often failed, with each new failure leading to less readiness for future reform. We discuss the possibility of state reforms being trapped in a pattern of vicious circularity, thus articulating two fundamental yet under-explored topics in European management research: state reform and the vicious circle.

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Introduction

If there is a word that keeps being daily repeated in European media, surely that is "reform." The crisis in the Eurozone, in particular, has made "reform" very popular with politicians, although not necessarily with organized interests and, maybe, the population at large. "Reform" is one of those ambiguous concepts, which can mean all sorts of different things. However, one thing is certain: whatever else it may mean, "reform" involves changing the state. In Southern European counties, in particular, a big, inefficient State, not rarely captured by organized interests and clientelistic practices, have rendered its own reform urgent. If nothing else, as the OECD points out in its country-specific reports, the ability of southern European countries to compete inside the Eurozone will be significantly enhanced by the extent to which they reform the state.

However, the worlds of organization and management theory and public administration tend to live separate lives, as Pfeffer (2006) pointed out. But they should not, since some of the most intractable organizational problems occur precisely in the sphere of the state. Yet, changing an entire institutional ecology such as the state is a daunting task, partly because of its size, partly because of the open-ended character of competitive politics in a liberal democracy and, crucially, because of the self-reference problem involved: the organization and functioning of the state reflects the historicity of a society – the way it has historically understood itself as a political community and the way, therefore, it has gone about organizing and governing itself over time (Papoulias & Tsoukas, 1994; Tsoukas, 2012; Tsoukas & Papoulias, 1996, 2005). To put it succinctly: a country has the state it desires to have. The problem of self-reference gets larger, the bigger the scale of reform is. A government, for example, that aims to change the historical modus operandi of its public administration (e.g. relinquishing political patronage and cronyism in favor of meritocratic practices) will be faced with a much larger problem than a government that, more narrowly, aims to reform pensions or the health system (Tsoukas, 2012).

State reform should have attracted significant attention from mainstream organizational and management scholars as an extreme case of change management complexity. However, despite exceptions (see, for example, Brunsson & Olsen, 1993) it has not, although public policy and public administration scholars, who, however, tend to be somewhat disconnected from mainstream organization and management theory, have been studying policy and administrative reform for years (Kalyvas, Pagoulatos, & Tsoukas, 2012; Pressman & Wildavsky, 1984; Stone, 2002; Wilson, 2000; Yanow, 1996). In this article we discuss reform as a special case of the challenges associated with transformational change, involving technical, organizational, institutional, and trans-institutional features. We will focus, in particular, on the vicious circles that, often, state reform generates in Southern European countries.

With the above in mind, we define a double theoretical goal: first, we use reform to learn about organizational vicious circularity; second, we use vicious circularity to learn about reform. We organize the article in three core sections. In the next section we present a quasi-methodological note, grounding the discussion in the authors' independent previous work. In the third section we define the scope of reform, discuss its difficulties and the reason why it often triggers vicious circles. The fourth section discusses the process known as the vicious circle, its causes, and its role in State reform. In the

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third section we combine the two first sections in order to respond to our theoretical question: how do reforms lead to vicious circles and how do vicious circles undermine reform attempts?

A quasi-methodological note

The reflections in this essay result from research efforts conducted independently by the two authors. Tsoukas explored social reforms in Greece (Papoulias & Tsoukas, 1994; Tsoukas, 2012; Tsoukas & Papoulias, 1996, 2005), whereas Cunha was attracted to the persistently Kafkaesque nature of the Portuguese state and the discontinuities that, paradoxically, impede real change from occurring (Cunha, 2014). In short: an excess of change obstructs real change. The reflections in this paper are a synthesis and an extension of this previous work.

Studying reform to learn about vicious circles

Reform can be defined as "deliberate efforts on the part of some authorities to effect change in a public policy domain, be it education, health, utilities, civil service, the pension system and so on, and to do so in a way that change becomes institutionalized and, as a result, a new relevant modus operandi comes about" (Tsoukas, 2012, p. 75). The term has an inherently positive value as it refers to some process that is designed and implemented to improve a target system. In this sense, "reform" is invoked by reformers as a solution to some major problem that is related to the functioning of the state or the provision of a collective good.

As Tsoukas (2012) explained, reform involves three levels of impact. First, reformers promise a new way of dealing with the technical issues that prevent a system from being more effective or equally effective in a more efficient way (a concern that acquires added relevance in times of budgetary pressure). This is the domain of *first-order* change. Second, reforms imply the adoption of a set of new values, presumably more aligned with some of the core tenets of modernity, such as efficiency, performance management, accountability or transparency. It is because of the practical consequences of these new values that the technical issues involved in first-order change need to be tackled. Revising the value-system supporting state organizations refers to *second-order* change. But in many cases, the above changes require *third-order* change, i.e. the change of the rules that constitute the political domain itself, involving changes in the institutionalized meaning systems and the historical dispositions (the habitus) of governance. Third-order change does not involve merely organizational transformation (as in the case of second-order change) but, through it, "it impacts on the broader institutional field in which an organization is embedded" (Tsoukas, 2012, p. 77). The organization helps change its institutional field (be it health, education, etc.) as it is changing itself; it is a means and an end at the same time.

Reform is difficult because it demands a context-dependent consonance of purpose and action, which is extremely hard to achieve: at the systemic level, an organization (e.g., a Government) must recognize the need to reform itself, i.e. recognize the need to change the way Governments have typically governed in a given context. This may be difficult because, for example, the political system may have crystallized around political parties' clienteles, because politically-mandated cadres dominate the civil service, or because the people have grown accustomed to the idea that the cause of the system's malfunctioning is "cultural", as is often heard as a justification for institutional inertia.

Interestingly, even in case the Government is unable or unwilling to change itself, it may start reform due to international agreements, pressure from lenders or international organizations or simply as a token of modern governance. Starting a reform, therefore, is not necessarily difficult. As Brunsson and Olsen (1993, p. 6) have observed, "reform is easier to initiate than to decide on, and easier to decide on than to implement." The Portuguese case offers a good illustration: it may be so easy to start a reform as, according to Pereira (2013), six "reforms" have been initiated by Portuguese Governments in a single decade. One of us has even participated in this effort and can thus offer anecdotal confirmation of Brunsson and Olsen's hypothesis.

Reform: structural vs enactive perspectives

When a reforming government sees the need to change the state without seeing the need to change itself, it will possibly initiate reform with a structural mindset. Seen as a structural problem, reform contains a number of predictable features. First, it is directed toward *things*: state organizations. Typically, state organizations are seen through a narrowly legal perspective. The organization exists as established in the law. The law defines how the organization is designed, who runs it, who works there and how it functions. All these formal features are legally established, and officially documented. In this sense they constitute reality. State organizations are established by governments. Such a perspective assumes organizations as legal-administrative entities: they exist as the arm of the State and function as bureaucracies following their orders *sine ira et studio* (Albrow, 1992). This perspective is underpinned by a hierarchical, i.e. top down, view of organizations: orders descend from top to bottom. Time is secondary to change as if history does not matter. From a structural viewpoint reform is a-historical, as most research on organizational change has tended to be (Pettigrew, Woodman, & Cameron, 2001). In this sense, Governments can start as many reforms as they deem necessary – six in a single decade! – because what matters is how reform is inscribed in the legal–rational–bureaucratic apparatus of the State.

But there is an alternative way of understanding reform. Tsoukas (2012) has called it "enactive". An enactive perspective is first, phenomenologically-oriented, taking into account actors' meanings and experiences, and how they are re-constituted over time; secondly it is process-oriented, exploring how multiple actors interact over time by drawing on various forms of symbolic and political capital; and thirdly, is action-oriented, inviting actors to attend to their habitual ways of acting (Tsoukas, 2012, p. 71). Seen, therefore, through an enactive perspective, reform is viewed as directed toward actors embedded in sociomaterial practices rather than at ahistorical beings supposedly pursuing some utility function. An enactive perspective acknowledges that the organization exists insofar as people make it happen. Thus, the law defines a design frame, but designs need to be actively adapted to function. No organization exists in a vacuum of historical space and time. Because laws are, by definition, generalizations established without consideration for circumstance, organizing means constant improvising to maintain the organization's operative capability (Cunha, Miner, & Antonacopolou, 2015). An enactive perspective assumes that organizations are social, material, and historical processes: their existence as state bureaucracies does not preclude *ira et studio*. Orders descend from the top but are rendered operational by their users. Time is important because people and organizations have memories, develop implicit theories and accumulate experiences.

From an enactive perspective reform is, therefore, a historically-situated accomplishment; every time a Government starts a new reform it elicits the memories of past reforms. When a Government starts a new reform – say, a sixth in a decade – it revives the experiences of the previous five. Managing organizational forgetting may be as necessary as facilitating new learning. However, forgetting is not particularly well managed by reformers because the initiator of the sixth reform is not necessarily the same one who managed the previous five reforms. The memory asymmetry of 'top' and 'base', therefore, results in the accumulation, at the 'base', of