Achilles' heels of governance: Critical capacity deficits and their role in governance failures

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Abstract

This article assesses the usefulness of conceptions of policy capacity for understanding policy and governance outcomes. In order to shed light on this issue, it revisits the concept of governance, derives a model of basic governance types and discusses their capacity pre-requisites. A model of capacity is developed combining competences over three levels of activities with analysis of resource capabilities at each level. This analysis is then applied to the common modes of governance. While each mode requires all types of capacity if it is to match its theoretically optimal potential, most on-the-ground modes do not attain their highest potential. Moreover, each mode has a critical type of capacity which serves as its principle vulnerability; its "Achilles' heel." Without high levels of the requisite capacity, the governance mode is unlikely to perform as expected. While some hybrid modes can serve to supplement or reinforce each other and bridge capacity gaps, other mixed forms may aggravate single mode issues. Switching between modes or adopting hybrid modes is, therefore, a non-trivial issue in which considerations of capacity issues in general and Achilles' heel capacities in particular should be a central concern.

Keywords: governance, governance capacity, governance failure, policy capacity, policy failure.

1. Introduction: Policy capacity as the Achilles' heel of governance

Efforts at policy reform have been omnipresent in many developed and developing countries over the past several decades. Many of these efforts have featured waves of management reforms and administrative restructuring, including privatizations, deregulation and re-regulation, and the like (Ramesh & Howlett 2006). "Anything but the government," for example, has been a popular sentiment in public policy reform for at least two decades (Newman 2001; Rhodes 2007).

These reforms can often be characterized as efforts to shift governance styles between different modes of governing (Treib *et al.* 2007; Levi-Faur 2012). Initially, for example, the sentiment behind many reform efforts and coalitions in the 1980s and 1990s favoured transitions from government service delivery and regulation to more market-based governance regimes. In recent years, the tilt has shifted toward transitions from both hierarchical and market forms of governance to more network-oriented governance relationships (Lowndes & Skelcher 1998; Weber *et al.* 2011; Lange *et al.* 2013; Osborne 2006).

Even more recent efforts at reform in many countries and sectors have sought to correct for, or reverse, excesses in "de-governmentalization" from this era, often introducing hybrid elements into existing governance modes (Ramesh & Howlett 2006; Ramesh & Fritzen 2009). Many proponents, for example, claim "collaborative governance" combines the best of both government and market-based arrangements by bringing together key public and private actors in a policy sector in a constructive and inexpensive way (Rhodes 1997; Koffijberg *et al.* 2012). Many key sectors from health to education and others now feature elements of either or both hierarchical approaches – regulation, bureaucratic oversight, and service delivery – as well as both market and network-based non-hierarchical

approaches, such as co-pays and exchanges, voluntary organizations, and, increasingly, co-production (Brandsen & Pestoff 2006; Pestoff 2006; Pestoff *et al*. 2006, 2012). The preference for networks is no more than an article of faith, however, as there is little evidence to support it and much evidence to contradict it (see Kjær 2004; Van Kersbergen & Van Waarden 2004; Adger & Jordan 2009; Howlett *et al*. 2009; Hysing 2009; Tunzelmann 2010). Notwithstanding the inconclusive intellectual debate on the subject, reform efforts in many countries are now utilizing such hybrid "metagovernance" styles (Meuleman 2010).

Not all of these reforms have been successful (Ling 2002; Ansell & Gash 2008) and whether and how well such different modes of governance perform, we argue, is based in large part on their capacity requirements or pre-conditions (Howlett 2009). That is, every form of governance requires a high level of state and actor capacity in order to function effectively (Bullock *et al*. 2001), but whether such capacity exists and how it is mobilized is a significant but little understood factor affecting the effectiveness and efficiency of any single governance mode (Canadian Government 1996). In order to shed light on this issue, a model of capacity is developed here which combines competences or skills over three levels of activities with the analysis of the resource capabilities required at each level.

While this factor has been investigated before, it has not been directly linked to the literature and field of governance studies (Painter & Pierre 2005). We proceed to do this in two steps, revisiting the concept of governance to derive a model of basic governance types, followed by a detailed discussion of policy capacities, competences, and capabilities. We then discuss the capacity prerequisites of each identified mode.

As the analysis will show, each mode requires all types of capacity if it is to be high functioning and match its theoretical optimal potential. However, while most on-the-ground modes do not always attain their highest potential, each mode has a critical type of capacity, which serves as its "*Achilles' heel*." That is, without high levels of this requisite capacity, it is unlikely to perform as expected. While some hybrid modes can serve to supplement or reinforce each other and cover off gaps in critical capacity sectors, other mixed forms may exacerbate single mode issues. This conclusion advances our understanding of capacities for governance beyond that contained in earlier studies and the consequences of this conceptual advance for both policymaking and governance reforms, and their study, are spelled out.

2. Governance modes in theory and practice: Ideal types, hybrid forms, and their performance

Governance success is intimately linked to policy success and, therefore, to policy capacity (Howlett & Ramesh 2015). But how exactly this relationship between capacity and governance manifests itself is not well understood. Elucidating this relationship requires delving into the fundamentals of governance and the nature of different governance modes.

As is well known, governing is what governments do: controlling the allocation of resources among social actors; providing a set of rules and operating a set of institutions setting out "who gets what, where, when, and how" in society; while at the same time managing the symbolic resources that are the basis of political legitimacy (Lasswell 1958). In its broadest sense, "governance" is a term used to describe the mode of coordination exercised by state actors over social ones in their efforts to solve familiar problems of collective action inherent to government and governing (Kooiman, 1993, 2000; de Bruijn and ten Heuvelhof, 1995; Majone 1997; Rhodes 1997; Klijn & Koppenjan 2000). That is, "governance" is about establishing, promoting, and supporting a specific type of relationship between governmental and non-governmental actors in the governing process.

In modern capitalist societies, this means managing relationships with businesses and civil society organizations also involved in the creation of public value and the delivery of goods and services to citizens (Hall & Soskice 2001; Williamson 1975, 1996). As Steurer (2013) suggested, these three basic governance actors can be portrayed as interacting within a set of inter-related spheres of activity generating at least four ideal governance arrangements at their intersections: market governance between governments and business, civil society governance between governments and non-governmental actors, private governance between market and civil society actors, and network governance between all three.

However, the logic of governance is more extensive than this because different combinations of government, civil society, and businesses exist and within each combination different sets of actors have different core strengths. When variations on the strength of each actor in a governance relationship are included, this stretches the typology to at least a dozen types (see Fig. 1).
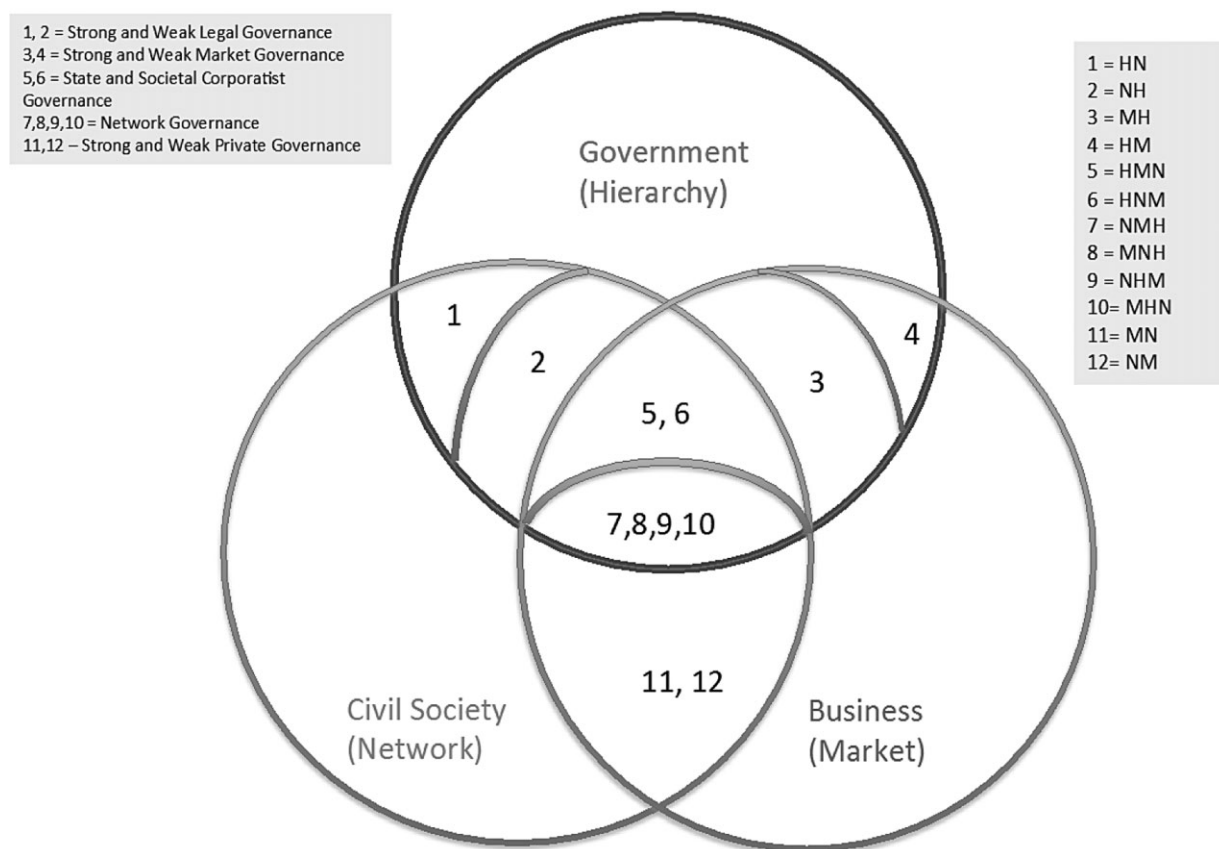
Figure 1 Modes of governance including variation by actor strength.
H = Hierarchy
N = Network
M = Market

This added complexity might appear at first glance to make it difficult to assess the nature of success and failure in each mode and the impact of governance capacity on each. However, some useful simplifications can be made. First, as Cashore (2002) noted, pure non-governmental governance arrangements, such as those found in certification and private standard setting schemes, are not in the public realm and need not always concern those studying governmental or "public" policymaking (see also Cutler *et al.* 1999). Second, as Capano (2011) has argued, in most cases of bilateral or trilateral governance arrangements, the presence of hierarchy is overpowering and nuances pertaining to, for example, market and network leadership in bilateral legal and market regimes where state actors dominate, are less significant than they are in trilateral arrangements where governments may be dominated by the presence of both market and network actors. Although even in such three-cornered "network" relationships, corporatist forms of governance modes also exist where governments dominate the other two actors (Meuleman 2010).

Thus, as Howlett *et al.* (2009), Tollefson *et al.* (2012), Considine and Lewis (1999), and others have noted, although many permutations are possible, only four ideal types of governance relationships actually exist: the legal-hierarchical and market "pure" types and the network and corporatist hybrid types (Peter 1996) (Table 1).

Table 1 Matrix of typical public governance modes by central actor and mode of coordination

		Significance of State Role	
Central Mode of Coordination of Actors		Higher	Lower
	Hierarchical	Legal Governance	(Hybrid) Corporatist Governance
	Plurilateral	(Hybrid)	Market Governance
		Network Governance	

As such, the critical question with respect to assessing the role of capacity in governance success and failure is: what is required for each of these ideal types to operate effectively? To address this question, it is necessary to develop a more precise definition of "capacity," as set out in the following section.

3. Operationalizing policy capacity: A multi-level analysis

Policy capacity is at heart a function of three competences or skills which affect the ability of governments in their relationships with other governance actors: analytical competences that allow policy alternatives to be effectively generated and investigated; managerial competences that allow state resources to be effectively brought to bear on policy issues; and political competences that allow policymakers and managers the room to maneuver and the support required to develop and implement their ideas, programs, and plans (Tiernan & Wanna 2006; Gleeson *et al.* 2009, 2011; Wu *et al.* 2010; Fukuyama 2013; Rotberg 2014).

These skills or competences are crucial to policy success. However they also rely on the availability of adequate resources to allow them to be mobilized and operationalized. Resource capabilities must exist at the *individual* level, which allow individual policy workers (Colebatch 2006; Colebatch *et al.* 2011) and managers (Howlett & Walker 2012) to participate in and contribute to designing, deploying, and evaluating policies. It includes not only their ability to analyze, but also to learn and adapt to changes as necessary. Resources must also be available at the level of the organization. These are aspects of the structure and make-up of policy-relevant organizations that affect their members' ability to perform policy functions. *Organizational* features that unduly circumscribe individual decision capabilities or morale among policy workers, for example, can undermine an agency's ability to acquit its functions. The organizational conditions most relevant to policy capacity include those related to information, management, and political support (Tiernan & Wanna 2006; Gleeson *et al.* 2011). Finally, *system* level capabilities include the level of support and trust a public agency enjoys from its political masters and from society at large (Blind 2006). Such factors are critically determinant of organizational capabilities and, thus, of public managers' capability to perform their policy functions. Political support for both from above and below are vital because agencies and managers must be considered legitimate in order to access resources from their authorizing institutions and constituencies on a continuing basis, and such resources must also be available for award in the first place (Painter & Pierre 2005). The three sets of skills or competences and the three locations of resources or capabilities needed for their exercise generate nine components of policy capacity, as set out in Table 2.

Table 2 Dimensions and levels of policy capacity, with illustrative examples

Resource Level Skill Dimension	Individual Capabilities	Organizational Capabilities	System Capabilities
Analytical Competences	**Policy Analytical Capacity** Knowledge of policy substance and analytical techniques and communication skills	**Organizational Information Capacities** Information and e-services architecture; budgeting and human resource management systems	**Knowledge System Capacity** Institutions and opportunities for knowledge generation, mobilization, and use
Managerial Competences	**Managerial Expertise Capacity** Leadership; strategic management; negotiation and conflict resolution	**Administrative Resource Capacity** Funding; staffing; levels of intra-agency and inter-agency coordination	**Accountability and Responsibility System Capacity** Rule of law; transparent adjudicative system
Political Competences	**Political Acumen Capacity** Understanding of the needs and positions of different stakeholders; Judgment of political feasibility	**Organizational Political Capacity** Politicians' support for the agency; levels of inter-organizational trust and communication	**Political-Economic System Capacity** Public legitimacy and trust; adequate fiscal resources

Source: Modeled after Wu *et al.* 2010 and Tiernan and Wanna 2006

What governments do, indeed, can do, and the likelihood of success depend critically on the policy analytical skills they possess for diagnosing problems and developing appropriate strategies for addressing them. They must have "*policy analytical capacity*," that is, employees and staff with the ability to acquire and use internal and external knowledge (Cohen & Levinthal 1990; Ouimet *et al.* 2010), as well as the ability to access and apply technical and scientific knowledge and analytical techniques (Riddell 1998; Howlett 2009). Evidence-based policymaking, for example, requires agencies to have the necessary absorptive capacity at the individual level, that is, their ability to absorb and process information or evidence in recognizing, formulating, deciding, implementing, and evaluating policy. Governments often do not use evidence even when it is available, more because of a lack of skill than intention (UK Cabinet Office 1999; Howlett 2009; Grimshaw *et al.* 2012). Any lack of internal capacity in this area cannot be easily offset by appointing external consultants because it requires considerable technical skills even to develop adequate terms of reference for consultants, put them into practice, and assess their output (Howlett & Migone 2013).

Governments must also have the "*organizational information capacity*" which allows them to operate an effective information and policy analysis system. This refers to the architecture for collecting and disseminating information within and across public sector agencies, which plays a critical role in the effective formulation, implementation, and evaluation of public policies (Tiernan 2011; Craft *et al.* 2013). An effective information system for policy development allows for the finding and sharing of information more quickly and provides for the re-use of existing information without duplication of efforts. Such a system can play a pivotal role in enhancing overall governance performance if properly designed and implemented (Davies *et al.* 2000), as there is often a vast amount of information on policy experiences stored across countless sites in an organization that can offer insights into the range of policy options available and their real life consequences, if it is easily accessible in digestible form. Collating the information and making it accessible to other policymakers can bring great benefit to governments at small cost (Kwaterski 2010). A good system can also accelerate innovation as users connect and collaborate more easily and frequently and connect governments to people by facilitating popular input into the policy process and the delivery of public services (Akeroyd 2009; Moon *et al.* 2014). Internally, improved information technology offers the potential for improving integration and coordination while enhancing the use of other analytical skills (Ambali 2010). Information and Communication Technology (ICT) Improvements have tremendous potential in maintaining institutional memory within an organization and promoting policy learning (Huber 1991; May 1999). Increased emphasis on accountability, transparency, and participatory government similarly accentuates the importance of information technology and the state of the knowledge system present in a jurisdiction or society (Oh 1997).

At a larger level, the nature of the overall knowledge system in society or "*knowledge system capacity*" is a third significant element of policy and governance capacity. This refers to the general state of educational and scientific facilities in a society which affects the availability, speed, and ease of access of the public, governments, and other policy actors generally to low-cost, high quality information. Although many aspects of this type of capacity may be difficult to change quickly or beyond the scope of individual government organizations and individual actors, they rely upon it implicitly and explicitly in order to perform their own analytical tasks effectively.

At the managerial level, "*managerial expertise capacity*" or the ability to perform key managerial functions – such as planning, staffing, budgeting, and directing – is a fourth vital determinant of a government's overall policy capacity (Hicklin & Godwin 2009; Howlett & Walker 2012). The most important individual competencies and management skills include: communication skills; leadership; teamwork; budgeting and financial management; decisionmaking and problem solving; and ethics and integrity (Zhang *et al.* 2012). Communication skills, in particular, must be available in abundance. Internally, organizations must communicate their goals, operational plans, and operating procedures to their employees and, no less importantly, must give the latter a say in shaping them (Matland 1995; Kuipers *et al.* 2014). Leadership is high on the ranked list of skills for public managers (State Services Commission 1999; Manitoba Office of the Provincial Auditor 2001). Leadership is especially critical if groups are to assume new challenges and devise new strategies for meeting them (British Cabinet Office 2001; Gronn 2009). Modern managers also need a modicum of expertise in budgeting, accounting, and human resource management in order to perform effectively (Howlett & Walker 2012). These are skills that can be imparted by organizations and acquired by managers.

As was the case with analytical competences, managerial capacity extends beyond individual skill sets to organizational and system-levels. At the organizational level, managers need "*administrative resource capacity*" in

order to function effectively (Edwards 2009; Craft *et al.* 2013). This is a well-known aspect of capacity and comprises the funding and staffing levels within which managers work, as well as the nature of intra-agency and inter-agency communication, consultation, and coordination (Peters 2001). At the system level, how well managers perform also depends on "*accountability and responsibility system capacity*," that is, how well they are trained and recruited, the presence of career systems which promote competence, and the presence of clear rules of law and engagement, characteristic of Weberian administrative systems (Howlett 2004).

Necessary skills and competences, though, go beyond the analytical and managerial to the level of political competences. Beyond leadership and negotiation skills, conflict resolution, and financial and human resource management, a key skill required of policy actors is political knowledge and experience or "*policy acumen*" (Wu *et al.* 2010). This is a combination of what Head (2008) calls "political knowledge" and what Tenbensel (2008) termed "practical wisdom." Policy acumen allows policy managers to develop quick and accurate judgments about the desirability and feasibility of different policies: what managers, politicians, stakeholders, or the public will consider feasible or acceptable, what they will not, and why. A keen nose for politics not only within an organization but also the broader environment is essential for policy actors to be able to play an effective role in the policy process. Identifying the key actors and understanding their essential interests and ideologies, as well as the relationships among them, are essential traits of successful public managers, as is an understanding of the political trade-offs necessary for an agreement among contending actors and interests. An understanding of the key stakeholders, their key interests, and their strategies and resources is a key component of the political acumen capacity on the part of individual policy actors.

At the organizational level, factors such as the existence of a good working relationship or "public service bargain" between ministers and the public service are central to "*organizational political capacity*" and effective governance (Hood 2002; Hondeghem 2011; Salomonsen & Knudsen 2011). In principle, the ministers are usually in charge of policy and the bureaucracy in charge of administration, although there is often no such clear distinction between the two roles in practice. Ministers need to remember that their function is to set directions and priorities and should not be involved in day-to-day operation. Involvement in their agencies' routine operational matters can be viewed as meddling, which undermines the morale of the public service. At the same time, all must work within any accountability system in place to ensure that the decisions are carried out and performance is rewarded or punished appropriately (Hood 2002). Interventions in routine implementation need to be strategic and avoid perceptions of ad hoc meddling, which undermines public managers' morale and saps their operational capacity. Public managers, on the other hand, need to remember that their task is to carry out their minister's priorities and decisions neutrally and professionally (Post *et al.* 2008; CommGAP 2009; Hondeghem 2011). Strategies and tools for two-way communication with the public are also important and include "public interest lobbying, facilitating networks among like-minded political elites, building coalitions, and measuring and informing public opinion" (Haider *et al.* 2011) p. 22.

Finally, at the system level, a significant aspect of policy capacity is overall "*political-economic capacity*." This extends beyond the wealth and resources a jurisdiction has to finance its operations, to the presence of legitimacy and trust in government on the part of stakeholders and the public (World Bank 2011). Governments need to create a public space where citizens can discuss and debate issues that matter to them with the aim of influencing policymakers. Public discussion and debate in the policy process helps to increase public awareness of the issues and provides a sense of ownership of reform. This requires an active civil society, an independent media, and freedom of speech and assembly (Haider *et al.* 2011). Freedom of information or right to information, especially in digital form, is increasingly viewed as an essential precondition for citizens to participate in the policy process (Rhue & Sundararajan 2014).

4. Critical capacity deficits and their links to governance failures: The Achilles' heels of governance modes

As has been demonstrated above, the substance of the difference between governance modes lies in their plurilateral or hierarchical nature and in the degree of leadership exercised by the state. That is, government is not just one of the possible actors in a governance mode, but is the central player either potentially or actually, whether it chooses to play that role or not (Haldrup 2015). Even in the more extreme horizontal or plurilateral arrangements,

governance modes need to be "steered" or led toward constructive, positive coordination. That is, the hierarchical government role in any governance arrangement may vary considerably, and change, but remains a core determinant and element of governance, rather than something existing in opposition to or outside of it. Government has the inescapable task of defining what governance is, or can be, and may choose to allow a higher degree of freedom to other policy actors with regard to the goals to be pursued and the means to be employed (Capano 2011).

Hence, the performance of any of the public governance modes set out in Table 2 is affected by the governance or policy capacity the central actor enjoys to make and implement policies. This is a key requisite of the effective operation of any mode of governance (Wu & Ramesh 2014). In those modes of governance which feature an extensive government presence, the nature of that government's ability to steer or control governance relationships is a critical component of that mode of governance's operation and propensity to succeed or fail.

In general, governments would like to enjoy high levels of capability and competence in all aspects of capacity in order to enjoy high capacity to perform their policy functions. Shortcomings in one or a few of the dimensions may be offset by strengths along other dimensions but no government can expect to be capable if lagging along many dimensions (Tiernan & Wanna 2006). At the extreme, for example, governments may find themselves overburdened with economic problems or social demands so that "hierarchical governance" – that is, a policy framework whereby the most important actors are governments and the state implements policies by ordering and sanctioning – may no longer prove to be an efficient or effective form of governance. But any effort to hollow out "central government" weakens the ability of a government to undertake a "command and control" approach to policymaking and, thus, also undermines the ability of any form of governance dependent on such instruments to function effectively.

This suggests that some shortfalls in capacity are especially critical in specific modes of governance and constitute their "Achilles' heel" (Menahem & Stein 2013). For example, as was pointed out at the outset, in recent years, in many jurisdictions the default reform often adopted in practice by government seeking to improve upon hierarchical governance has been to turn to a market or network mode of governance. In contrast to networks, the adoption of market governance arrangements, in at least their simplest form, is often thought to be relatively straightforward because all the government has to do, in theory, is reduce its involvement in the provision of goods and services in question with the expectation that a market or private operators will emerge to fill the void. In all likelihood, however, the resulting market will be both inefficient and inequitable as a result of the deep market failures that characterize many sectors and activities and prevent markets from functioning efficiently or effectively, in many instances requiring government command and control-type regulation that downsizing and privatization and deregulation efforts may well have just undermined (Weimer & Vining 2011; Wu & Ramesh 2014).

In order to function effectively, markets in require tough but sensible regulations that are diligently implemented. These are conditions that are difficult to meet for most governments because of a lack of sufficient analytical, managerial, and/or political competences and capabilities. Technical knowledge is a critical competence required for its administration, however. Analytical skills at the level of individual analysts and policy workers are key and the "policy analytical capacity" of government needs to be especially high to deal with complex quantitative economic and financial issues involved in regulating and steering the sector and preventing crises (Rayner *et al*. 2013). Without adequate capacity to regulate a sector, governments may turn to subsidizing users and/or providers in order to offset problems with market-based production or distribution of public goods and services, such as healthcare, clean air and water, or social services. While such subsidies may improve conditions in the short term and may be politically expedient, they are vulnerable to explosions in costs that will undermine the long-term viability of the "regulatory" system. In such circumstances, hierarchical governance need not be as dysfunctional as stylized descriptions by proponents of market and network governance may suggest and, in fact, may be superior to the alternatives (Peters 2004; Hill & Lynn 2005). A health care system that is characterized by government provision and financing supplemented by capped payment, for example, is in many countries a very effective means of delivering health care at affordable cost within the capacity limits of those countries (Li *et al*. 2011).

There are, of course, also inherent limitations to command and control efforts, the adverse effects of which may be contained through offsetting measures utilizing other governance modes Bevir & Rhodes 2003. Legal systems of governance require a high level of managerial skills in order to avoid diminishing returns with compliance or growing non-compliance with government rules and regulations (May 2005). System level capabilities are especially crucial in this mode of governance because governments will find it difficult to command and control in the absence

of the target population's trust. Recruiting and retaining honest and altruistic leaders, however, is often difficult for the public sector for a variety of reasons (British Cabinet Office 2001), while the cumbersome accountability mechanisms put in place in the public sector to prevent corruption and abuse of powers also promote risk aversion (Hood 2010). These problems need to be comprehended and this element of policy capacity enhanced through greater accountability and responsibility system capacity (Aucoin 1997).

Similarly, network governance may perform well when dealing with sensitive issues, such as parental supervision or elderly care, when trust and understanding is paramount (Pestoff *et al.* 2012). In other instances, however, civil society may not be constructed or resourced well enough to be able to create beneficial network forms of governance (Tunzelmann 2010). Networks will fail when governments encounter capability problems at the organizational level, such as a lack of societal leadership, poor associational structures, and weak state steering capacities, which make adoption of network governance modes problematic. As Keast *et al.* (2006) have noted, networks raise severe managerial challenges at the level of competences: "Networks often lack the accountability mechanisms available to the state, they are difficult to steer or control, they are difficult to get agreements on outcomes and actions to be taken, and they can be difficult to understand and determine who is in charge." A recurrent problem faced by efforts to utilize network governance is that the routines, trust, and reciprocity that characterize successful network management (cf Klijn & Koppenjan 2012) take a long time to emerge. Such relationships cannot simply be established by fiat, as is the case with hierarchy, or emerge spontaneously in response to forces of demand and supply, as with markets. Networks are hard to establish where none exist and a very critical capacity issue for network governance is the "managerial expertise capacity" needed to establish and maintain them.

For corporatist regimes, effective administrative structures and processes and the level of coordination are vital. Inspired by conceptions of chain of command in the military, corporatist regimes stress hierarchy, discipline, due process, and clear lines of accountability. At the level of capabilities, corporatist modes of governance require a great deal of coherence and coordination to function effectively because of horizontal divisions and numerous hierarchical layers found in their bureaucratic structures (Lehmbruch & Schmitter 1982; Wilensky & Turner 1987). Unlike markets where prices perform some essential coordination functions, this must be actively promoted in corporatist forms of government and combined with political skills in understanding large scale stakeholder needs and positions (Berger 1981; Lehmbruch & Schmitter 1982). Hence, "organizational political capacity" is critical and a sine qua non of successful performance for corporatist mode of governance.

Each of these gaps highlights the need for adequate capacity in critical areas for a specific kind of governance system to achieve its potential. Specific governance modes are prone to specific types of failure caused by capacity shortages in critical areas required for that mode to function. Revisiting the nine components of capacity set out in Table 2, the "critical" capacity element in each mode is set out in Table 3.

"Governance failures" is a useful term to describe these situations, and others, which occur when the requisites of a governance mode are not met or, to put it another way, when the capacity of a mode is outstripped by the need for policy action. It joins the policy studies lexicon along with terms such as "government failures," "market failures," and the lesser known "network failures" (Wolf Jr 1987; Le Grand 1991; Weiner and Alexander 1998; Provan & Kenis 2008; Tunzelmann 2010; Weimer & Vining 2011; Uribe 2014).

5. Conclusion: Policy capacity deficits and governance performance

Practical experience and ideological predilections have shaped the substance of much of the debate on governance, ranging from preferences for democracy, popular participation, and collaboration to concerns about budget deficits

Table 3 Critical competences and capabilities of governance modes

Mode	Critical Competence Level	Critical Capability Level	Critical Capacity Element
Legal	Managerial	System	Accountability and Responsibility System Capacity
Market	Analytical	Individual	Policy Analytical Capacity
Corporatist	Political	Organizational	Organizational Political Resource Capacity
Network	Managerial	Organizational	Managerial Expertise Capacity

and public sector inefficiencies in hierarchy-based systems. These have often driven preferences for the use of network and market forms of governance and fostered a strong preference for shifts toward non-legal governance modes in recent years, with countries in the Anglo-American tradition usually preferring market forms of governance while others with more corporatist traditions have often displayed a penchant for more corporatist and network models (Meuleman 2009).

Lost in the pursuit of these ideologically preferred alternatives, however, is the understanding of whether or not a preferred governance mode can actually address a particular sector's problems. Instead of analyzing and understanding the specifics of the sector in question, the protagonists often simply extrapolate from idealized conceptions of how non-hierarchical modes of governance might work in practice and then apply these modes across sectors, regardless of the contexts in which they are being applied and the capacity prerequisites of the mode of governance in question.

While some policymakers may find the proclaimed superiority of the market and/or network alternatives convenient because it allows them to shed responsibility for difficult problems, thus reducing the scope for criticism of their performance, the discussion above has shown that all governance modes have areas in which they require a high level of policy capacity in order to perform well. Given that all governance modes are vulnerable to specific kinds of failures because of these inherent vulnerabilities when governments reform or try to shift from one mode to another, they need to understand: (i) the nature of the problem they are trying to address and the skills and resources they have at their disposal to address it, and (ii) the innate features of the different governance modes and the capabilities and competences each requires in order to operate at a high level of performance.

If these critical capacity deficits are not taken into account then any short-term gain enjoyed by politicians pandering to contemporary political preferences are likely to haunt them later when the consequences of governance failures and poor institutional design become apparent (Weaver 1986; Hood 2010). The present article suggests a way forward out of this dilemma, identifying specific government capabilities and competences which can be bolstered or augmented when governance reforms are contemplated or implemented. How this can be done will vary from case to case depending on the distribution of available capacities and the specific intentions of government. However, the use of techniques, such as foresight or strategic analysis, if they take the relationships portrayed here and the concepts of governance failures and critical capacity areas to heart, can help to better design and ease these transitions.

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