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Master Thesis

Policy Change and Organisational Structures

The case of the Directorate General Regional Development of the European Union between 1973 and 1987

Abstract

This research investigates the relationship of policy changes affecting organisational change in the Directorate General Regional Development between 1973 and 1987. Using information from documented sources of the historical archives of the European Commission, the study aims to uncover hypothesised causal relationships to reveal the impact of changes in Council regulations in relation to the organisational structure of this Directorate General. In this study, findings support policy change as a contributing cause to organisational change in the Directorate General Regional Development in this specific period.

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1. Introduction

Economic equality among regions is one of the most important aims of the European Community and has been included in policies since the Treaty of Rome (Tor). This year, the Directorate General (DG) Regional Development celebrates its 50th anniversary as it has been established in 1968 to reduce economic inequality among members of the European Economic Community (EEC), later to be known as the European Union (EU). Over the years, the policy has changed and funds have been added, such as the European Regional Development Fund (ERDF) in 1975; the European Maritime and Fisheries Fund (EMFF) in the 1970s; Cohesion Policy in 1988; the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD) in 2014 (European Commission n.d.).

On the 25th of July 1973, the Commission proposed the establishment of the Regional Development Fund to complement existing national programmes to minimise disparities between the most and the least developed regions in the Community. The fund was supposed to be flexible by being rapidly available and furthermore to be informed about the seriousness of issues to invest in programmes that would develop those regions where employment in agriculture or in declining industries was dominant. Other sectors were also eligible for funding; however, all these projects were to be part of a programme or to be part of the objectives drawn up for the region and be discussed by the Committee for Regional Policy. The Committee evaluated the contribution of regional programmes to the achievement of the Community's overall objectives (European Atomic Energy Community; Commission of the European Communities; European Communities; European Coal Steel Community; Commission 1974). Important to note, the ERDF is not to be confused with the Community Regional Policy as it is only a part of this policy. Though, it is one of the main funds linked to the overall policy.

Between 1975 and 1987 the amount of Community aid under the ERDF remained limited as its purpose was to *add* to the public spending of member states, also referred to as the problem of 'additionality'. Due to the nature of this policy, it is difficult to determine or measure its impact as it is combined with national and local efforts. Moreover, member states had been using the fund to subsidise national budgets rather than using it as an additional sum to finance regional development (Wise and Croxford 1988). This left the Community without much influential power vis-à-vis the member states. Given the size of the budget, and the disparities within the Communities, it can be argued that the funds should have been spend on the most underdeveloped regions. However, based on national quotas, all member states received a

guaranteed level of support in this period, which can be criticised as unfair. "The entry of Spain and Portugal into the Community in 1986 adds strength to the arguments which favour the concentration of spending in the very poorest regions in that the proportion of the Community's population living in the underdeveloped areas has approximately doubled, greatly increasing demands for aid from the Fund" (Wise and Croxford 1988, 169). Furthermore, due to the lack of coordination and instruments, the ERDF funding was often invested in individual, unconnected projects which discouraged integrated Community strategies.

The 1984 ERDF reform and Single European Act (SEA) in 1986 replaced the quotas with minimum and maximum allocations per member state by new regulations demanding the member states to officially apply to the Communities to receive funding. In addition, the " (…) 'programme approach' intended to integrate both development strategies and development funds to promote endogenous development as well as provide the Community with increased means to monitor the use of the funds and manage the problem of additionality (Garmise 1994, 162). Nevertheless, the fund was still too small to minimise regional disparities in the period 1975 till 1987.

The aim of this research is to generate insights on how policy change affects organisational change in this DG by measuring influences of policies on the organisational structure. This research aims to understand the role of policy change and forms, together with organisational change, a key concept. Policy changes are defined by Langbein and Börzel as "(…) a change in practices and institutional arrangements governing a particular policy" (Langbein and Börzel 2013, 571). The second important concept is 'organisational change'. This term is quite broad and can be interpreted and analysed in different ways. Here, organisational change consist of changes in relation to the organisational chart, based on the description of Bauer being "(…) *internal rules and procedures as regards internal resource management, horizontal and vertical co-ordination, planning, monitoring, control as well as personnel related matters like recruitment, promotion, transparency, professional ethics, and so forth"* (Bauer, Introduction: Organizational change, management reform and EU policy-making 2008, 628).

When analysing processes of policy-making, a differentiation can be made between the type of policy that is addressed, substantive or administrative. Policies in relation to the physical structure, capacity, horizontal and vertical specialisation are included in the concept 'substantive policy making'. Therefore, organisational change can be placed under substantive policy making. 'Administrative policy making' refers to policies that bureaucrats are engaged in related to the mission of the institution or internal processes, which shows overlap with the

concept policy change mentioned earlier (Bauer, Introduction: Organizational change, management reform and EU policy-making 2008, Christensen, Laegreid and Wise 2002, Egeberg 1999). Substantive and administrative policy making divide internal administrative reform and intra-institutional reform. Intra-institutional reform includes external influences such as horizontal communication between institutions of the EU administration of processes within the European Commission. In this case, modifications in treaties are an example of intra-institutional reform as they are the outcome of intra-institutional cooperation and outline policies in relation to the physical structure, capacity, horizontal and vertical specialisation. Internal administrative reform, or administrative policy making, is an ongoing mechanism that is supported by staff members to continue and innovate ongoing internal processes. To illustrate, policies related to the European Regional Development Fund are continuously moving through policy cycles to continue and innovate the status quo.

Over the years, the DG and its policies have known major and minor changes. The Communities transformed into the European Union and different approaches in the literature have aimed to uncover mechanisms that proceeded these changes. "While national administrations in advanced industrial societies have undergone periodic and often radical change since the 1950s, the Commission grew in size and complexity but did not undertake major administrative reform" (Kassim 2008, 648). Until 2000, the radical change had been attempted to change the culture, structures, human and financial management and planning. This changed with the Kinnock reforms that were initiated after the resignation of the European Commission in March 1999. The College of Commissioners withdrew based on allegations of nepotism, mismanagement and fraud and opened a window of opportunity for Kinnock as Commissioner for administrative reform (Cini 2007, Bauer and Knill, Management Reforms in International Organizations 2007).

The Kinnock reforms between 1999 and 2005 started with the 2000 white paper *Reforming the Commission*. Nevertheless, the years referred to as marked by continuous change do construct the basis for later reforms. It is highly interesting to have a better understanding of how processes of change interfered in these periods. Therefore, this research is focussed on the period 1973-1987. First, in 1973, the idea for the creation of the ERDF was initiated and moved forward to the actual introduction in 1975. Meanwhile, the Community enlarged with new member states as Ireland, Greece and later with Spain and Portugal. These developments, together with economic instability and the first major revision of the Treaty of Rome into the

Single European act in 1986 are very important developments for the process European integration and are covered in the period chosen for this research.

The DG Regional Development is a vital actor in the process of European integration, as it is a substantial and significant area for members states to combat economic and social disparities. The translation of the Kinnock reforms in the DG Regional Development have been analysed in terms of leadership, organisational context and power struggles (Schön-Quinlivan 2008, Kassim 2008). Though, here it is important to examine policy processes affecting the organisational structure in relation to the DG Regional Development in this supranational institution. The unit of analysis is the structure of political and economic arrangements that structure policy processes. The Directorate General Regional Development is an example of a bureaucratic hierarchically structured institution, which is characterised by a top-down management approach. Moreover, developments in this Directorate General add to the puzzle of the overall development of the European Commission in this period.

The rational choice institutionalist theory has proven to be effective in analysing the organisational structure of the Directorate Regional Development as the role of the governance architectures add to the understanding of the historical context and development of policies over time in relation to institutional arrangements. This approach centralises the rational structure of the organisation to create the base for essential policy-making. This structure must either be altered to evolve policies, or the policy must be changed to meet the organisational goals. To obtain an inclusive idea of possible drivers of organisational change, the organisational changes and policy changes are analysed to uncover plausible causal effects. Different theories combined help to create a theoretical framework and test it with empirical evidence. When reforms shift tasks and responsibilities and affect behavioural patterns inherently linked to the organisational structure, the policy outcome might change. However, the changes in the organisational structure of the DG Regional Development Policy have not yet been researched in relation to policy change. Therefore, this research aims to answer the following research question:

> *"To what extent could policy change influence changes in the organisational structure in the Directorate General Regional Development of the European Commission between 1973 and 1987?"*

The outcomes of this research add to the existing literature by supplementing insights on policy processes within the DG in the 1970s and 1980s. Much remains, however, discussable as the

policy process and changes in the organisational structure are not mutually exclusive and might be influenced by other variables than accounted for by this research. Nevertheless, by combining the development of the organisational structure and the policy of the DG Regional Development, the overall evolution of this DG in relation to European integration is further explained. In conclusion, the period from 1973 to 1987 covers the birth of regional policy as a means of co-financing national policies, and analyses the processes that formed it into an established Community policy "whose rise in power could be seen, inter alia, from the almost twofold increase (from 4.8 % to 7.3 % in 10 years) in the ERDF share of the budget alone — the ERDF being one of the major instruments of regional policy — and from the tireless efforts to achieve greater effectiveness in the field of regional development" (Bussière 2014, 350). In addition, this research confirms the applicability of the institutionalist approach to analyse bureaucratic institutions and their formalised structures to uncover decision-making processes and plausible causal relationships. Therefore, the outcomes of this research add to existing literature on policy and organisational change as an empirical test.

To analyse change in the organisational structure of the Directorate General Regional Development and their hypothesised relationship with policy changes, the minutes of Commission meetings have been examined. Data from the documents indicating change in the organisational chart or the policy related to the European Regional Development Fund or the Directorate General have been compared between 1973 and 1987. The study finds that there are several causes related to organisational change. Therefore, it is difficult to understand the overall effect of policy changes on organisational change. Nevertheless, policy change has a *positive* causal effect on organisational change in the period observed. The paper trail of the changes in policy and their effect on the organisational chart illustrate the decision-making procedure outlined in the Single European Act, and the role the governance architectures is an addition to understand the historical context and development of policies over time in relation to institutional arrangements. Half of the in total four changes in the organisational chart indicate a causal relation with policy change. Though, alternative explanations for this occurring effect are included and addresses variances in one or more dimensions of the dependent variable. This is highly important as the grounds to confirm causality are shaky which means that this research cannot support nor deny the existence of causality and this is explained through different interpretations of the results.

Thus, to analyse the connection between organisational change and policy change in the Directorate General Regional Development, first the context of the regional development policy

of the European Economic Communities is presented. Then, an overview of existing literature presents theories on both phenomena, followed by most relevant theories outlined for this research. Then, this thesis proceeds with the chapter on the methods for collecting relevant data and the analysis thereof. The results and implications of the results are discussed in the final chapters.

2. Origin of the ERDF

This chapter introduces the regional development policy of the European Communities, now the European Union. The theoretical contribution of this research is underlined by outlining the origin, developments and importance of regional development for the European Communities. The origin of the Directorate General Regional Development, with influence of the European Economic Community in different member states, lays in the Treaty of Rome (ToR). This is one of the two existing constitutional treaties of the European Union, together with the Treaty of Maastricht (1992). For the main reason of continuing European integration and economic coherence among its members, the European Economic Community (EEC) sought to diminish regional disparities from the supranational level.

The regional development policy has a redistributive nature which conveys resources among regions within the Community. Interests of regions in this policy differ as the economic cleavages among regions divides those who receive funding and those who finance the funds. "In regional policy, for example, the European Union pursues redistributive objectives to narrow spatial disparities, and successive reforms have been passed enabling the Commission to target financial aid to the poorest regions within the EU" (Héritier 1999, 62). One of the main goals of the European Communities outlined in the ToR is to "strengthen the unity of their economies and to ensure harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions" (Publications Office 1957, 11). The European regional policy has been established to carry out the needed changes to reach this Community goal. This department further developed into what is currently the Directorate General for Regional and Urban Policy with a similar goal '*Regions growing together*' (European Commission 2016). One of the mentioned tasks of the Commission related to this development on regional level is mentioned in the ToR under chapter 'Transport' as infrastructure was a very important Community policy in the time of its establishment.

Article 80.2 in the ToR outlines the capabilities of the Commission as follows:

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"*Commission shall, acting on its own initiative or on application by a Member State, examine the rates and condition as referred to in paragraph 1, taking account in particular of the requirements of an appropriate regional economic policy, the needs of underdeveloped areas and the problems of areas seriously affected by political circumstances on the one hand, and of the effects of such rates and conditions on competition between the different modes of transport on the other.*

After consulting each Member State concerned, the Commission shall take the necessary decisions" (Publications Office 1957, 67).

In addition, the nature of the regional development policy is outlined in the chapter 'Aid granted by States':

"*The following may be considered to be compatible with the common market:*

> *(a) aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment.*
> *(b) aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;*
> *(c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest. However, the aids granted to shipbuilding as of 1 January 1957 shall, in so far as they serve only to compensate for the absence of customs protection, be progressively reduced under the same conditions as apply to the elimination of customs duties, subject to the provisions of this Treaty concerning common commercial policy towards third countries;*
> *(d) such other categories of aid as may be specified by decision of the Council acting by a qualified majority on a proposal from the Commission*" (Publications Office 1957, 77-78).

In the period 1973-1987, the Commission consisted of two coexisting internal coordination networks, a bureaucracy and a governmental structure managed by strong hierarchical management principles. The bureaucracy consisted of different Directorates General of which Regional Development was one, and the governmental structure included commissioners and cabinets. Moreover, the decision-making process within the Commission knew formal and informal channels that supplemented each other. The formal process of decision-making has been carried out by "interservice consultation between Directorates General, meetings of

'special heads of cabinet' and 'hebdo' (weekly) meetings of the heads of cabinet, [and] supplemented by other informal coordination channels such as the weekly meetings of the Directorates General and their assistants, the real impact of which is difficult to assess" (Bussière 2014, 126).

The consensus-based policy decision-making of the Commission was partially based on the organisational structure, as well as the practical experiences with the implementation of the rules and guidelines have been set-out by the ToR. Lack of supra-national authority to enforce compliance of Community legislation on the members imposed constraints on the decision-making of the Commission. Different committees were established to support consultation and negotiation of various and differentiating national interests towards a common Community approach. A well-known example of a committee is the COREPER, the Committee of Permanent Representatives "(…) where final national positions are presented and integrated, and where differences between the Commission's preferences and those of the member states are negotiated" (Rosenthal and Puchala 1978, 56).

Another developing aspect of the Commission, apart from committees, are the summits. These summits were attended by the heads of government and of the president of the Commission where policies were initiated or examined, and legitimacy, enthusiasm and commitment was determined by the outcomes of the summit's high political symbolism. These summits continued to be successful and eventually developed into the European Council in 1969. The decision-making procedures outlined by the ToR were the norm between 1958 and 1965. The role of the Commission was to initiate, innovate, oversee and enforce the interest of the Communities as a supranational institution, nevertheless being politically limited. To illustrate, the agenda-setting power of the Commission was limited due to the necessary unanimity-voting procedure in the Council and insufficient legislative power to implement policies (Tsebelis and Garrett 2001). As a response, the Merger Treaty combined the judicial, legislative and executive bodies of the three main bodies of the Communities in 1967: the European Atomic Energy Community (EURATOM), the European Coal and Steel Community (ECSC), and the European Economic Community (EEC) into the one Commission of the European Communities (CEC). The EEC focused on economic integration among its members alongside the other three main bodies. The merger treaty combined judicial, legislative and executive bodies, though these separated institutions did not seize to exist. In fact, these institutions would later become the European Communities (EC) in 1993 and in 2009 be included in the wide European Union (EU) framework. As the names of the institutions changes over time, the Commission will be referred

to as "*Commission*", the "*Community*" or "*Communities*" refer to the European Communities and the Directorate General is being referred to as "*Directorate General of Regional Development*" or "*DG*".

2.1 Regional Economic Integration

Regional development or regional economic integration has been studied in different disciplines such as economics, law and political science. European Economic integration, also known as the European Regional Policy, has been one of the most important policies in the European Union. The idea to diminish economic disparities among members was a reaction to the disasters and crises after the Second World War to unite and develop the European countries economically (Riesenfeld 1974). In 1968 the Directorate General Regional Policy of the Committee of the Communities was established to enhance regional economic integration among all member countries. "The Copenhagen Summit of December 1973 sealed the commitment undertaken in October 1972 on the principle of setting up a regional development fund. The decision to launch the fund was taken in Paris in December 1974" (Tilly 2014, 338). The purpose of this DG changed in 1975 when the European Regional Development Fund (1975) was implemented to provide grants for infrastructure projects in the member states. Some argue (Tilly 2014) that before 1973, when the negotiations of the ERDF started, there was not a regional development policy but just a department named after it. Tilly (2014) identifies several major changes in the DG XVI Regional Development Policy from 1968 till 1986 as significant, though it is important to include all aspects of the development of this policy and Directorate General, as it adds to the understanding of both policy- and organisational change.

Enlargement in the 70s and 80s with countries joining the EEC such as Denmark, Ireland, the United Kingdom, Greece, Spain and Portugal increased economic and social disparities due to the wider variation and larger number of regions. Before 1975, DG XVI consisted of two departments, one that developed regional policies; and the other managed the appropriations of the funds. After its implementation, more staff was hired to administer the large fund and new responsibilities such as managing the fund and policy development. Moreover, as in the entire Commission, a policy committee for regional policy was established to coordinate RDP implementation and to prepare a common programme on national level. This was necessary as the member states determined the candidates for the funding, while the Commission oversaw delivering information on which region would profit the most and was the most in need of European Regional Development funding. According to Tilly (2014), the funds received

feedback that was put into practice in the guidelines in 1977 and plans were accepted in June 1978. Part of these reforms were the new task assigned to the DG Regional Development to conduct regularly out-put analyses to estimate the effects of the expenditures. Second, a non-quota system was introduced to provide funding for projects that would affect the influence of the EEC and indirectly influence policies on national levels.

In 1984, reforms of the ERDF were initiated to divide the grants based on applications instead of the earlier introduced quota system. This change granted the DG more authority in the process of allocating funds, the strategy of the policy, prioritisation of projects, and in monitoring of investments at different governmental levels (Garmise 1994). Moreover, changes in the ERDF in 1984 were initiated following a report produced by the Commission, which again led to more influence of the Commission vis-à-vis the nation states. This process was continued by including the ERDF in the SEA for it to become an important tool to redistribute wealth among Europe's poorest and peripheral regions. The SEA includes Economic and Social cohesion in article 130a with regards to the overall development of the European Communities.

> "*Article 130 A*
>
> *In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.*
>
> *In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions* (European Communities 1987, 134)."

The ERDF is part of the structural funds and its authority is outlined as follows,

> "*After adoption of the decision referred to in Article 130d, implementing decisions relating to the European Regional Development Fund shall be taken by the Council, acting by a qualified majority on a proposal from the Commission and in cooperation with the European Parliament*" (European Communities 1987, 135).

This chapter provided a brief introduction to the development of the regional development policy and the context in which it shall be analysed. The Council, the Commission and the Parliament are highly interconnected and possible influences on the policy have been addressed in existing literature such as, European enlargement and integration; politics; and the overall development of the institutions of the European Union as we know it today. This study focuses on the DG as part of the Commission and shall identify organisational changes in relation to its

formalised social structure and aim to derive inferences of plausible causal mechanisms of organisational change that could be possibly be derived from policy change. The policy itself has been thoroughly analysed by scholars mentioned before and a variety literature in the next chapter constructs an overview of what the possible causes and inferences were in the development of organisational chart of the DG Regional Development between 1973 and 1987.

3. Literature Review

Different approaches to analyse the organisation and organisational change have been developed over time. A first division in the literature can be made, based on *closed system models* and *open system models* (Scott 2003). Theories on closed system models were the norm and most the important literature in this school of thought has been developed between the 30s and the 60s of the twentieth century. "(…) [A]ll of these theories portray organisations as tools designed to achieve pre-set ends, and all of them ignore or minimise the perturbations and opportunities posed by connections to a wider environment" (Scott 2003, 109). The open system models, although based on rational thought, do acknowledge the influence of the environment by including a social psychological level of analysis when analysing institutions. This change came about in the 1960s and both system models inspire a variety of theories till date.

3.1 Institutionalist Theories

Institutional theory, also referred to as *institutionalism* exists of different streams in literature that include different system models, namely: historical institutionalism, rational choice institutionalism, and sociological (new) institutionalism (Hall and Taylor 1996). These three streams show commonalities but differ substantially. The institutional analysis aims to explain the origin and the processes of change by constructing the relationship between institutions and individual behaviour. As shall be further addressed in this chapter, the three streams of institutionalism focus on different aspects in the analysis of organisational change. First, different theories and approaches describe and summarise the variety in existing literature on the topics included in this research. Then, concepts and structures provided by the combination of literature are summarised into a framework that serves as a guide throughout the following chapters of this research.

3.1.a Rational Choice Institutionalism

The first stream of institutionalism to be discussed is rational choice institutionalism. *Rationality* can be applied in the context of technical or functional rationality and refers to

organised actions leading to predetermined goals with maximum efficiency. Hence, this perspective focusses in the analysis on the normative structure of organisations. To be precise, on the specificity of goals and the formalisation of rules and roles. Therefore, rationality can be applied to different aspects of an organisation. Scott (2003) defines the organisation from a rational choice perspective as follows:

> *"Organisations are collectivities that exhibit a relatively high degree of formalisation. The cooperation among participants is "conscious" and "deliberate"; the structure of relations is made explicit and can be "deliberately constructed and reconstructed". [A] structure is formalised to the extent that the rules governing behaviour are precisely and explicitly formulated and to the extent that roles and role relations are prescribed independently of the personal attributes and relations of individuals occupying positions in the structure"* (Scott 2003, 27).

The analysis of decision-making process from this theoretical perspective is most often focussed on the legislative decision rules rather than societal-level adaptations of change. Though, this theory also includes other four other pillars that support the rational institutional analysis. First, the actors relevant for the analysis are assigned with a determined set of preferences. The assumption, shared by rational models of decision-making, on how these preferences are structured is based on the *transitivity principle*. "To have transitive preferences, a person, group, or society that prefers choice option x to y and y to z must prefer x to z" (Regenwetter, Dana and Davis-Stober 2011, 42). In other words, the actor is exclusively interested in and motivated to maximises the realisation of his individual interests through strategic actions. Once a collective issue must be solved which includes multiple actors and therefore multiple preferences, the institution should formalise and guide these negotiations to either, reach the organisational goals without room for individual preferences, or sub-optimal options should serve everyone's best interest. This idea is leading in the rational analysis of political action as this area knows many interests and therefore does not believe cooperative action to occur. As actors in politics are always forced to rationally calculate the course of action, they must strategically achieve the optimal outcome. An explanation, provided by this theory, to outcomes serving just one interest is then 'blamed' on the non-existence of a clear structure (institution) or rules and regulations guiding political decision-making.

Second, rational choice theorists do not exclude individuals from attempting to go for their best interest. Three examples, often connected to the rational choice theory are the *prisoner's dilemma*, *tragedy of the commons* also referred to as the *free-rider dilemma* and *the principal*

agent theory. First, the prisoner's dilemma is based on an illustrative story with a rational choice moral. It serves as a demonstration of the decision individuals face when they interact by cooperation, assisting or having a shared interest: the common good, or your own interest? The answer is clear, to achieve the individual goal you must choose rationally, that is the option that serves self-interest. Second, when individual motivation is only based on self-interest, working in groups leads to *free-riding*. To further elaborate, "individuals have little or no incentive to join groups and work for a collective good, because they will receive the benefit if others do the work to obtain it" (Stone 2012, 234). The *tragedy of the commons* describes this issue from the opposite perspective. An example of the tragedy of the commons occurs in relation to natural resources. Nature provides a variety of resources, these resources are of use to many, humans and animals. When the individual only cares about her own interest, it can be that she is the only one profiting from this resource. This would mean a tragedy to the commons, as this good shifts from being a resource to so many, to being only of use to this rational individual.

Third, rational choice theorists take a classic 'calculus approach' to structure and explain the behaviour of individuals through the institutionalisation of their interests, actions and preferences. "Thus, a firm's organizational structure is explained by reference to the way in which it minimizes transaction, production or influence" (Pollack 1996, 946). An example of the problem with the minimisation of transaction costs, production or influence is *the principal-agent theory* (Dowding 2011). The pursuit of individual goals represents a situation where the agent deviates from the procedures outlined by the principal. In these situations, the principal delegates a task to an agent. This task needs to be fulfilled on behalf on the principal, which the principal cannot accomplish individually. The agent, when rules and structures do not limit her individual preferences, actions etc., can use this position to her own benefit. Two types of problem can occur namely *moral hazard* and *adverse selection*. Moral hazard arises when the actions of the agent are not observable or traceable which creates room misconduct and failure to act according to the principal's preferences. When there is an information gap between the principal and the agent, benefitting the agent's position, the principal faces adverse selection.

Furthermore, these 'effects' of room for individual preferences should be limited by the organisational structure, via a contract for example and rationality shall lead the principal to reach the first best outcome. Though, when the principal fails to do so, only the sub-optimal solution is the highest within reach. "Asymmetric information induces an agency cost because providing the right incentives to the agent is costly. This is a special form of transaction cost that only allows the players to reach the second best, an outcome that is Pareto-dominated by

the first best but that can be considered optimal given the added informational constraint faced by the principal" (Dowding 2011).

This leads us to the discussion of the fourth theoretical pillar of rational choice institutionalism, *change*. As discussed, rational choice theory formalises the organisational structure to reach specific desired ends. This structure organises behaviour of individuals within the organisation as an efficient system, based on rational choice. Change in these structures occur per department, not so often as a whole. Important rational changes to improve the formalised structures are changes in the organisational chart, improving performance or manage arrangements to advance quality. These structures are not depending on the individual, because the framework is guiding for everyone on the organisation, as much as it is for long-term employees as for short-term employees on all levels of the hierarchy. Qualities assigned to individuals are measured in performance, rather than personal characteristics. Therefore, innovations as a result of leadership or other "social" qualities are incorporated, routinised and regulated by the formal structure.

According to Stone, "rational choice is the logic of markets, where buyers and sellers exist outside the reach of influence, care, cooperation, loyalty, or belief in a common good" (Stone 2012, 236). Though this is contested by Conran and Thelen (2016) who outline four different types of influences on the organisation from a rationalist perspective. First, the institutional environment may change which then leads to exogenous shocks affecting the institution and modify the status quo. Then, endogenous shocks are included as changes in: policy, when rule-makers included amendment rules that are followed; when rules are 'suspended' under special circumstances such as emergency powers; or radical disruptions for example when rules are contravened or broken. "Institutions structure such interactions, by affecting the range and sequence of alternatives on the choice-agenda or by providing information and enforcement mechanisms that reduce uncertainty about the corresponding behaviour of others and allow 'gains from exchange', thereby leading actors toward particular calculations and potentially better social outcomes (Pollack 1996, 431).

When drivers of change reveal that previous behaviour is no longer in equilibrium, the institution becomes fragile. Through its self-enforcing structure, the organisation continues in the same manner over longer periods of time and may lead to the weakening of the institution. *Structure-induced equilibrium*, where rules shape the working of the organisation, there is no alternative individual choice allowed by rules and procedures. The 'order' that is created by rational choice resulting in an equilibrium consists of three P's namely: *politics, polity* and

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policy. When analysing 'politics' is it important to remember that rational individuals only cooperate with other individuals to benefit their own good. "Politics is the political process: actors (mostly aggregates of individuals organised in parties, associations, or interest groups) interact with each other when they have conflicting interests or preferences regarding societal problems that are characterised by a deficiency of self-regulation" (Keman 1999, 253). 'Polity' exists of the formal (treaties) or informal framework (codes of conduct) that together construct the framework of rules set out by the organisation. The practicality or the advantageousness of the equilibrium emphasizes the final result of the process. This result is defined by 'policy choices' as an outcome of the compliance or non-compliance of the framework and to what extent conflicts have been resolved (Keman 1999). The analysis of the organisation and the essence of the rational choice theory can be briefly summarised by these three P's as optimal choices can be made as a result of rational behaviour evolving into a structure-induced equilibrium.

3.1.b Historical Institutionalism

The second stream in institutionalist theory, historical institutionalism, is based on the rational choice theory, though adds social level analysis to their theoretical framework. The main objective of this theory is to conceptualise relationships between institutions and individual behaviour in the political arena in relatively broad terms. The value of the individual is not merely based on performance management and formal roles, their individual characteristics such as values, interests and abilities are acknowledged and 'used' to reinforce the organisation.

Behaviour and its interconnections between normative and behavioural structures is the focus of this school of thought. The history of the organisation is analysed to understand the changes in the organisational structure as a response to changing conditions. Moreover, the analysis combines ideas, economic interests, and political institutions while acknowledging the autonomy of the political domain in relation to society. The main goal of the organisation in the historical institutionalist approach is its survival. By incorporation internal and external influences into decision-making and advisory bodies, also referred to as *co-optation*, and analysing decisions made on different levels in the organisation resulting in organisational change (changes in the structure) over time, an observable distinctive pattern evolves.

Next, it considers institutions to be structuring collective behaviour and generating distinctive outcomes in the polity or politics. Moreover, by underlining the importance of the organisational structure, rather than its function (sociological institutionalism), politics are explained as the outcome of needs in society. "They are especially concerned to integrate

institutional analysis with the contribution that other kinds of factors, such as ideas, can make to political outcomes" (Hall and Taylor 1996, 398). Next, polity and politics are closely related as the political ideas shape political alliances. These ideas influence and form the organisational structure, which then maintains alliances to the advocate ideas to implement in society. The organisational structure is based on rationality to anticipate its effects and optimise its ability to meet societal demands. In other words, the existing organisational structure is preferred over other types as it obliged to include and reflect societal demands (Pollack 1996).

Moreover, the organisational structure is considered to determine collective behaviour, and this includes (in-) formal procedures, routines, norms and protocols (Bauer, Introduction: Organizational change, management reform and EU policy-making 2008, Reich 2000, Pollack 1996). In addition, historical institutionalism analyses the development of European institutions as a path dependent process evolving over time and includes supranational decision rules and policy structures. It can be best applied in the policy area of distribution, as it analyses the zero-sum politics of actors in the policy process. "Historical patterns of development are very influential in the broad determination of "who gets what," limiting the propensies for change in an environment where the state looms so importantly in the context of primarily domestic considerations" (Reich 2000, 512)

This also applies when analysing the role of the organisation internally. The actors within the organisation are believed to obey *formal* and *informal* structures. The formal structure of the organisation is similar to the rational choice perspective, where the rules and guidelines structure individual behaviour. However, historical institutionalism *adds* the influence of diverging and shared interests within the organisation and its influence and considers it an important resource. "Informal structures are those based on the personal characteristics and relations of the specific participants" (Scott 2003, 59). Moreover, they value the informal structure to be more influential in the guidance of behaviour rather than the formal one. While the formal structure's purpose is to regulate behaviour to achieve specific goals is greatly affected by the informal structure. Therefore, to distinguish the organisational analysis, changes and developments can be measured over time by looking at the official changes in structure, such as the organisational chart, treaties and regulations, or by observing belief systems and behaviours when there is a change in personnel.

Path dependency is one of the main arguments of historical institutionalism to describe the occurrence of institutions and decision-making procedures. It refers to the preserved institutional framework that has evolved over time and is therefore of influence of current

decision-making processes. In addition, it may be that existing policies are hard to adjust or to create new policies due to limiting structures. An example of how path-dependency is incorporated in this school of thought is the idea of *power*. Power relations and long-term institutional legacies are assumed to be asymmetrical as a result of its path dependency. They emphasize the asymmetries of power within institutions that influence its operations and innovation. To understand political power and the asymmetries thereof, the historical institutionalist approach analyses power over time which is essential to study this phenomenon as power shifts and changes over time which makes it becomes less directly observable. As stated before, institutions are considered path-dependent and through political institutions, power is transmitted gradually. This theory divides power into two forms, namely: *authority to act*, to make policy decisions, and the *capacity to act*, to carry out policy decisions (Stone 2012, 354).

The institutional stability is periodically interrupted by episodes of change. There are several drivers of change outlined by this theory. First, historical institutionalism incorporates environmental induced change as it considers it a source of pressures and disruptions. "These moments of innovation are, further, usually associated with some kind of exogenous shock – revolution, defeat, war, regime change, and so forth – that opens the door for institutional transformation" (Conran and Thelen 2016, 54). Selznick (1957) defines differences in issues linked to the organisation that can be caused by rapid-developments of a 'new' organisation or the declining pattern of motivation and maximisation of efficiency in older ones. Once this factor is included in the analysis of policy-making, the organisational structure might illustrate developmental changes creating new risks and opportunities for policy development.

Second, internal drivers of changes are considered to be *leadership, policy feedback, social learning, policy paradigms,* and *agenda-setting*. In the process of organisational change, *leadership* plays a large role. Leaders create the social structure of the organisation which forms the basis of social decision-making. Examples of these decisions are related to the organisations overall mission, personnel, structures and procedures. Next, the concept of *policy feedback* describes the impact of existing structuring policies on current policy-making. It is based on the idea that a historically constructed set of institutional constraints and feedbacks structure the behaviour of political actors and interest groups during the policy-making process" (Béland 2005, 29). For example, structured decision-making procedures that might impact decisions; a previously enacted policy affects policies, for example the effect of a policy needs to be corrected with another policy; or the need for additional policies to support the implementation

of existing policies occurs. *Policy paradigms* are structured entities that shape policies through the institutional logic representative of the political arena. Policy feedback is related to *social learning* which is defined by evaluation processes well-established policies performance. These evaluation processes are addressed by different theories that include processes and drivers of change such as policy windows, agenda-setting, policy streams and more. Learning and intentional improvements of organisational goals stems from a defined common purpose that is known and supported by individuals within the organisation. Here, change occurs in coherence with other processes to structure activities and achieve the organisation's envisioned goals. The strategies of the organisation must collide to be effective and to prevent conflicts from emerging as the result of a lacking common strategy. These theories shall be addressed in the subchapter on organisational change.

To conclude, old institutionalists claim that changes in the organisational structure are founded in the institutional conditions and perceptions. In addition to this traditional thought, they claim that the social structure of the organisation must either be altered to evolve policies, or the policy must be changed to meet the organisational structure, to create the base for essential policy-making. This way, support for policies can be traced back to institutional conditions such as beliefs and perceptions, though, also to the organisation's life-history.

3.1.c Sociological Institutionalism

The final stream of institutionalism, sociological institutionalism, is a rather peculiar one. The formerly discussed streams consider institutions to be the result of purposive actions by instrumentally oriented human design. Though, sociological institutionalism, also referred to as new institutionalism, acknowledges institutions to be the result of human actions, they do not consider humans to be rational. Moreover, they define organisations more broadly, in relation to the other theories, combining 'institutions' and 'culture' and adding "(…) symbol systems, cognitive scripts, and moral templates that provide the 'frames of meaning' guiding human action (Hall and Taylor 1996, 947)".

Powell and DiMaggio (1991) define new institutionalism in a rather clear-cut manner.

> *"The new institutionalism in organisation theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supraindividual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives"* (Powell and DiMaggio 1991, 8).

The constant and repetitive quality of an organisational structure is not analysed by its framework, the behaviour of individuals, or the maximisation of self-interest. This theory considers the existence of these formal structures as assumable, persistent, and self-sustaining. Moreover, actions are emphasised to be supported by shared systems of rules that provide a structure and standardisation. This system is, according to this theory, based on cultural frames that approve of means and define goals. This shared system of rules secures the interests of particular groups that profit from prevailing benefits and it constrains others. It provides opportunities and privileges to some actors, relating to their skills and competence, and to some it constrains. Though, while focusing on the effects of institutions, the origin of institutions remains under-theorised and institutional change is not considered as a main issue for the stability of the organisational structure (Harty 2005).

Based on this sociological interpretation, new institutionalism rejects the idea of rational choice for several reasons. Choices are not based on rationality, as the individual always seeks guidance from others with experience or refers to the standard of obligation, it is a social actor. Furthermore, the historical and cultural context of the individual should not be dismissed as this theory underlines that the context is a crucial factor in the final decision. Outside of the cultural and historical frameworks in which they are embedded, choices made by the individual cannot be properly understood. "Thus, they argued, even the most seemingly bureaucratic of practices have to be explained in cultural terms (Hall and Taylor 1996, 946-947). Culture consists of institutions, images and signs that shape self-images and identities of individuals. In other words, not only choices, but also other aspects such as basic preferences and identities are shaped by the institution.

Hall and Taylor (1996) define this cultural influence as *cultural authority*. Three different explanations are included in the new institutionalist theory to deliberately explain the influence of culture in the practice or political organisations. First, cultural authority can define standards for professionals in the social community and assign certain standards to their role, for example politicians. Particular institutional roles assigned to individuals, affect the behaviour of this individual. As the societal norms assigned to this role must be embodied by the individual to meet the cultural standard. Not only tasks and rules define what the behaviour of a public figure must entail, it also specifies behaviour in certain situations. To continue with the example of a politician, this individual is publicly held accountable for actions and once these do not adhere to social norms they will be discharged. Next, the institutions and their practices emerge from societal demand to solve public issues. Finally, interchanges of public actors and institutions

and their role in society to innovate, create a cognitive map for this group of individuals guiding their 'appropriate behaviour'. When the cultural process of interaction leads to appropriate decision-making processes, the interactive and creative social structure of institutions is most observable.

This phenomenon has been explained by March and Olsen (2011) with their theory on *the logic of appropriateness*. This theory provides a model on the interpretation of human action. Appropriateness is explained by March and Olsen by including both cognitive and normative components. Exemplary institutionalised behaviour, in the form of rules and regulations, drive individual behaviour, and are described as 'natural, rightful, expected, and legitimate'. The social collectivity drives the individual to choose the appropriate option, while obeying the rules and simultaneously fulfil their obligations "encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices, and expectations of its institutions" (March and Olsen, The Logic of Appropriateness 2011, 689).

Changes in the organisation are not made to improve the efficiency, but to increase its legitimacy or that of its employees. In addition, the organisational structure is shaped according to cultural values, sometimes at the cost of the organisation's formal goals. These changes derive from exogenous cultural interdependent flows and activities. Though, fundamental organisational changes are characterised as episodic and dramatic, and occur as a result of dysfunctional social arrangements. Rational explanations for change are rejected and the analytical focus is then placed on institutional action to seek for solutions. *Isomorphism* describes the influence of the context on the processes of change in sociological institutionalist theory and promotes the success and the survival of organisations. Institutional isomorphism is explained as a framework that places "particular emphasis on the explanation of administrative changes as a result of developments in the organisational environment" (Balint, Bauer and Knill 2008, 691). In addition, it assumes that these institutions incorporate externally legitimated formal structures, which enhances the loyalty and obedience of employees. To summarise, " (a) they incorporate elements which are legitimated externally, rather than in terms of efficiency; (b) they employ external or ceremonial assessment criteria to define the value of structural elements; and (c) dependence on externally fixed institutions reduces turbulence and maintains stability" (Meyer and Rowan 1991, 49).

3.2 Organisational Structure

This subchapter conceptualises and defines the focus of the organisational analysis in relation to the theoretical framework of this research, by discussing different ideas of the three institutionalist schools of thought.

There are two types of organisational structure that divide, determine and coordinate duties within the organisation. First, the physical structure of the organisation refers to the buildings and geographical places that affect the output of institutions. Second, the social structure is not so easily definable as a variety of theories define organisational structures differently. As discussed previously, rational choice institutionalism analyses the formal structure of an organisation depending on a highly formalised and hierarchical structure and does not include informal structures or contextual interference in the achievement of organisational goals. Historical institutionalism focuses on the combination of the informal structure, existing of ideas, norms and values, in combination with the formal structure based on power and regulation". Sociological institutionalism emphasises legitimacy, culture and context and the social value of the organisation when analysing its structure. Central concepts in their organisational analysis are "lateral," "horizontal," or "team-based" structures in combination with high levels of flexibility and adaptability (Rainey 2014, 215, Greenwood and Hinings 1996). To summarise, three contrasting definitions can be obtained from rational choice institutionalism, historical institutionalism and sociological institutionalism.

> *"The first definition views organisations as highly formalised collectivities oriented to the pursuit of specific goals. The second definition views organisations as social systems, forged by consensus or conflict, seeking to survive. And the third definition views organisations as activities involving coalitions of participants with varying interests embedded in wider environments"* (Scott 2003, 30).

Mintzberg (1980) has developed a list of characteristics that can be observed in different forms of institutions. Not all organisations are structured in the same manner and therefore do not include all characteristics. Though, combinations of characteristics outlined by Mintzberg, form the *organisational structure*. To understand and define the organisational structure of the Directorate General Regional Development, different types of organisational structures are discussed and construct the definition for this research. The concept *organisational structure* is then not just a definition but derives from a combination of features.

The first organisation he discusses is the 'simple structure', that is "characterised by direct supervision; the structure is minimally elaborated and highly centralized; it is associated with simple, dynamic environments and strong leaders" (Mintzberg, Structure in 5's: A Synthesis of the Research on Organizational Design 1980, 322). The second type is called the 'machine bureaucracy' that consists of highly specialized and formalized task descriptions, large departments, top down vertically organised power (hierarchy) and limited horizontally decentralisation. Third, the 'professional bureaucracy' exist of the following features: skills are standardised; the formalisation of jobs is not high, though, highly specialised; large departments; and both horizontally as vertically decentralised. Fourth, the 'divisionalised form' vertically decentralises until middle management, whose actions are performance based and measured through output standardisation and performance control systems. Finally, 'adhocracy' is coordinated from bottom up, and is driven by group pressure. Decentralisation is selectively horizontal and vertical and there is little formalisation of rules and guidelines that coordinate the small and market-based departments.

To further elaborate on the meaning of these characteristics to become of use as an analytical framework for the DG Regional Development, the most relevant are discussed. These characteristics are referred to by Mintzberg as 'coordinating mechanism' and refer to the different parts of an organisation that together form the organisational structure. First, *formalisation* of behaviour within the organisation standardises work process through "rules, procedures, policy manuals, job descriptions, work instructions, and so on. (…) Structures that rely on standardization for coordination (whether of work process or otherwise) are generally referred to as bureaucratic" (Mintzberg, Structure in 5's: A Synthesis of the Research on Organizational Design 1980, 325). Second, *decentralisation* of power among members of the organisation describes the type of internal decision-making procedures. Power can be distributed vertically, which follows the hierarchical structure. Or horizontally, which describes the division of power outside of traditional line of authority. The delegation of power knows four different forms: the latter (horizontal and vertical), limited, and selective delegation. Limited horizontal delegation portrays authority delegated to selected positions, (such as managers) to standardize individual behaviour of employees, while the formal power remains hierarchically organised. Next, limited vertical decentralisation the highest level in the hierarchy delegates authority to the heads of important divisions. "And in selective decentralization (horizontal and vertical), decision making power is diffused widely in the organization, to "work constellations" at various levels and containing various mixtures of line

managers and staff and operating specialists" (Mintzberg, Structure in 5's: A Synthesis of the Research on Organizational Design 1980, 327).

Bauer (2008) adds to the discussion that a separation of substance and process, should serve as descriptive concepts to systematise and qualify empirical observations about organisational change in international and supranational institutions. He also refers to the Commission as a public bureaucracy, which is characterised by a top-down management approach. Moreover, environment processes and rules guide those involved in the process and do not include other possible variables, similar to the rational logic. To verify the definition of a bureaucracy, the concept following Weberian thought is included. According to this thought, a bureaucracy "(…) consists of a hierarchically structured, professional, rule-bound, impersonal, meritocratic, appointed, and disciplined body of public servants with a specific set of competencies" (Sager and Rosser 2009, 1137).

To support Bauer's argument, the framework of Mintzberg to analyse an organisational structure in order to define it is continued. Following the differentiation of Mintzberg (1980) between the different types of organisation, I argue that the *machine bureaucracy* fits best when analysing the Directorate General Regional Development in the organisational context of the European Commission between 1973 and 1987. Different aspects assigned to this organisational structure are described by Mintzberg as: highly formalised, large departments (DG's), technocratic, centralised vertical decision-making and a sharp hierarchical division between line and staff. Due to the expertise of employees within the organisation, these departments gain limited horizontally delegated authority, in this case through the delegation of formal tasks such as the management of the European Regional Development Fund. This horizontal authority is not shared by all employees, it is delegated to the first-line managers, the Director Generals. Moreover, major decisions can only be made at the highest level, following formalised official procedures and the chain of authority. Exogenous changes are too complex to be inherited into the rational choice-based systems and tasks, the response on these challenges is then unpredictable. This phenomenon will be further addressed with discussion the concept of *red tape*. In addition, the size of the machine bureaucracy and its social impact matters for the formalisation and centralisation of the bureaucracy, the higher its impact the larger the organisational structure.

Rainey (2014), described bureaucracies as:

> *" (...) clear chains of command and authority (with "unity of command," whereby each person has "one master"—one supervisor—and therefore receives clear directions); a centralized authority structure, with authority residing mainly at the top of the organization; and narrow "spans of control" to help maintain clear lines of authority (a span of control is the number of subordinates reporting to a superior; a narrow span of control means relatively few people report to any given supervisor)* (Rainey 2014, 214).

As Rainey discusses multiple theories, he also mentions constraints of these type of organisations. As mentioned earlier, *red tape* is a result of the inevitable move toward rigidity and hierarchical constraints, through ongoing growth of the institution. Red tape is another way of saying that the institution has become bureaucratic in the negative sense, meaning slow, complex and old fashioned as change occurs at a higher pace than the organisation can adapt.

Sandholtz and Sweet (2012) refer to a 'Haasian feedback loop' of European integration to illustrate the process of the ever growing and self-enforcing public institution. It includes the example of increasing cross-border transactions, followed by supranational governance action that facilitates the expansion of these transactions, which then results in spill over and demand for more supranational integration. In other words, for integration to be successful, more integration is needed. However, as discussed before, the idea of the bureaucracy functioning rationally is not including exogenous influences in its analysis. Though, categorising the Commission as a bureaucratic institution does provide the right analytical scope for this research to analyse the processes of organisational change, and the expected influence of policy change on these structures. In the next subchapter, organisational change shall be conceptualised, and different drivers of change are addressed. Although it is decided to position the institutional analysis in the rational choice perspective, a variety of possible drivers is included and more arguments for the use of the rational choice perspective are included in the summary subchapter.

3.3 Organisational Change

To better comprehend organisational change within the Commission and in particular the Directorate General Regional Development, the organisational structure must be analysed. Trondal (2011) highlights the importance to differentiate behavioural logic of civil servants based on their vertically or horizontally organised international bureaucracies to understand the process of change within the organisation. First, characteristics of the vertical specialisation are the hierarchical structure and different styles of communication among personnel. The

behavioural logic of hierarchy may be carried out through a variety of administrative regulations that are assigned to them through, for example, treaties. Moreover, "(…) a behavioural logic of hierarchy suggests that international civil servants upgrade common agendas, co-ordinate actions of sub-units, abide by steering signals from 'above', downplay inter-service conflicts and turf wars, reduce sub-unit allegiances, and emphasise the concerns and considerations of the executive centre" (Trondal 2011, 796).

Second, within the horizontal specialisation, departments or individuals cooperate on the same level. Each department is specialised in a certain area, including their staff. The link to the broader organisational goal is limited, due to the closed work environment that focuses mostly on the department's purpose and processes. The horizontal specialisation is often linked to a behavioural logic of portfolio. "[A] behavioural logic of portfolio safeguards informed decisions and due administrative practices, emphasises divergent agendas, co-ordinates actions inside sub-units rather than across them, emphasises signals, concerns and considerations of sub-units, and pays loyalty primarily towards sub-units" (Trondal 2011, 796). In addition, Vestlund (2015), identifies horizontal specialisation as, "(…) the way tasks and activities are distributed among units at one level, and expresses how different issues and policy areas are supposed to be linked or de-coupled" (Vestlund 2015, 98). Nevertheless, a horizontal specialisation might cause a logic of hierarchy towards subordinate departments within the organisation.

When decentralisation is limited in the horizontal context, informal power is delegated to a selected group or individual with the formal power remaining in the hands of the hierarchical structure. In the vertically limited delegation, the formal power is delegated among levels of management and departments. These two streams of power occur simultaneously along the lines of hierarchy and when these two streams are combined, in selective decentralisation, various levels have different allocations of power among its divisions. However, as discussed before, the institutionalist approach consists of three different approaches to understand organisational change and its effects on the organisational structure. In the first place, historical and rational choice institutionalism (Capano 2003) focus their analysis on different phases of decision-making procedures and consider internal catalysators of change such as the existing organisational structure and linked activities. Next, sociological institutionalism includes informal constraints on individual behaviour, paradigm shifts, and leadership of a group or individuals that exploit openings institutional system to realise innovative change. Concluding,

by following the three points of view, changes in the organisational structure are guided and considered by the initiators as rational, innovative, or appropriate (Powell and DiMaggio 1991).

To define organisational change, I follow Bauer's (2008) conceptualisation and definition of organisational change:

> *"(...) the focus lies at the internal administrative or managerial basis of the Commission as an international public bureaucracy. This means that close attention will be paid to the internal rules and procedures as regards internal resource management, horizontal and vertical co-ordination, planning, monitoring, control as well as personnel related matters like recruitment, promotion, transparency, professional ethics, and so forth"* (Bauer, Introduction: Organizational change, management reform and EU policy-making 2008, 628).

Organisational change exists of internal administrative structures and internal rules and procedures that outline processes of change. In addition, it is often related to underlying processes which 'drive' these changes. Variant drivers and processes of change are described by the different streams of institutionalism. When we follow the rational choice perspective, by not including exogenous drivers for change, the process of change occurring should be endogenous, gradual, and transformative. To further illustrate the process of change, Capoccia (2016) identifies to following types:

> *"(...) layering indicates a process by which new formal rules are added onto old ones to change their effects; conversion refers to the reinterpretation of existing rules to serve new purposes; drift points to situations in which old rules are intentionally not adapted to changing social conditions, with the purpose of gradually changing their effects; exhaustion is the process by which an institution 'withers away' through overextension diminishing its capacity to do what it was originally invented to do"* (Capoccia 2016, 1099).

To obtain an inclusive idea of possible drivers of organisational change, the theoretical framework includes different theoretical views on organisational change. Two types of change, planned and unplanned change, divide the literature. First, planned organisational change is a possibility for pro-active change for the organisation to respond to their changing, politicising, and challenging environment by improving their organisational functioning (Robertson and Seneviratne 1995, Jacobsen 2006). Planned change is a formal approach to analyse the plans or drivers for change that are formulated at the top level of the organisation (Chwieroth 2008).

Second, unplanned change refers to exogenous shocks drastically changing the organisation, and these changes cannot be accounted for as they are highly unpredictable. "Radical organisational change, or "frame bending" as it is sometimes evocatively known, involves the busting loose from an existing "orientation" and the transformation of the organization. Convergent change is fine tuning the existing orientation" (Greenwood and Hinings 1996, 1024).

Furthermore, it is very interesting and also important to analyse the 'flow' of change. Whether the hierarchical flow of change follows a top-down (deductive change) or bottom-up (inductive change) course of action. Deductive change is implemented by top positions that construct the idea on how change should be integrated in policies and organisational structures. On the opposite, inductive change flows from practice and constitutes shifts in conceptual ideas, for example important research results that demonstrate where change is needed. Another 'flow' that can be considered is the time span of change. By placing organisational change in a historical context, Cashore et al (2009) improve existing models to measure it. Part of their model is the differentiation between incremental change ad paradigmatic change which indicate the patterns of policy change over time. Incremental change refers to stable marginal changes in an existing policy and its means. Unstable policies marked by irregular and atypical modes of change in a policy are indicators of paradigmatic change (Cashore and Howlett 2009, Schultz, Mattor and Moseley 2016).

To focus the attention of those with authority to 'guide' organisational change, a driver of change must occur. In other words, for change to occur, motivators for change must occur. This process is called 'agenda-setting'. There are different drivers and sources of change that can arise from inside or outside of the organisation, which are also referred to as '*focusing events*' (Birkland 1998). Focusing events are not identical and differ among different societal domains. These events might mobilise groups and leads most likely to change once there are already groups available that use this event to ensure change by using it as an opportunity and 'making' it focal. Though, for groups to be able to do this, the driver of change or the effect of the driver must be tangible and visible for the community to support the advance of innovation. Interest groups and their constituencies consider organisational change vital, "as administrative reorganizations involve the redesign of power relationships, positions and the structure of key decision-makings structures. (…) Interest groups in this perspective have to take note of their constituencies, i.e. their clientele or members, which depend on the coordinated efforts and

concentrated actions of their interest group leaders to lobby legislators and agencies for policy programs that benefit them" (Bezes, et al. 2018, 9).

Here, isomorphism, political dimensions, policy change, bureaucratic dominance, leadership and interest groups are discussed and identified as possible drivers of organisational change which are not seen as mutually exclusive. As discussed previously, "isomorphism can be seen as a deterministic, natural process engendered by common dominating norms and values" (Laegreid and Christensen 2007, 5). In this context, it could mean that due to Community wide, or Commission reforms the organisational structure of the Directorate General has been modified. Almost like a 'fashion' of change, as the reforms are institution or Community wide articulated, and influence the paradigm on organisational change. These changes can be driven by different catalysators: "to mark a change in the intensity of commitments; to create an impression of reformative dynamism; to adapt to changes in the environment; to make savings; to be more effective or better coordinated; to take charge of new governmental functions and new public policies; to respond to problems encountered by the political executive (Bezes, et al. 2018, 5). These drivers might overlap or can also be placed under the bureaucratic-dominance perspective which considers bureaucratic positions, internally (staff) or externally (society), maximise their self-interest by shaping reforms to increase the legitimacy or authority of the formalised institution (Bezes, et al. 2018). This is in accordance with the idea of the 'Haasian feedback loop' and the issue of 'red tape' which illustrate the process of the ever growing and self-enforcing public institution.

Also, policy might influence changes the organisational structure. Changes in management, organisational goals, organisational charts, planning and other internal processes might be the drivers for changes in policy. For example, it can be that the organisational structure has to be modified to, for example, achieve the organisational goals, implement policies or increase efficiency. To make this change possible, policies to amend the organisational structure must be created. But it can also be that existing policies cannot be implemented or do not function well due to organisational limitations such as amount of staff, delegation of tasks or the hierarchical structure that does not meet the necessary conditions. Then, policy change directly affects organisational change. "The policymaking and policy implementation processes are an extremely important aspect of the environment of public organizations and public managers" (Rainey 2014, 133), and are therefore expected to be affecting organisational change. Policy and organisational structures, also referred to as administration, are interdependent as organisational activity is sensitive to policy matters (Selznick 1957).

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Organisational leadership is then necessary to define the overall mission, role and, the embodiment of policies into the organisational structure and by staff (Boin 1998, Selznick 1957). "Christensen, Fimreite and Lægreid (2007) combine a perspective centred on the decision-makers that insists upon the role of political and bureaucratic "leaders" but which is hybridized with a culturalist approach that emphasizes institutional constraints caused by administrative traditions, along with the influence of the environment." (Bezes, et al. 2018, 5). Second, the social organisational structure is organised through management and leadership as authority has been assigned to certain roles in the organisation. In order for the formalised rules and regulations to innovate, leadership is necessary. The driver of change is an individual that can generate support for reforms from the majority in the organisation, by being highly involved in the operationalisation, implementation and adaptation phase of the reforms (Edwards 2000).

3.4 Summary

The focus of this thesis is to understand the effects of policy change on the organisational chart of the DG Regional Development between 1973 and 1987. Organisational change exists of internal administrative structures and internal rules and procedures. Change may occur related to internal resource management, horizontal and vertical co-ordination, planning, monitoring, implementation, and human resources. Though the focus in this research are amendments of the organisational chart. Policy change is identified as a possible driver for organisational change. For example, it can be that the organisational structure has to be modified to, for example, achieve the organisational goals, implement policies or increase efficiency. To make this change possible, policies to amend the organisational structure must be created. But it can also be that existing policies cannot be implemented or do not function well due to organisational limitations.

Policy and organisational structures, also referred to as administration, are interdependent as organisational activity is sensitive to policy matters (Selznick 1957). As a result, policy change might directly affect organisational change. Different approaches to analyse the organisation and organisational change have been developed over time. Institutional theory, also referred to as *institutionalism* exists of different streams in literature that include different system models, namely: historical institutionalism, rational choice institutionalism, and sociological (new) institutionalism (Hall and Taylor 1996). These three streams show commonalities but differ substantially. The rational choice institutionalist analysis is applied to the Directorate General Regional Development between 1973 and 1987 in the context of its functional and technical rationality.

The focus is placed on the organisational chart, policy goals, and the formalisation of rules and procedures. By analysing the formalised rules and procedures related to policy change and organisational change, it is assumed that the behaviour of individuals within this DG are governed and individuals act rational. In addition, the process of change in the organisational structure shall be observed in the context of legislative decision rules, rather than societal-level adaptions of change. In other words, cultural aspects are not expected to be of influence on the organisational chart as the rationalist choice theory prescribes. Nevertheless, historical and sociological institutionalism are included as alternative explanatory theories. These will be discussed later on.

Rational choice institutionalism analyses the formal structure of an organisation depending on a highly formalised and hierarchical structure and does not include informal structures or contextual interference in the achievement of organisational goals. As a result, I expect to find indicators of limited horizontally delegated authority. This horizontal authority is not expected to be shared by all employees, but delegated to the first-line managers, the Director Generals. Moreover, major decisions can only be made at the highest level, following formalised official procedures and the vertical chain of authority. Next, exogenous changes are too complex to be inherited into the rational choice-based systems and tasks, as responding to unforeseen challenges is unpredictable and does not match the rationality-based structures outlined by this theory. Finally, the constraints of this theory are not included in the analysis of policy affecting organisational change as it serves as theoretical framework to analyse processes, not to understand the role of processes.

Rational choice institutionalism defines organisations as highly formalised collectivities oriented to the pursuit of specific goals. Therefore, considering it a bureaucracy fits best when analysing the Directorate General Regional Development in the organisational context of the European Commission between 1973 and 1987. Different aspects assigned to this organisational structure are described by Mintzberg (1980) as: highly formalised, large departments (DG's), technocratic, centralised vertical decision-making and a sharp hierarchical division between line and staff. This overlaps with the Weberian thought of democracy described by Rainey (2014) as: " (…) clear chains of command and authority (with "unity of command," whereby each person has "one master"—one supervisor—and therefore receives clear directions); a centralized authority structure, with authority residing mainly at the top of the organization; and narrow "spans of control" to help maintain clear lines of authority (Rainey 2014, 214).

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Analysing politics, polity and policy in relation to every change in the organisational chart, will add to the understanding of the rational drivers of change, by obtaining information from documents reporting the official procedures followed evolving in changes in the organisational chart to induce equilibrium. Then, the three P's form the three aspects considered in the analysis of drivers of organisational change.

1. I expect that the driver of change is linked to the organisation's self-enforcing structure that has disturbed the structure-induced equilibrium.

In addition, it is often related to underlying processes which 'drive' these changes. Innovations as a result of leadership or other "social" qualities are incorporated, routinised and regulated by the formal structure. Variant drivers and processes of change are described by the different streams of institutionalism. The role of the individual in the rational choice theory is placed in context of its role in the organisation, rather than in other theories which place the focus on the individual. Qualities assigned to individuals are measured in performance, rather than personal characteristics. Therefore, when we follow the rational choice perspective, by not including exogenous drivers for change, the process of change occurring should be endogenous, gradual, and transformative. As a result,

2. I expect policy change to be of influence on the organisational chart following one of the formalised processes of policy change: layering, conversion, drift points or exhaustion (Capoccia 2016).

To further illustrate these processes of change, Capoccia (2016) identifies to following types:

> "(...) layering indicates a process by which new formal rules are added onto old ones to change their effects; conversion refers to the reinterpretation of existing rules to serve new purposes; drift points to situations in which old rules are intentionally not adapted to changing social conditions, with the purpose of gradually changing their effects; exhaustion is the process by which an institution 'withers away' through overextension diminishing its capacity to do what it was originally invented to do" (Capoccia 2016, 1099).

By analysing the patterns of policy change over time including: changes in management, organisational goals, organisational charts, planning and other internal processes mentioned in amended policies in relation to organisational change. I expect two types of policy drivers to affect the organisational chart:

3. To make this change possible, policies to amend the organisational structure must be created,

4. Existing policies cannot be implemented or do not function well due to organisational limitations such as amount of staff, delegation of tasks or the hierarchical structure that does not meet the necessary conditions.

Furthermore, this research analyses the functional and technical rationality and shall therefore focus mostly on the influence of policy change on the organisational structure of this DG. Then, the second assumption that shall be tested in this case, is

5. Changes in the organisational structure are made based on the transitivity principle.

I do this by following the formalised procedures and assume that the organisational changes are made to maximise the realisation of organisational goals through strategically designed amendments. Then, formalisation is expected to be high to minimise costs caused by transaction, production or influence of individuals' interests, and to reach the first best outcome.

In addition, although the historical and sociological theories are not included in the main theoretical framework, it is important to test their significance in the analysis of results. Therefore, based on the inclusion of cultural aspects I expect to find the following results when the rationalist theory does meet the expectations.

6. When the organisational structure is shaped by the needs in society, I expect the changes in the organisational chart to have a relation with societal changes.

7. Moreover, I expect the decision-making procedure to be highly influenced by institutional path dependency which results in the influence of the organisational structure in the decision-making procedure.

8. Finally, I expect perceptions, cultural frameworks and appropriateness to dominate the motivation for changes in the organisational structure.

Concluding, cultural aspects do not add substantially to answer the main research question, therefore historical and sociological institutionalism are not best suited for this thesis. Though, these theories do provide interesting insights in relation to this DG and the European Commission in further research. Therefore, this research shall add insights into current existing institutionalist literature on the development of the DG and the causal relation between organisational- and policy change between 1973 and 1987. The next chapter further elaborates on this topic as it specifically outlines the methodology for data collection and testing.

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4. Research Design

This chapter includes information on data analysis tools, models and descriptions of variables that have been used to collect data for this research. Existing theories have been discussed in the 'literature review' chapter, though here the operationalisation of concepts provides in-depth information on the methods used to answer the main research question.

I am interested in examining influences on the organisational structure of the Directorate General Regional Development between 1973 and 1987. To be specific, this research analyses the causal relationship of policy change affecting changes in the organisational structure of this case study. The two main variables are policy change (independent variable) and organisational change (dependent variable). Policy change has been selected to understand the effects of this specific driver of change in the organisational chart of the DG. Although other plausible influences on the organisational structure are addressed and included in the analysis, they do not constitute the main focus.

A time-series design is applied to observe causal inference between policy change and organisational change. The Directorate General Regional Development is analysed from 1973 till 1987 and the variables of interest will be measured repeatedly for this particular unit of observation. This approach provides an understanding of trends in organisational and policy changes, by considering the origin of change in both variables and comparing them to trends in both classifications combined and individually and builds a retrospective account of organisational change in the Directorate General Regional Development over time.

The method that has been valid to prove the causal relationship, and the fact that some organisational changes preceded changes in policy, has been following the paper trail. To further elaborate, to find evidence for a causal effect between policy change and organisational change, Commission documents have been analysed and indicate the reason for organisational change to be an effect of, previous or anticipated, changes in policy. To summarise, to estimate a causal relationship, statements in the minutes must indicate organisational changes (Y) to be an effect of policy change (X). The methods of analysis shall be further addressed in subchapter 4.2.

4.1 Concepts, Operationalisation & Variable Definitions

There are several explanations or confounders that might have led to organisational change in the Directorate General Regional Development between 1973 and 1987. This research aims to understand the role of policy change in the development of changes in the organisational chart

of the DG Regional Development and forms, together with organisational change, a key concept. Policy changes are defined by Langbein and Börzel as "(…) a change in practices and institutional arrangements governing a particular policy" (Langbein and Börzel 2013, 571). The process of policy change is further elaborated on in the literature review, and I acknowledge that this concept is an interpretation and can be contested by others. Nevertheless, in my opinion, this definition fist best in this research. The indicators of policy change are the number of official decisions related to changes practices and institutional arrangements governing the European Regional Development Policy which include changes in the financial budget; expenditures of the budget; policies related to specific regions; and Council directives (CEE) related to the European Regional Development Fund.

The second important concept is 'organisational change'. This term is quite broad and can be interpreted and analysed in different ways. Here, the explanation of Bauer (2008) fits best with the analytical scope of this research. To further elaborate, Bauer's narrow definition of organisational change focuses on the…

> " (…) *internal administrative or managerial basis of the Commission as an international public bureaucracy. This means that close attention will be paid to the internal rules and procedures as regards internal resource management, horizontal and vertical co-ordination, planning, monitoring, control as well as personnel related matters like recruitment, promotion, transparency, professional ethics, and so forth"* (Bauer, Introduction: Organizational change, management reform and EU policy-making 2008, 628).

As Bauer refers to the Commission as a public bureaucracy, describing characteristics of an organisational structure, the definition of a bureaucracy by the Weberian thought is included. According to this thought, a bureaucracy "(…) consists of a hierarchically structured, professional, rule-bound, impersonal, meritocratic, appointed, and disciplined body of public servants with a specific set of competencies" (Sager and Rosser 2009, 1137). These concepts outline the analytical scope of this research in the analysis of the organisational structure of the Directorate General Regional Development.

The observable aspects of the organisational structure are organisational charts and delegated authorities linked to these charts such as task allocation, coordination and supervision of the Regional Development Fund and *vis-à-vis* the Commission of the European Communities, the Council and the Parliament outlined in the Treaty of Rome and the Single European Act Treaty

or Commission documents included in the data set or paper trail. The indicator of organisational change is the number of changes in the organisational chart of the Directorate General Regional Development between 1973 and 1987, mentioned in the minutes of the Commission meetings in this period.

4.2 Methods of Analysis

The goal of this explanatory research is to estimate a partial causal effect or to uncover a partial causal mechanism between the organisational chart, also referred to as the organisational structure, of the Directorate General Regional Development and the evolution of its policies over time. The main research question is *"To what extent could policy change influence changes in the organisational structure in the Directorate General Regional Development of the European Commission between 1973 and 1987?"*. I will answer the main research question by identifying when there were important changes in this particular policy and infer the cause of these shifts by observing plausible relationships. As the research question is very specific, there are no hypotheses included.

The relevant information, provided by the in total 188 documents from the historical archives of the European Commission, created a better understanding of how organisational changes were affected in this DG between 1973 and 1987. By creating a data set, I have been able to identify when these changes in the organisational structure occurred, what these changes entailed, and to classify the drivers of change. These indicators together construct a detailed narrative that derives from process tracing to further research the mechanisms behind the observed changes. This information has been collected through the analysis of Directorate General Regional Development over time in combination with the repeated measurements of all changes of interest, in the organisational chart and policy changes, for this unit of analysis.

Then, the hypothesised causal relationship of policy changes directly affecting organisational change has been studied. First, the concepts have been divided into measurable variables. Organisational change is measured by officially noted changes in the organisational chart of the Directorate General Regional Development in the minutes of the observed period. Policy change has been noted in the minutes by the description of amendments and changes in different aspects of existing rules, guidelines and Council regulations. To understand the differences in changes of policy, the following categories have been chosen to divide them. First, budgetary changes refer to the changes in the ERDF annual overall budget. This budget is available for a specific period for the funding of programmes under the ERDF. 'Regions' are changes referring to specific individual measures for regions within the European Community for which the

Céline van Maaren, Leiden University, 2018

ERDF adjust regulations to improve the economic situation. Changes related to 'regulations' are important to answer the main research question of this research, as the amendments in the other categories changes might all lead to changes in the Council regulations which are considered most important to measure in this research. The changes in the Council regulations are compared to changes in the organisational chart, as the Council regulations officially determine the budget, expenditure and other important rules and regulations which guide the organisation of the ERDF and the decisions related to regions and budget.

Next, these changes have all been combined in a data set and has been used to test the hypothesised causal relationship. Changes in policy occurred more often that organisational change and it is then not valid to claim that policy change and organisational change occurring in the same year is proving a causal relationship. Moreover, the sequence of change in both policy and the organisation are spurious. Prediction of change in one or the other variable as the result of existing data on previous change is not valid. Furthermore, statistical tests have been applied but did not provide evidence of causal relationships based on the dates and frequency of changes in both variables.

By starting with a theoretical framework, the positive theoretical relationship between policy change and organisational change has been estimated. Then, the moments of change in the organisational structure have been identified as well as the drivers of organisational change. To place conclusions deducted from the data collected in context, the hypothesised positive theoretical relationship between organisational change and policy change is studied with empirical evidence.

The research design is a time-series design of a single case traced over time, to estimate plausible variables of interest with a within case analysis. During this process the focus is placed on the relationship between the changes in policy (main explanatory variable) and the architecture of the DG (outcome variable) by process tracing. By detecting the sequence of change between 1973 and 1987, process tracing inferences the hypothesised causal relationships. Process tracing is applied through the identification of the sequence of policy change and organisational change and links between these variables. This then contributes to the overall understanding of causal sequences and their triggers in the causal chain between policy change and organisational change.

The within-case analysis strategy is best suited to this DG as it is a unique policy of the European Commission and not directly comparable to other Regional Development programs.

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Moreover, this policy is carried out on the supra-national level, though its programs differ per region and can therefore not be considered coherent. To understand the logic and the development of the DG's structure between 1973 and 1987, the within-case analysis provides an in-depth case analysis on drivers of organisational change in the DG Regional Development and its context. In addition, alternative predictions and mechanisms of competing theories and explanations about a multitude of observable aspects related this single case are explored by identifying the drivers of organisational change.

<div align="center">4.3 Data Gathering & Management</div>

The FAIR data principles of the European Union (European Union n.d.) are applied to ensure correct data management. Data generation from archival documents of the European Commission are the main source of primary and secondary information on the events between 1973 and 1987. Different types of data are collected. To collect information from the minutes of the Commission meetings between 1973 and 1987, I visited the historical archives of the European Commission as most of my resources are not (yet) digitalised. I chose to visit the archives as I expected to find indicators of changes in the policy and organisational change in this type of documents as these include proposals and other communications from the Commission to the Council and/or other institutions. This is highly informative for this research, as the Treaty of Rome (Publications Office 1957) and the Single European Act (European Communities 1987) outlined the decision-making process where the Commission proposes changes to other institutions and the Council. Therefore, highly valuable information was expected to be found in the archival documents, as I expected the official procedures for policy change and organisational change to be followed. This has been confirmed by my information collection, as different consulted types of documented information describe the processes of organisational and policy change to be guided by official procedures.

The minutes of Commission meetings (**PV**: *procès-verbal des réunions de la Commission)* from 1973 till 1987 were analysed by looking for the terms: ERDF, FEDER, Politique Régionale, Développement Régionale, DG Regio, DG XVI, Regional, Fonds Européen de développement régional. Furthermore, these minutes refer to other existing documents where further information on the decision is given on topics discussed during the meetings. **COM** documents include propositions and communications of the Commission to the Council and to other institutions. In addition, **PERS** are the files that include information on individual personnel procedures of the Commission. Next, **C** documents report on the official documents that include the responsibilities of the Commission's work. Then, **SEC** documents include information that

do not fit other categories in the Historical Archives. Moreover, bulletins published by the Commission have been utilised to confirm and find information on changes in the organisational chart and the Council regulations of the Directorate General. Finally, there are more types of documents available in the archive for research purposes, though they have not been of use for this research. The encoded description of documents, provided by employees of the historical archive to help navigate through its system, is included in the annexes.

This data collection might be useful to anyone studying the EU Regional Development Policy or organisational change and policy decisions in the history of the European Union. The data is collected from the previous mentioned type of documents and other sources such as published articles, reports and books on topics related to this research, mentioned in the bibliography section of this report. The data in the archives is openly accessible, and when there is interest in the data set created for this research by the author, it is possible to request it any time. Though, the data collection can be replicated by visiting the historical archives of the European Commission. Moreover, the data and metadata vocabularies will be copied from the archives and the analysis of my data shall be clearly explained to ensure that the dataset is inter-disciplinary interoperable. The data is stored in hard copy and pdf format. Hard copy is available in the archives and in the personal collection of the author of this research. Moreover, pdf format is created by the author and stored in different personal locations such as a laptop, external hard drive and several online storages for example Dropbox and Google Drive. These measures are taken to limit the risk of loss, enables data recovery when it is needed and the data transferrable to others requesting access to the data set and files. Important to note, there is no other sensitive information that cannot be shared or that have legal or ethical impact on this research and data sharing. Nevertheless, this data cannot be used for commercial purposes.

4.4 Limitations

There are different policies linked to this DG, however the changes in the policy are analysed on the management level. This means that the details and outcomes of the policy, effects of organisational change and causes of policy change are not measured. The causal relation shall be inferred from the evaluation of numerous pieces of evidence collected from the archives of the European Commission as the research focuses on the relation between policy change (X) affecting organisational change (Y) and the plausible intermediary.

Organisational and policy change can be analysed through different channels which together add to a broader understanding of these multifaceted phenomena. The most important factors of organisational change are to be identified in the process of this research, connecting

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organisational change and policy change. Though these two concepts share commonalities. In the case of the Directorate General Regional Development, both organisational change as policy change are discussed in Commission meetings. The changes in policies and the organisational structure are outcomes of deliberate discussions with different stakeholders, though both follow different procedures. As shall be further addressed in this thesis, the outlined processes are based on organisational guidelines included in treaties and internal procedures.

The relationship between both variables exists of different aspects. Both concepts are part of the continuous progress made within the DG and the European Commission, and as a result the context of change is the same for both. In addition, as their context is similar to each other it is possible that they share common drivers of change or affect one another. For example, the concept of policy change defined by Heclo as "(…) being a product of both (1) large scale social, economic, and political changes and (2) the strategic interaction of people within a policy community involving both competition for power and efforts to develop more knowledgeable means of addressing the policy problem" (Heclo 1974, cited in Sabatier 1988, 130) is applicable to changes in policy and to organisational change. This might cause problems to understand the actual variables causing change or trouble the pin pointing of causality among variables. Nevertheless, the outlined procedures for the processes of change are outlined and strictly followed and noted in the minutes of the Commission. Therefore, by following the paper trail of meetings and consultations in relation to this procedure it is possible to explore causal relationships among variables

With two observations, it is not possible the filter out influence of other variables as no factor remains constant over time. Reverse causality might then be an issue in this research design, as it is aims to infer a causal effect of the interdependent relationship between X and Y. Though, this risk is limited as this research focuses exclusively on the relationship of X affecting Y. The unit of analysis is the Commission of the European Communities as organisation, and the relevant population is the department Regional Development, also referred to as Directorate General Regional Development, and the relationship studied is policy change (X) affecting organisational change (Y). The reversed relationship is interesting for further researched, though not included in this thesis.

To further support the method of analysis, the inference of proximity is mainly analysed. Then, to test whether this is not an effect of a different causal effect or mechanism, minutes of meetings addressing regional development that do not include changes in policy and structure are included. Moreover, policies that did not directly lead to organisational change, versus those

that did are examined to see whether there is a certain category or amount of time in which policies do or do not affect organisational change. Though, the outcome of this research is not directly generalisable. Nevertheless, it is important in its own right and generalisation is not necessarily essential and has potential explanatory value for research outside the explored organisational context.

As this research analyses historical events, there is a risk of hind-sight bias. Nevertheless, the aim of this research is to analyse and describe decision-making procedures, rather than the motivation for change. Therefore, it is not in the best interest of this research to make any predictions and foresee events with the knowledge obtained after the effects of this decision already became visible. There is a chance of availability bias, as the most salient information comes from the same source, and the availability of documents is decided upon by the European Union. The aim to limit this bias is based on the strict analysis of different types of documents produced in the selected time period instigating changes and test these against the findings included in the data set.

5. Analysis

In this chapter, the information provided by Commission documents related to policy change and organisational change is analysed and discussed[1]. Its priority is to explain the relationship between organisational change and policy change within the DG Regional Development and hereby add to existing literature and theories. Several theories, outlined by the literature review, are discussed against findings gained from process tracing and congruity which is outlined by George and Bennett as explaining "(…) similarities in the relative strength and duration of hypothesised causes and observed effects" (George and Bennett 2005, 183). Process tracing outlines the different steps and links in the process of organisational change. Then, the congruence method stresses theoretical explanations of existing theories to explain hypothesised effects and non-effects. First, the context of the occurring changes between 1973 and 1987 is examined. Then, the outcomes of process tracing are written out and interpreted and the results are discussed and combined in figures.

5.1 Decision-making procedure from 1973 till 1987

The Single European Act has been adopted in 1986, though the latest organisational change, noted in the results section, occurred in 1985. Nevertheless, the procedures outlined in the SEA

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[1] All documentary sources will be referenced via footnote and are listed in *References* chapter 8.

construct the decision-making procedure for this chapter, as the Treaty of Rome did not include this information. Furthermore, as this subchapter shall illustrate, the decision-making procedure outlined in the SEA was already in practice before it was officially included in the SEA in 1986.

The ERDF is officially part of the structural funds of the European Union since 1975 and the decision-making procedure was outlined in the SEA as follows,

> "*After adoption of the decision referred to in Article 130d, implementing decisions relating to the European Regional Development Fund shall be taken by the Council, acting by a qualified majority on a proposal from the Commission and in cooperation with the European Parliament*" (European Communities 1987, 135).

Examples of this procedure occur in policy changes found between 1973 and 1987. These confirm the decision-making procedure of the SEA and illustrate the existence of this mechanism before it was officially mentioned in 1986. To further elaborate, on the first of October 1980[2], the policy of the European Regional Development was changed by altering the Council Regulation regarding the creation of the European Regional Development Fund. In the minutes of an anticipatory meeting on 24 September 1980[3], Mr. Giolitti senior director of the Cabinet, underpinned the arguments for the revision of the Council regulation based on a draft proposal by the Council. The Chefs de Cabinet[4] had been informed and officially laid the decision in the hands of the Commission to, or not to, appoint Mr. Giolitti in charge of the finalisation of the draft text and resubmitting it to the Council, the Parliament and the Economic and Social Committee. The Commission formally took decisions, though there were issues that had to be addressed and included in the new proposal drafted for the next meeting. Then, during the final meeting on the first of October 1980, the new text drafted by Mr. Giolitti was re-examined and adopted. To finalise the procedure, the Commission adopted the proposed change by the Council modifying the regulation, and the final version was then sent, as a proposal, to the Council, the Parliament and the Economic and Social Committee for them to officially implement the decisions.

This process depicts a bureaucratic hierarchical structure of the intra-institutional relationship between institutions of the European Communities. This relationship is characterised by a top-

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[2] Minutes of Commission Meeting COM (80) PV 574 1 October 1980 European Commission Historical Archives, Brussels, Belgium
[3] Minutes of Commission Meeting COM (80) PV 573 24 October 1980 European Commission Historical Archives, Brussels, Belgium
[4] Results of the Chefs de Cabinet Meeting SEC (80) 1317 23 September 1980 European Commission Historical Archives, Brussels, Belgium

down management approach where processes and rules guide those involved in the process and do not include other possible variables. The relationship outlined in the SEA is an indicator of the behavioural logic of hierarchy and refers to a vertical specialisation. In the vertically limited delegation, the formal power is delegated among levels of management and departments. This confirms the approach of this research to address the process of change in the DG as a bureaucratic process and continues to be the approach for analysing and discussing the results.

5.2 Causal relationship among the main variables

A different example of revisions following the decision-making procedure contains six proposals[5] for Council Regulation under article 13 of the ERDF section 'hors quota'. Modifications proposed by the Commission following the opinion of the Parliament, were followed by the consensus reached in the Council group on this subject on 21 June 1980[6].

1. *"Proposal for a Council Regulation amending Council Regulation (EEC) No. 2615/80 of 7 October 1980 instituting a specific Community regional development measure contributing to overcoming constraints on the development of certain French and Italian regions in the context of Community enlargement.*

2. *Proposal for a Council Regulation instituting a specific Community measure contributing to the regional development of certain Greek regions in the context of Community enlargement.*

3. *Proposal for a Council Regulation amending Council Regulation (EEC) No. 2616/80 of 7 October 1980 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by the restructuring of the steel industry.*

4. *Proposal for a Council Regulation amending Council Regulation (EEC) No. 2617/80 of 7 October 1980 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by the restructuring of the shipbuilding industry.*

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[5] Minutes of Commission Meeting COM (82) PV 658 8 October 1982 European Commission Historical Archives, Brussels, Belgium
[6] Reunion of the Committee of Permanent Representatives SI (80) 466 21 June 1980, 1982 European Commission Historical Archives, Brussels, Belgium

5. *Proposal for a Council Regulation modifying Council Regulation (EEC) No. 2618/80 of 7 October 1980 instituting a specific Community regional development measure contributing to improving the security of the supply of energy in certain regions of the Community by better use of new technologies for hydro-electrical power and alternative energy sources.*

6. *Proposal for a Council Regulation instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by the restructuring of the textile and clothing industry"* (Commission of the European Communities 1982, 658/7, 4).

Based on 646th meeting, the Commission meeting on 20 October 1982[7] transmitted the proposal, including six changes in the Council Regulation under article 13 of the ERDF section 'hors quota', to the Council and send for consultation to the European Parliament and the Economic and Social Committee.

Then, at the 646th meeting on 28 April 1982[8], the division XVI.B.1. was divided into two departments, and their tasks assigned. The, then, '*current*' division XVI.B.2 was changed into division XVI.B.3. The motivation for these changes laid in the imbalances regarding the responsibility and size of units causing operational problems, most specifically in Directorate B. Internal management had been affected and was not coherent among the units due to size and workload. In addition, the revision of the ERDF regulation would expand responsibilities of the unit XVI.B.1. in the near future and supported the need for a reorganisation of the organisational chart[9].

A second similar case occurred on 17 September 1984 where Mr. Burke, in accordance with M. Giolitti and M. Tugendhat, proposed to the Commission that 51 new job positions should be created. Mr. Burke underpinned this request with the motivation that the reorganisation of the Directorate General Regional Development could only be definite when the extra job

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[7] Minutes of Commission Meeting COM (82) PV 665 20 October 1982 European Commission Historical Archives, Brussels, Belgium

[8] Minutes of Commission Meeting COM (82) PV 646 28 April 1982 European Commission Historical Archives, Brussels, Belgium

[9] Communication from M. Giolitti and M. Burke PERS (82) 146 27 April 1982 European Commission Historical Archives, Brussels, Belgium

positions were created due to the main new tasks outlined in the new ERDF regulation adopted on 19 June 1984 by the Council[10].

> *"The Council, having reached an overall compromise agreement in May, adopted the Regulation reforming the European Regional Development Fund on 19 June, following a conciliation meeting between the Council and the Parliament. The regulation adopted was based on the Commission's proposals of 23 December 1981 and 31 December 1983. The Regulation, which contains the essentials of the 1983 proposal, is to enter into force on 1 January 1985. (…) The new ERDF Regulation contains the following innovations: provisions for the coordination of regional policies, regional impact assessment and periodic reports; replacement of national quotas by a system of ranges; provision for programme financing; higher and simplified rates of assistance; more possibilities of assisting small business; a system of advance payments; and provisions concerning integrated operations"* (Commission of the European Communities 1984, 18).

Internal redeployment of personnel assigned to DG XVI was requested to set up the new organisational structure; sixteen posts were made available for specific operations and three posts for enlargement. This led to changes in the organisational chart, relating to transfers, reorganisations, renumbering and renaming, creating and deleting divisions and tasks. The definitive reorganisation proposal would be submitted once the new positions were available, which happened one year after, though the final changes diverged from the proposals included by the Commission in 1984. The proposals presented by Mr. Burke were considered during the 749th meeting[11] on 12 September 1984 and adopted and carried out by the Commission. This was the motivation[12] for a reorganisation of the organisational chart which has been officially adopted on 18 September 1985 during the 794th meeting[13] of the Commission.

5.3 Other drivers of Organisational Change

The reference in the minutes of the 646th and the 749th meeting of a causal effect between policy change and changes in the organisational chart confirm organisational change as an effect of

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[10] Communication from M. Burke in accordance with M. Giolitti and M. Tugendhat PERS (84) 147 17 September 1984 European Commission Historical Archives, Brussels, Belgium
[11] Minutes of Commission Meeting COM (84) PV 749 12 September 1984 European Commission Historical Archives, Brussels, Belgium
[12] Communication from Mr. Varis in agreement with Mr. Christophersen PERS (85) 128 13 September 1985 European Commission Historical Archives, Brussels, Belgium
[13] Minutes of Commission Meeting COM (85) PV 794 18September 1985 European Commission Historical Archives, Brussels, Belgium

policy change. Nevertheless, there have been noted other drivers for the changes in the organisational chart between 1973 and 1987 which are further elaborated next.

First, on 21 July 1976 during the 393th meeting, the Commission adopted a new organisational chart which includes a new specialised service called 'secretariat of the Committee and coordination – ERDF' which came into force on the first of August 1976[14]. The motivation for this change is not mentioned in the document or those related to it.

Four years later, on 10 September 1980[15] the organisational chart changed again. The title of Department A was changed, new specialised services were added, and one of its divisions was renamed. Department B, from then onwards, includes the secretariat of the Committee and its name was revised, as well as two other units within the department. The new organisational chart includes these changes, and has been revised based on the advice of Mr. Ortoli (Ortoli 1980), after he had been asked by the Commission[16] to supervise the analysis of the third phase of the Spierenburg report (1979).

The motivation for the Commission to request Mr. Ortoli for this analysis was based on the improvement of the structure of the organisational chart "by grouping activities in larger administrative units where they can be carried out more efficiently and where a better use can be made of the staff available" (Ortoli 1980, 4). The Commission had been recommended to follow the proposals of the Ortoli working document, by the Chefs de Cabinet[17]. The final changes in the organisational chart of the Directorate General Regional Development include the removal of two departments: 'Studies' and 'ERDF: Secretariat of the Fund Committee and coordination', and alterations and name changes are suggested.

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[14]Minutes of Commission Meeting COM (76) PV 393 21 July 1976 European Commission Historical Archives, Brussels, Belgium

[15] Minutes of Commission Meeting COM (80) PV 751 10 September 1980 European Commission Historical Archives, Brussels, Belgium

[16] Communication from Mr. Giolitti and Mr. Tugendhat PERS (80) 149 11 August 1980 European Commission Historical Archives, Brussels, Belgium

[17] Results of the Chefs de Cabinet's weekly meeting SEC (80) 1248 9 September 1980 European Commission Historical Archives, Brussels, Belgium
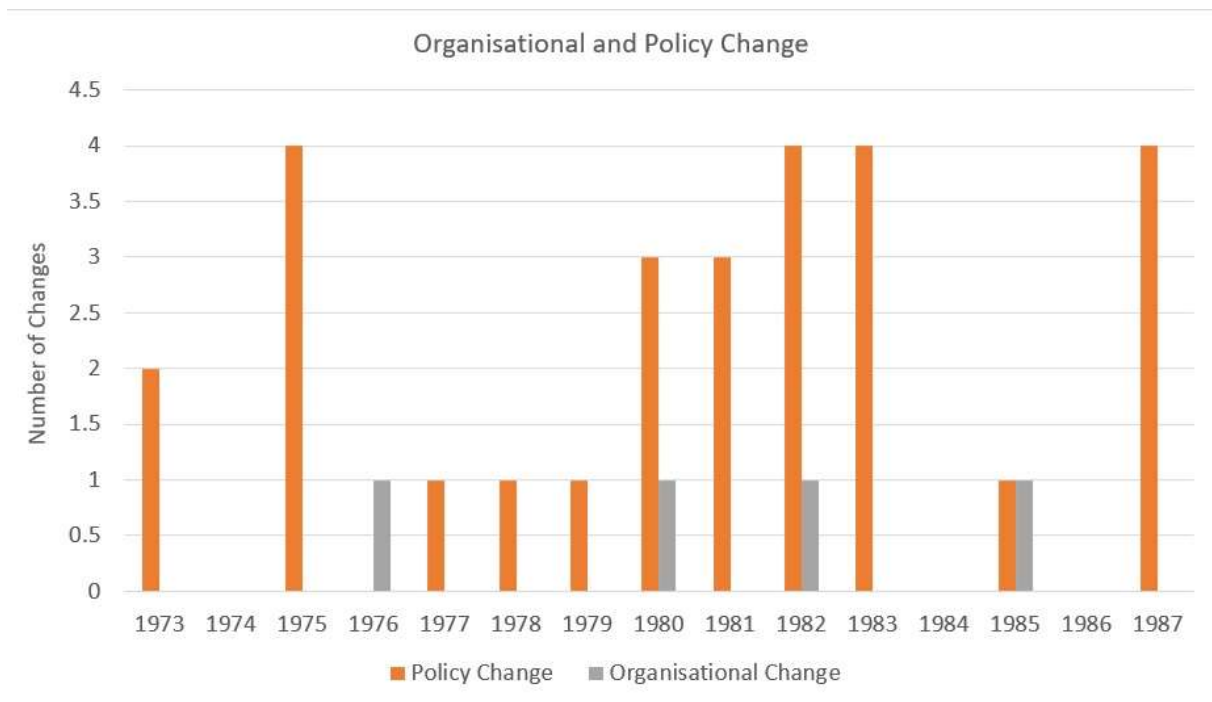
5.4. Figures and Results

Figure 1 - Annual Policy and Organisational Changes between 1973 and 1987

Figure 1 depicts all changes in the organisational chart and the Council regulation related to the Directorate General Regional Development and the ERDF. In total there have been four organisational changes and twenty-eight changes in policies related to the Council Regulation of the European Regional Development Fund. As illustrated, the occurring changes in this period are inconstant, so are the policy changes. Therefore, regression analysis is does not provide useful information for this analysis. To better comprehend these changes and their meaning to existing theory, this subchapter shall thoroughly describe and discuss the results with figures and theories by analysing results from process tracing.

To understand the differences in changes of policy, the following categories have been chosen to divide them and included in figure 2. First, budgetary changes refer to the changes in the ERDF annual overall budget. This budget is available for a specific period for the funding of programmes under the ERDF. 'Regions' are changes referring to specific individual measures for regions within the European Community for which the ERDF adjust regulations to improve the economic situation. Changes related to regulations are important to answer the main research question of this research, as all policy changes might lead to actual changes in the Council regulations. These changes are compared to changes in the organisational chart, as the Council regulations officially determine the budget, expenditure and other important rules and

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regulations which guide the organisation of the ERDF and the decisions related to regions and budget.
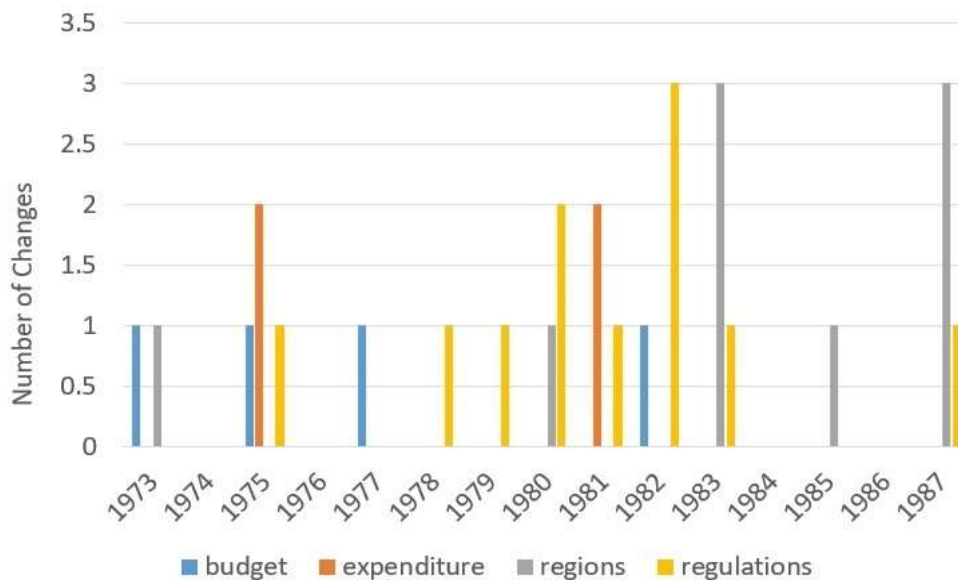

Figure 2 - Categories of Policy Change between 1973 and 1987

In total there were eleven changes in the Council regulations out of twenty-eight policy changes. Two of these changes in the Council regulation eventually led to organisational change, which has been explained previously in this chapter. However, it is important to note that these policy changes could have also triggered or caused other forms of change in the Directorate General or even broader. This should be underlined and further tested in future research.

To continue with the analysis of figure 2, the number of changes made in relation to the regions could be explained by the expansion of the Community with the countries Denmark, Ireland and the United Kingdom in 1973, Greece in 1981 and Portugal and Spain in 1986. Policies might affect the organisation to change as the origin of pressure for reform, indicated by Bauer (2007). To define a focal event (Birkland 1998) that possibly leads to organisational change or policy change due to its sudden, relatively uncommon, destructive, nature in a geographical area or community of interest. These characteristics have been observed in relation to changes in policies related to the regions. The ERDF supports those regions where immediate economic aid is needed and must change when new members enter the European Communities. Though, these policy changes have not been noted to have had any direct influence on the change in the organisational structure. This could mean that the procedures and structure of the DG Regional Development are organised based on rationality and have included these possibilities into their structure to not be affected by these events. Though, this is an assumption and is therefore

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advised to be further analysed in further research understanding the influence of external events affecting the organisational chart of this DG.

Changes in budget and expenditure are less often noted than those in Council regulations or those related to regions. This could be explained by the process of determining the budget and the expenditure thereof. The changes made have been linked to individual cases or rarely occurring situations which asked for the amendment of existing regulation. The norm has rather been that budget and expenditure were regulated through different institutions or Directorates General. To be specific, the Directorate General Budget annually granted a certain budget to the Directorate General Regional Development for their agenda. Then, the Single European Act has outlined the procedure of application and the allocation of funds among the regions of the Community which set out the instructions for the expenditure of the budget by the Directorate General Regional Development together with the Council regulations.

Finally, figure 2 illustrates the most noted policy change in the category Council regulations. These changes occur in coherence with the process outlined by the Council regulations to structure activities and achieve the organisation's envisioned goals. The structure of the DG, confirmed by this thesis in the specific time period is highly formalised, consists of: large departments (DG's); technocratic, centralised vertical decision-making; and a sharp hierarchical division between line and staff. Due to the expertise of employees within the organisation, these departments gain limited horizontally delegated authority, in this case through the delegation of formal tasks such as the management of the European Regional Development Fund, and other tasks outlined in the Council regulations regarding this DG. This horizontal authority is not shared by all employees, it is delegated to the first-line managers, the Director Generals. Moreover, major decisions can only be made at the highest level, following formalised official procedures and the chain of authority. This is in accordance with the concept of bureaucracy and consequence-based action in the institutionalist theory.

In other words, institutional arrangements define the collective reference framework with symbolic, normative and structural value for the creation of long-term goals of the Directorate General Regional Development. These aspects are combined in strategic and long-term goals to unlock policy issues related to targets and processes. Due to the well-functioning of the formalised procedures in the DG Regional Development and the Commission in this period, there has not been found evidence of room for individual goals other that those that serve to organisational goals and are assigned to the roles of individuals in the hierarchical structure.

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To summarise, important rational changes to improve the formalised structures have been changes in the organisational chart, improving performance or manage arrangements to advance quality. These structures are not depending on the individual, because the framework is guiding for everyone on the organisation on all levels of the hierarchy. Qualities assigned to individuals are measured in performance, rather than personal characteristics. Therefore, innovations as a result of leadership or other "social" qualities are incorporated, routinised and regulated by the formal structure. This could be further researched by others, as there has not been found any evidence of high transactions costs or low efficiency caused by red-tape, prisoner's dilemma or other 'weaknesses' in rational institutions to drive organisational change. Changes in the organisational structure occur sporadically, though three out of four changes occur in the same year as policy change. As explained before, only two changes can be linked to policy change. The information indicates the cause of events evolving in a chain of events, though this is not enough evidence to generate a pattern.

5.4.a. Confirming the Rational Choice perspective

By analysing the results from the rational choice perspective, the following information came to light. First of all, policy as a driver of change is linked to the organisation's self-enforcing structure that has disturbed the structure-induced equilibrium. In addition, I argue that the structure-induced equilibrium, through organisational change, can be best analysed by incorporating the three P's. First, politics has played a role in the process of change, where different actors such as, the Chefs de Cabinet, Commissioners, the Parliament etc. interacted due to a deficiency in the existing regulations. Second, by following the minutes including the references to the polity, the importance of the formal (treaties) or informal framework (codes of conduct) that together construct the framework of rules set out by the organisation, confirm the necessity of high formalisation to improve and maximise the organisation. By policy choices, the optimal decision to get back to the structure-induced equilibrium in these specific cases has been made to resolve issues driven by inefficiencies highlighted by two policy changes and the Spierenburg report. Therefore, I assume that the 'weakening' of the institution has been caused by its self-enforcing structure leading to endogenous driven organisational change. In this case, policy changes related to Council regulations is included in the organisation's self-enforcing structure through officially outlined processes to guide change.

Rational choices for change are driven by organised actions to maximise efficiency. Both organisational change and policy change must follow the same formalised procedure which includes different stakeholders that provide feedback and must support proposals of change to

secure the maximum efficiency and effects of these amendments. Then, the transitivity principle is applicable in all procedures leading to changes in the organisational chart as these changes are preferred and presumed to be the first best option to reach organisational goals. As all actors act rationally through a system of formalised rules and procedures outlined in the SEA and the Council regulations. To further support this argument, three organisational changes of which the driver of change is known have been thoroughly analysed. The exception here is the amendments of the organisational chart in 1976 of which the drivers are unknown and cannot be analysed on this level of analysis.

This leads us to the next point, it can be confirmed that policy change influenced the organisational chart following one of the formalised processes of policy change: layering, conversion, drift points or exhaustion (Capoccia 2016). As the drivers for organisational change are endogenous, it can be argued that policy change influences the organisational chart following one of these formalised processes of policy change. Layering would then apply to the policy changes in the Council regulations to add new formal rules and change their effects. Though, this would need further empirical testing in future research, because Capoccia (2016) adds the motivation for policy change to include in its theory, which has not been the focus of this analysis.

In addition, by analysing the pattern of the two Council regulations policy changes affecting the organisational chart the two different expected types of policy drivers for organisational change have been found. First, to support other changes, policies to amend the organisational structure had to be created. The motivation for the organisational changes in 1980 laid in the imbalances regarding the responsibility and size of units causing operational problems, most specifically in Directorate B. Internal management had been affected and was not coherent among the units due to size and workload. Most importantly, to expand responsibilities of a department and revise the ERDF regulation in the near future, there was a need for the reorganisation of the organisational chart. Second, existing policies could not be implemented or did not function well due to organisational limitations of the existing organisational chart. Then, internal redeployment of personnel assigned to DG XVI was requested to set up the new organisational structure. This led to changes in the organisational chart in 1985. Another pillar of the rational choice institutionalist literature on organisational change assumes that the changes in organisational structures occur per department, not so often as a whole. This can be confirmed by this case study as there has not been found any evidence of similar changes occurring in other departments simultaneously.

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5.4.b. Alternative Explanations

Behaviour and its interconnections between normative and behavioural structures is the focus of the historical school of thought. The history of the organisation is analysed to understand the changes in the organisational structure as a response to changing conditions, by combining ideas, economic interests, and political institutions. By co-optation, and analysing decisions made on different levels in the organisation resulting in organisational change (changes in the structure) over time, an observable distinctive pattern should evolve. Though, as illustrated by figure 1 which includes decisions measured over time of which some result in organisational change, there is no pattern evolving.

As mentioned in the chapter discussing theory development, the aim of this research in not to understand the motives for the drivers of change. Therefore, informal constraints on individual behaviour, new economic factors that change the paradigm or leadership by a group or individuals that exploit openings institutional system to realise innovative change have not been centralised. Nevertheless, from the sociological and historical institutionalist perspective, organisational leadership would be necessary to define the overall mission, role and, the embodiment of policies into the organisational structure and by staff (Boin 1998, Selznick 1957). Leadership could plausibly be linked to the Director General. Nevertheless, the Director General during the organisational change in the 1980s did not change, neither was there a change in office anticipating the organisational change in 1976[18]. Though, there are more possibilities for other individuals than the Director General to display leadership qualities. An example hereof is the Spierenburg report. This report created under the authority of Dirk Spierenburg, generated support for reforms from the majority in the Commission, as it was highly involved in the operationalisation, implementation and adaptation phase of the reforms. Therefore, the inclusion of a cultural framework in the analysis of this driver for organisational change is interesting for further research.

If I would follow the idea that the organisational structure is shaped by the needs in society. There must be evidence of changes in the organisational chart to have a relation with societal changes. One of the drivers of change is the Spierenburg report. In this context, isomorphism could explain that due to Community wide, or Commission reforms the organisational structure of the Directorate General has been modified. Almost like a 'fashion' of change, as the reforms

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[18] Bulletin of the EUROPEAN COMMUNITIES 'Special Supplement', Directory of the Commission of the European Communities nr. 489 and 475 (1974), 493 (1976), 499 and 500 (1980), 502 and 503 (1982), and 511 (1985) derived from the website of the Archive of European Entegration – University of Pittsburgh.

are institution or Community wide articulated, and influence the paradigm on organisational change. These changes can be driven by different catalysators: "to mark a change in the intensity of commitments; to create an impression of reformative dynamism; to adapt to changes in the environment; to make savings; to be more effective or better coordinated; to take charge of new governmental functions and new public policies; to respond to problems encountered by the political executive (Bezes, et al. 2018, 5).

Though, the motivations for change in the organisational chart have not been driven by the need for power, environment, changes in commitments and neither have they been influenced by the path dependency. Furthermore, the changes in the organisational chart are driven from inside the organisation. And changes in the organisational chart do not present a direct a relation with societal changes, or cultural frameworks and appropriateness which dominate the motivation for changes in the organisational structure. It is always possible to consider the role of the organisational structure and cultural frameworks in decision-making processes, though that is not the research question here.

The historical thought then could argue that the hierarchical structure of the organisation is linked to the path-dependency of the institution and the division of power. Moreover, the programmes that were established or funded by the ERDF do not seem to directly influence organisational change of this DG, which confirms the top-down hierarchical structure discussed previously. It could be the case that the organisational structure or the historical path dependency influence the outlined processes of policy and organisational change. In addition, one can argue that the role of the European Parliament in the decision-making process gives room for nation state political inferences. This could be the case, though it would need further research to understand whether this is truly the case.

As this research focuses on the processes of change with a rational choice approach which does not include exogenous changes in the analysis, there has only been found evidence that changes driven by this report are specifically applied per DG to improve efficiency per department. Therefore, I would recommend further research to include isomorphism in the analysis of the changes in the organisational structure in 1980. To conclude, the three changes driven by policy (twice) and the Spierenburg report (once) did not occur from the institutional environment, so to say exogenous shocks affecting the institution and modify the status quo. From the earlier outlined endogenous shocks such as changes in policy, suspension of rules and special circumstances, only policy change has been found as an endogenous driver of policy change.

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By disconfirming the direct influence of cultural aspects influencing the organisational structure so far, the results confirm the rational choice approach. This theory assumes that the organisational structure is not depending on the individual, because the framework is guiding for everyone on the organisation, as much as all levels of the hierarchy. Qualities assigned to individuals are measured in performance, rather than personal characteristics. Concluding, innovations as a result of leadership or other "social" qualities are incorporated, routinised and regulated by the formal structure and do not have to be observed separate from that. Another example hereof, is the increase in efficiency to reduce transaction costs by reorganising the institution. This driver is included in the minutes of 10 September 1980, as the Ortoli report explicitly mentions the motives for the reorganisation of the organisational chart being a better use can be made of the staff available and an efficient organisational structure.

It can therefore be concluded that the right theory to answer the main research question is the rational choice perspective. Different plausible influences have been discussed to interpret the findings. Though, following the formalised procedures and social frameworks based on rationality, is the best theoretical framework to answer the main research question. Policy change, going through official processes, directly affected changes in the organisational chart in this period. One organisational change does not mention driver of change, and the other change in the organisational chart is a direct effect of the Spierenburg report. Therefore, policy change is part of the formalised social structure of the Commission and this DG and by its incorporation does not lead to the weakening of the organisational structure. Nevertheless, policy change does not always lead to organisational change, and is therefore neither a necessary nor sufficient driver of organisational change. This could plausibly indicate a third factor influencing organisational change which is a theory that needs further exploration. As the causal relationship between policy change and organisational change lacks causal depth, it is important to note that these results can only confirm the relation for the two cases in 1982 and 1985 and that the generalisation of causality between policy change and organisational change in this case is not confirmed nor denied. Therefore, policy change can be regarded as contributing cause, neither necessary nor sufficient, to organisational change in the Directorate Regional Development between 1973 and 1987.

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6. Conclusions

The DG Regional Development is a vital actor in the process of European integration, as it is a substantial and significant area for members states to combat economic and social disparities. Regional development or regional economic integration has been studied in different disciplines such as economics, law and political science. European Economic integration, also known as the European Regional Policy, has been one of the most important policies in the European Union. The idea to diminish economic disparities among members was a reaction to the disasters and crises after the Second World War to unite and develop the European countries economically (Riesenfeld 1974). In 1968 the Directorate General Regional Policy of the Committee of the Communities was established to enhance regional economic integration among all member countries.

Over the years, the DG and its policies have known major and minor changes. The Communities transformed into the European Union and different approaches in the literature have aimed to uncover mechanisms that proceeded these changes. Economic equality among regions is one of the most important aims of the European Community and has been included in policies since the Treaty of Rome. The outcomes of this research add to the existing literature by supplementing insights on policy processes within the DG in the 1970s and 1980s. To analyse change in the organisational structure of the Directorate General Regional Development and their hypothesised relationship with policy changes, the minutes of Commission meetings have been examined. Data from the documents indicating change in the organisational chart or the policy related to the European Regional Development Fund or the Directorate General have been compared between 1973 and 1987.

In this period, the Commission consisted of two coexisting internal coordination networks, a bureaucracy and a governmental structure managed by strong hierarchical management principles. The bureaucracy consisted of different Directorates General of which Regional Development was one, and the governmental structure included commissioners and cabinets. Rational choice institutionalism defines organisations as highly formalised collectivities oriented to the pursuit of specific goals. Therefore, machine bureaucracy (Mintzberg, Structure in 5's: A Synthesis of the Research on Organizational Design 1980) fits best when analysing the Directorate General Regional Development in the organisational context of the European Commission between 1973 and 1987. Different aspects assigned to this organisational structure are described by Mintzberg as: highly formalised, large departments (DG's), technocratic, centralised vertical decision-making and a sharp hierarchical division between line and staff.

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This thesis strives to test a theoretical framework to understand the effects of policy change on the organisational chart of the Directorate General Regional Development between 1973 and 1987. Namely, by answering the main research question: *"To what extent could policy change influence changes in the organisational structure in the Directorate General Regional Development of the European Commission between 1973 and 1987?"*. A time-series design has been applied to observe causal inference between policy change and organisational change over a period of fifteen years. This approach provided information that adds to the understanding of trends in organisational and policy changes, by considering the origin of change in both variables and comparing them to trends in both classifications combined and individually and builds a retrospective account of organisational change in the Directorate General Regional Development over time.

Process tracing has been the method that has been valid to prove the causal relationship, some organisational changes preceded changes in policy. The FAIR data principles of the European Union (European Union n.d.) are applied to ensure correct data management. Data generation from archival documents of the European Commission are the main source of primary and secondary information on the events between 1973 and 1987. To collect information from the minutes of the Commission meetings in this period, I visited the historical archives of the European Commission as most of my resources are not (yet) digitalised. The minutes of Commission meetings refer to other existing documents where further information on the decision is given on topics discussed during the meetings.

I have examined different drivers of organisational change; policy change is the most frequently occurring driver. The type of policy change leading to organisational change is categorised by this research as regulation changes, as the decisions included the revision of Council regulations related to the ERDF and the Directorate General Regional Development. The category of regulation changes counted eleven changes out of the twenty-eight total policy changes in the period between 1973 and 1987, of which two led to organisational change.

Both changes in policy and organisational structure can be labelled as endogenous change as they are outcomes of defined processes and structures inherent to the overall institution and the rules and legislation regarding the Directorate General Regional Development. This confirms the rational choice perspective that highly formalised bureaucracies incorporate different drivers of change to improve the self-enforcing organisation. Furthermore, no evidence has been found of exogenous factors affecting the organisational structure or changes in policy that would eventually lead to organisational change.

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By including different streams of institutionalism, this research has sought to add to the institutionalist literature by including different analysis of this case study. Due to the specific research question, in combination with the research design set out for this thesis, the rational choice perspective has proven to be most efficient in answering the main research question. By following this approach, it can be concluded that policy change directly affects organisational change. Though, it is not a necessary condition for change. As discussed in the results section, only two out of four changes have been caused by policy change.

The insights by this research add to the knowledge on the influence of policy on the organisational change within the Directorate General Regional Development. Moreover, it illustrates the decision-making processes outlined in treaties in practice in this specific department. These findings confirm existing institutionalist theories and those of bureaucratic organisations and their decision-making processes, illustrated by policy changes and organisational changes in this research. Furthermore, based on the findings, further research can investigate whether drivers of change show similarities in other Directorate Generals of the European Economic Communities in this period. In addition, it is highly interesting to identify and classify drivers and compare those to this research, to understand whether there is or has been a pattern of drivers of change in the organisational structures of Directorates General over time.

Possible causal significance does not generalise a causal pattern or prove the necessity of policy change for organisational change to occur. Due to the limitation of access to further information on the causes of the organisational change in 1976 and prioritisation of research objectives, it is possible to test other theories and explanations for the occurrence of organisational change without policy change, some of which have been discussed in this thesis. As the causal relationship between policy change and organisational change lacks causal depth, it is important to note that these results can only confirm the relation for the two cases in 1982 and 1985 and that the generalisation of causality between policy change and organisational change in this case is not confirmed nor denied. Therefore, policy change can be regarded as contributing cause, neither necessary nor sufficient, to organisational change in the Directorate Regional Development between 1973 and 1987.

It can be argued that the results of this research cannot fully describe the situation due to the nature of the source of information. Therefore, it is important to understand that these findings and discussions provide an insight into the context of these changes and drivers identified by the minutes. Criticisms may be pointed towards the limited attention given to culture, ideas,

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and social practice as drivers of changes in preferences and the organisation of the institutions. Though, the role of actors and drivers is not denied, as their actions have been analysed in terms of relative structural positions in the network driven by processes. Moreover, I am aware that this thesis includes one case, analysing a department of one organisation over a specific time period. Therefore, this thesis adds to the puzzle, though is also considered a pre-research for larger research projects. Cross-case analysis could be interesting for further research to find out whether the occurring changes in this within-case study occur in other departments or institutions. Moreover, by including cultural aspects these changes can be focussed on from different points of view and other drivers might become evident. Reversed causality has been accounted for, though could still be argued to be a limitation. Nevertheless, evidence found in the official documents retrieved from the Historical Archives of the European Commission have proven that organisational is direct effect of policy change and not vice versa. Therefore, the relationship is X affecting Y in the case studied, and there is no evidence found of reverse causality. I have identified this link by process tracing and carefully selecting reliable sources to support the validity of this research.

Concluding, in the period 1973 till 1987, policy changes have led twice to organisational change in the Directorate General Regional Development. By using a rational choice approach, the processes and decisions have been proven to be highly formalised and based on a hierarchically structured bureaucracy. Following this theoretical perspective, policy change can be place under incorporated drivers for endogenous change to limit unexpected events that could interrupt the structured-induced equilibrium of this DG and the Commission.

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8. List of Documents

2. Minutes of Commission Meeting COM (80) PV 574 1 October 1980 European Commission Historical Archives, Brussels, Belgium

3. Minutes of Commission Meeting COM (80) PV 573 24 October 1980 European Commission Historical Archives, Brussels, Belgium

4. Results of the Chefs de Cabinet Meeting SEC (80) 1317 23 September 1980 European Commission Historical Archives, Brussels, Belgium

5. Minutes of Commission Meeting COM (82) PV 658 8 October 1982 European Commission Historical Archives, Brussels, Belgium

6. Reunion of the Committee of Permanent Representatives SI (80) 466 21 June 1980, 1982 European Commission Historical Archives, Brussels, Belgium

7. Minutes of Commission Meeting COM (82) PV 665 20 October 1982 European Commission Historical Archives, Brussels, Belgium

8. Minutes of Commission Meeting COM (82) PV 646 28 April 1982 European Commission Historical Archives, Brussels, Belgium

9. Communication from M. Giolitti and M. Burke PERS (82) 146 27 April 1982 European Commission Historical Archives, Brussels, Belgium

10. Communication from M. Burke in accordance with M. Giolitti and M. Tugendhat PERS (84) 147 17 September 1984 European Commission Historical Archives, Brussels, Belgium

11. Minutes of Commission Meeting COM (84) PV 749 12 September 1984 European Commission Historical Archives, Brussels, Belgium

12. Communication from Mr. Varis in agreement with Mr. Christophersen PERS (85) 128 13 September 1985 European Commission Historical Archives, Brussels, Belgium

13. Minutes of Commission Meeting COM (85) PV 794 18September 1985 European Commission Historical Archives, Brussels, Belgium

14. Minutes of Commission Meeting COM (76) PV 393 21 July 1976 European Commission Historical Archives, Brussels, Belgium

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15. Minutes of Commission Meeting COM (80) PV 751 10 September 1980 European Commission Historical Archives, Brussels, Belgium

16. Communication from Mr. Giolitti and Mr. Tugendhat PERS (80) 149 11 August 1980 European Commission Historical Archives, Brussels, Belgium

17. Results of the Chefs de Cabinet's weekly meeting SEC (80) 1248 9 September 1980 European Commission Historical Archives, Brussels, Belgium

18. Bulletin of the EUROPEAN COMMUNITIES 'Special Supplement', Directory of the Commission of the European Communities nr. 489 and 475 (1974), 493 (1976), 499 and 500 (1980), 502 and 503 (1982), and 511 (1985) derived from the website of the Archive of European Integration – University of Pittsburgh http://aei.pitt.edu/view/eusries/GENERAL=3ADirectory_of_the_Commission.html

9. Annexes

Annexe I - List of Abbreviations

EU – European Union

EC – European Communities

EEC – European Economic Community

CEC – Committee of European Communities

EURATOM - the European Atomic Energy Community

SEA – European Economic Community

ECSC – European Coal and Steel Community

ERDF – European Regional Development Fund

RDP – Regional Development Policy

ERP – European Regional Policy

DG – Directorate General

ToR – Treaty of Rome

Annexe II - Categories and classifications of the Commission Documents in the Historical Archives of the European Commission

C   documents relating to official acts falling within the Commission's own responsibility and to their preparatory work

COM   proposals and other communications from the Commission to the Council and/or others

H   documents relating to an authorisation procedure

OJ   agendas for Commission meetings

PERS   documents relating to individual staffing procedures

PV   minutes of Commission meetings

SC   briefing notes on the work of the Economic and Social Committee

SG   incoming mail (A) and departure (D) from the General Secretariat

SI   briefing notes on the work of the Council

SP   briefing notes on the work of the European Parliament

SPI   information notes on the co-decision-conciliation procedure (since 2000)

SR   briefing notes on the work of the Committee of the Regions (since January 1995)

SEC   documents not included in other categories

(Bulletin   published working document on activities and developments in the Commission)

Documents subject to an interinstitutional adoption procedure, with an interinstitutional classification.

COD   for the co-decision procedure

SYN   for the cooperation procedure

AVC   for the assent procedure

CNS   for the consultation procedure

ACC   for the procedure of article 113

PRT   for acts under the social protocol

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