LEARNING IMPACT OF INTERNAL AND EXTERNAL SUPERVISION ON (SEMI) PUBLIC ORGANIZATIONS

Master Thesis Simone Groen
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Learning impact of internal and external supervision on (semi) public organizations.

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Preface

"We should focus in on our ideas of success and make sure that we own them, that we are truly the authors of our own ambitions."

— Alain de Botton

The funny thing about me is that when I'm in a research project for a long period of time, I seek for inspiration from philosophers to be able to finish it. Probably, every researcher has these moments, where one cannot see the wood for the trees. That all data you gathered are right before you, and you only have to start *writing…*

Alain de Botton has been a great inspiration for me last year. His books and (TED) talks are bright, inspiring and helpful in life in general, but also when you have to put large amounts of data in the right order and you just should not loose your motivation (and temper) whilst doing it. One thing I especially like of the philosopher and founder of the School of Life, Alain the Botton, is his disarming humour and self-irony, which more than once made my day. Not only by making me laugh out loud behind my laptop, but also by putting certain things in perspective, and by creating an incredible sense of recognition. The work of De Botton has definitely been a valuable side-discovery of the research process I went through for my master thesis.

I want to thank all the respondents who were willing to tell me their stories. Your openness has really been inspiring to me. A special 'thank you' goes to prof. dr. Cor van Montfort, who inspired me, and challenged me to improve my work all the time. Many thanks as well go to the sector PPS/OCW of the Algemene Rekenkamer, where I did a research internship, for being such a welcoming and inspiring group of researchers. I want to thank Stavros Zouridis, who acted as second supervisor in this final project and made time to read my thesis during his time abroad. Further, I want to thank my family and friends for their trust and support, and of course my parents also for funding my study. Last but not least, I want to thank Rogier for always being my light when it's dark.

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Executive Summary

This research was done in the context of the Research Master in Public Administration and Organizational Science from the Universities of Utrecht, Tilburg and Rotterdam.

<u>Research focus and set-up</u>

In recent years there has been an increased attention for the effectiveness of supervision in the Dutch semi public and public sector. As a result of a series of incidents in the educational, healthcare and social housing corporation sector, the societal role of supervision has increased even as the need to evaluate it. One way of measuring the effectiveness of supervision is to use a learning perspective, which means that the learning impact of supervision on organizations will be considered. This perpective has rarely been used to investigate supervision relationship, while it is, besides the constitutional and democratic perspective, one of the three pillars of measuring effectiveness of accountability relationships (Bovens et al., 2008). The type of supervision relationships that were selected for this study are between executive directors of (semi) public organization and internal supervision (supervisory boards/board of commissioners) and between executive directors and external supervision (inspectorates or other governmental supervision bodies). The relationship between executive boards and both internal and external supervision was chosen, because about the relationship between internal and external supervision many questions exist and little empirical data are at stake yet. As a consequence, the following central research question was formulated:

> *(How) do internal and external supervision contribute to learning of semi-public organizations? And why?*

Firstly, it was examined how *learning* in supervision relationships can be defined. Secondly, explanatory theories were gathered. In psychological and public administration studies concerning learning not one comprehensive theory for learning is used, but different stimulating and hindering factors are identified that influence workplace learning processes. In this study some stimulating and hindering factors were distilled from literature concering different contextual aspects characteristic for the organization and supervision relationship (formal, environmental, relational and content aspects). In addition, two contradictory supervision theories were used in order to examine which one is more useful for explaining why internal and/or external supervision does or does not result into learning of (executive boards of) organizations. The Principal-Agent theory (Strøm, 2000; Huse, 2007) proclaimes that a relatively large distance between supervisor (principal) and executive boards (agents) is disadvantageaous, because it negatively influences the information position of the supervisors and stimulates strategic behaviour of the executive boards. On the contrary, the New Separation of Powers theory (Vibert, 2007) proclaimes that a relatively large distance between supervisor and executive boards is important and advantageous, because it is a prerequisite for the credibility and authority of supervisors towards organizations and the public. Both for the investigated stimulating and hindering factors and for the two contradictory theories hypotheses were formulated about learning.

As a result of the relatively new research terrain the study is of an exploratory nature. A qualitative research approach was used in order to be able to explore the phenomenon within its context, based on a variety of data sources. Subsequently, a multiple case study design was chosen so that differences and similarities within and across cases could be explores as well. A hospital, a regional training centre (ROC), a housing corporation, and a semi-autonomous agency (in Dutch: ZBO) were

selected, reflecting the wide variety of organizations the (semi) public sector consists of as much as possible. 18 semi-structured interviews were conducted (with an average of 4 interviews per case) with executive directors as well as with internal and external supervisors of the organizations. The data collection was complemented by document analysis.

<u>Research outcomes and implications</u>

The empirical results demonstrate that internal and exernal supervision do achieve a learning impact amongst executive directors. However, there are differences in what kind of learning impact is constituted and why. The first sub-question explored the ways in which internal and external supervisors actually carry out their supervision work in order to form a informative fundament as a base for the other subquestions. It appears that there are subjects upon which both internal and external supervision focus, like financial management in most cases, but there also subjects to which both internal and external supervision hardly seem to pay attention, like long-term strategic positioning questions. Striking is the fact that internal and external supervision only come in contact with one another as part of escalation procudures. There is a gap when it comes to contact in regular situations in the investigated cases. The second sub-question examined what learning impacts both internal and external supervision achieve amongst executive boards:

In general internal supervisors contribute to a broad understanding of administrative issues, and their mutual relationships, while external supervision contributes to knowledge and insight in specific domains (in-depth), namely in norms for quality or financial stability. In addition, internal supervisors often contribute to understanding of operational and management issues compared to other sectors, while external supervisors contribute to the understanding of the (quality) performances of the organization relative to other organizations in the same sector.

Concerning the contribution to skills external supervision contributes by using a set of indicators that can be used as an administrative instrument by executive directors. Internal supervision on the other hand contributes purposefully to a broader spectrum of skills, like skills to manage (stakeholder) relations and skills to improve documents and reports. Skills concerning the contribution to strategic SWOT-analysis are scarce, which reflects one of the 'gap' between internal and external supervision found in the first sub-question.

As for the contribution to opinions and views it seems that both internal and external supervisors discuss their views and opinions on risks. However, the internal supervisors also exchange their views on operational management issues and less on quality issues like external supervisors.

Concerning the improvement of policies and procedures, it is interesting to notice that in general internal supervisors are more concerned with the formation process of policies and procedures, while the external supervisors are concerned with the evaluations of existing policies and procedures and the way they are implemented. Furthermore, it seems that overall the focus of external supervisors lies in policies and procedures concerning quality, while internal supervisors mainly pay attention to financial policies and procedures.

Concerning the prevention of mistakes and irregularities an important difference is that internal supervision forms a forum to which executive boards are hold to account (almost) continuously, and forms a point of reference for decision making. In contrast, most external supervisors are only once a year in the picture. External supervisors are more focused on identifying mistakes and calamities and make the executive board aware of it and make them solve it within a given time period, while internal is more focused on which steps should be taken to solve the problem.

The third sub-question examines *why* learning of executive directors occurs in supervision relationships. The reason, as was concluded from the empirical data of this study, includes a combination of some of the (environmental, formal, personal, and content related) stimulating factors, in combination with dynamics of distance between the supervisor and the executive directors.

The stimulating factors concern complementary accountability processes, mild sanctioning pressure, advisory role of the supervisor, a moderate level of conflict (debate), a constructive culture, supervisor has a relevant network (for internal supervision), supervisor has relevant expertise, the opinion of the supervisor is not known on forehand, personal characteristics, prospect of rewards, focus on reflection, focus on short-term and long-term plans and strategies, and clear feedback.

Although the principal-agent theory and the new separation of powers theory have a different view on the influence of distance in supervision relationship, elements of both theories are useful to explain learning by executive boards.

Starting with the principal-agent theory, it seems that information disadvantages were often experienced as hindering factors for effective supervision, and for learning by executive directors in particular. In general internal and external supervisors are quite positive about their information position, but executive directors seem to be quite critical about the information position of both internal and external supervisors. They consider the *internal supervisors* lack institutionalized and systematic ways of gathering information coming from other sources than the executive board itself, and they criticize the often existing lack of sector specific and organization specific knowledge of internal supervisors, which results in too abstract feedback to be useful for the directors. Furthermore, the executive directors consider *external supervisors* to use only half of the important information in their judgment, because external supervisors mainly focus on measurable/'hard' information. On the other hand, also examples were given in which the search for a proper information supply to the supervisor resulted in a learning process, because it stimulates discussions about which information is relevant to be able to have a good understanding of the organization's functioning. Furthermore, concerning strategic behaviour of agents, it also seemed to have a negative influence as well as a positive on learning. It seems that the more strategic behaviour is used to conceal mistakes, the less the chance that the strategic behaviour results in a learning process. At the same time, the more strategic behaviour is used to explore the limits of legislation, to create a sphere in which irregularities are seen as challenges, or to get more feedback about how issues should be dealt with successfully, the more learning is likely to occur.

Secondly, the new separation of powers theory assuming effective supervision is the result of independence of the supervisor was judged on it explanatory value. From the empirical data it can be concluded that *internal supervisors* lack a strict institutional independence (i.e. independence from their objects of supervision (executive boards) and from media and stakeholders). Although the new separation of powers theory considers this problematic, the respondents generally consider it to have positive influences on the supervision relation. Firstly, because informal contacts can improve the information position of internal supervisors. Secondly, because executive directors consider it useful that internal supervisors take account of relevant information from media and stakeholders in the field for monitoring the organization's legitimacy. Furthermore, internal supervisors generally seem to have a high operational independence. *External supervisors*, on the other hand, are considered to be relatively independent of their object of supervision, but they are certainly not independent from politics and indirectly neither from media. This makes external supervision politically loaded, which can result in a lack of a coherence and consistency behind policies and rules over time. According to the executive directors this influences learning negatively.

The research findings can have implications for future research and the use of the following theories about supervision:

- Although the empirical data show that most of the factors distilled from literature have proven to be useful for explaining executive directors' learning from internal and external supervisors, some factors were hindering instead of stimulating or were only applicable to internal supervision. Apparently, the stimulating and hindering factors as found in the literature do not necessarily apply to all situations, but are context-related. Each should be judged on its merits in a specific situation first, before they can be used as explanatory theory.

- Considering the implications of this study for the principal-agent theory some interesting points arise. The empirical data has shown that information-asymmetry and strategic behaviour, as result of a relative large distance between executive director and supervisor, do not always have a negative influence on executive directors' learning. It has appeared that the process of sorting out what information is relevant to gather and exchange between executive directors and supervisors can *stimulate* learning as well, because it stimulates discussions about which information is relevant for a good understanding of the organization's functioning. Also, mild strategic behaviour ('participating in the game' and 'discontinuing the process') can positively influence learning, in contrast to what the principal-agent theory presumes. The more strategic behaviour is used to explore the limits of legislation, to create a sphere in which irregularities are seen as challenges, or to get more feedback about how issues should be dealt with successfully, the more learning is likely to occur.

- The implications for the supervision principle of independence, derived from Vibert's New Separation of Powers, include that a lack of independence of the supervisor towards the executive board and the media *can* contribute to an improvement of the information position of the supervisor, which stimulates learning of executive boards (by being able to give more concrete feedback and approving decisions from a better informed position). This can be considered a comment to the theory. However, the theory has also proved its value in this study for explaining the effectiveness of supervision from a learning perspective. As long as independence goes hand in hand with an expertly explained analysis of what the situation is the organization finds itself in.

- Although most of the empirical results show that supervisors try to keep a 'good' relationship with executive directors, so they can be critical at times (without ruining a constructive atmosphere), this study recommends that ultimo, keeping distance as a supervisor is most effective. The supervisor should function as a mirror for the executive boards by providing the executive board a sharp and informative analysis of the situation the organization. That is the best advice a supervisor can give. This way the problems of combining a role as supervisor and a role as advisor would be diminished and independence ensured.

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1 Introduction

1.1. Attention for the effectiveness of supervision

Recently, attention for the supervision[1] and functioning of (semi-)public organizations has strongly increased in the news media, partly due to a series of incidents with these organizations (e.g. in the public housing sector, health care sector, the educational sector). The new coalition agreement of the cabinet Rutte II confirms this development by paying considerable attention to the supervision and supervision of executive governmental agencies, especially ZBO's (Dutch Court of Audit, 2014). Despite of all the existing supervision arrangements these incidents have happened. This observation has created an urge for reflection upon the effectiveness and impact of supervision in the (semi)public sector, and has already resulted in some relevant studies about how this could be measured (Winter & De Ridder, 2010; see also website of the Inspectieraad) and which factors are known to be influential for achieving impact (Nelson & Ehren, 2014; OECD, 2013). In addition, there is an ongoing debate about what *kind* of impact should be reached for in supervision relationships (WRR, 2013; Goodijk, 2012). One perspective on the effectiveness, that is already used for some studies about public accountability, is a cybernetic (learning) perspective (Aucoin and Heintzman 2000; Bovens, Schillemans and 't Hart, 2008; Schillemans, 2011; Greiling & Halachmi, 2013; Schillemans et al., 2013). This perspective focuses on whether or not improvements are achieved in (semi)public organizations as a consequence of internal and/or external supervision (and additional accountability mechanisms), and why (not). The positive connotation of a cybernetic/learning perspective I find particularly interesting in times where inspectorates and authorities have to deal with conflicting constraints and incentives: on the one hand they have to function on a more limited scale and cause 'less burden', while on the other hand they are supposed to bring 'more effect' (Ministry of Interior Affairs, 2005; Winter, 2013; Power, 1997; Hood et al., 1999). Moreover, the supervised parties (i.e. the (semi) public organizations) can use such an constructive approach as well, instead of the continuous distrust in the way they are approach by supervisors since the incidents. Instead of investigating how supervision can force organizations to comply to legislation and how fraud and abuse of power can be prevented, it would be interesting whether, and if yes, how supervision can have a reinforcing influence on organizations. In particular, (what) do organizations *learn* from their supervisors, and why?

There are many sorts of supervisory and accountability relationships in the semi-public sector. However, a current theme in the governance debate focuses on the relationship between internal and external supervision (see e.g. Janssens, 2005; Mertens, 2009; Schillemans, 2010; Minderman, 2012, WRR, 2013). *Internal supervision* is carried out by a bodies within an organization, *external supervision* is carried out by a bodies outside the organization. Much is expected of the collaboration of internal and external supervision, but not much is known about their factual functioning in conjunction with one another (Minderman, 2012; Goodijk, 2012). What makes the relationship between internal and external supervision also relevant is the call for 'less burden', to which at least can be responded by preventing internal and external supervisors to do the same job. However, there is confusion about what both types of supervisors can expect from one another in terms of their effectiveness, which makes investigating the possibilities of better harmonisation difficult. This makes it worthwhile to look closer at this relationship and their effectiveness/impact on organizations from a cybernetic

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[1] The terms supervision and oversight are both used for the Dutch term "toezicht".

perspective. The general idea of an eventual collaboration between internal and external supervision is that internal supervision should function as the fundament, while external supervision should be complementary to that (Janssens, 2005, p. 23; SER, 2005; WRR, 2005). In other words, internal supervision should ensure a basic quality, and external supervision should ensure the effective and rightful spending of public money. Although it is argued that internal supervision cannot replace external supervision due to the ministerial responsibility for these (semi) public organizations (Dutch Court of Audit, 2008), external supervision seems to be dependent of the quality of the internal supervision mechanisms to function efficiently itself (WRR, 2014, p.5). Ideas or theories about the different roles of internal and external supervision in terms of learning impact is an unexplored area yet.

1.2 Defining supervision

By means of an operational perspective supervision can be defined as 'the gathering of information on compliance, followed by an assessment of compliance, and intervening in case of non-compliance' (De Ridder, 1998; Dutch Court of Audit, 1998; also quoted in Winter, 2013). However, the phenomenon *supervision* can also be regarded as a formal relationship between two actors: the supervisor, who has legal intervening power, and the supervised actor/organization, whose choices and decisions can be intervened by the supervisor in case he thinks that is necessary (De Ridder, 2013, pp.23-24). The latter definition reflects the social aspects of supervision is a better way, and is therefore more useful in this study, for learning processes are considered to be socially loaded (see e.g. the amount of social psychology literature about learning in accountability relationships). *Internal* supervision can subsequently be defined as a process in which a body with legal intervening power from within the organization supervises the an actor/organization (in this study the executive board), while *external* supervision implies a process in which a body with legal intervening power from outside the organization supervises an organization/actor . Because of the fact that the primary responsibility for carrying out the (public) tasks upon which the supervision is focused lies with the supervised actor/organization, a supervisory relationship is theoretically distinctive of an hierarchical relationship. However, in practice supervisory boards and executive boards are in an hierarchal relationship because of the employer's role of supervisory boards and the power to fire the executive board along with it[2] (Minderman, 2012, p. 75). In the case of inspectorates, giving general instructions for specific situations is also not regarded as hierarchical, only when the use of instruction is not further specified it is. But because of the fact that inspectorates recently get more power to intervene and punish non-compliant organizations (e.g. the healthcare inspectorate being able to impose an administrative penalty without the intervention of the Public Prosecution Service since 2010[3]) this comes close to an hierarchal relationship.

A characteristic of supervisory relationships is that the supervisor aims to protect a specific interest, with the underlying idea that the interest could be damaged by the activities of the supervised actor or organization (more about this assumption will be elaborated on in the paragraph about the Principal-Agent theory) (De Ridder, 2013, p. 24). Therefore, the interest that is to be protected by the supervisor and the eventual breaches that should be avoided are usually caught in frameworks of rules and norms, at least in case of external supervision (e.g. by inspectorates, authorities, and Ministries).

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[2] In addition, recently the government is preparing legislation to strengthen the position of supervisory boards in the semi-public sector (Minderman, 2012, p. 135).

[3] WRR, 2012, p. 42

The reason for this is that inspectorates, authorities and other external supervisors have the delegated task (given by the Minister) to protect a demarcated interest, like educational quality. This means that the external supervisor checks whether the activities and decisions of the supervised actor are in line with these rules and norms, which are derived from legislation made by the minister. A supervisor can use his legal powers to sanction the supervised actor in case its behaviour is not in line with the norms or rules.

When internal supervision is concerned, the interest that is protected seems less clear defined. Because of their 'hybrid' position –somewhere between organization, minister, and society- there still exists a discussion about the question whether supervisory boards and boards of commissioners are internal bodies, an extension of the minister or representatives of society (Schillemans, 2007, p.148) Are they a guard of the organization or the watch dog of minister and/or society? (Kickert 1998, p. 70). This discussion was stimulated because of the fact that the exact tasks of supervisory boards and boards of commissioners very from case to case. An internal supervisory board continuously involved with the functioning of the organization, has an integral responsibility and involves all relevant interests of the organization in its considerations. An ongoing discussion exists as regards whether the supervisory board *can* also be guided by social/public interests, along with the long-term organizational interests (WRR, 2014, pp. 39-40)

1.3 The difficult task of supervision

However, monitoring activities of a supervised actor is not easy. Supervisors have to deal with a problem concerning their information position: how do they get timely access to all the data about the way all the organizations in their particular domain of supervision (in the case of inspectorates sometimes hundreds of thousands) deal with the specific interest that the supervisor should protect? Moreover, the (field of the) supervised organisation is constantly developing. Especially is case of highly specialized organizations (e.g. hospitals and educational institutes) and market sector firms technological developments and operational processes are quickly changing. This makes it a difficult job for the supervisor to be able to assess whether the interests it should protect is threatened (De Ridder, 2013). Another point that makes it hard to supervise is that sometimes supervisors have to deal with disobedience of the organizations in the field they supervise: strategically behaving (people in) organizations. Apparently, supervisors are not always able to function effectively from a distance/as 'outsider'. While this would ask for some closeness towards the supervised originations, becoming an 'insider', at the same time supervisors have to keep that distance in order to be independent. As will be pointed out later in the theoretical chapter in more detail, independence is important for the credibility of the supervisor (WRR, 2013).

1.4 Supervision, learning and the role of distance

Learning processes have mainly been investigated in accountability relationships so far by scholars in the field of public administration, psychology and economics/business (corporate governance). The main issue discussed in that literature is what factors in accountability processes contribute to learning of the actor who is held to account for his behaviour (see e.g. Tetlock, 2002; Ebrahim, 2005; Green et al., 2000; Bovens et al., 2008; Schillemans, 2007; De Bruijn, 2006; Greiling, 2010; Greiling & Halachmi, 2013). In general, the distilled factors which contribute to the learning can be categorized into four different aspects of accountability: formal, relational/personal, environmental and content. The findings of these studies will be elaborated further in the theoretical framework.

Another part of the theoretical explanation for the learning impact has to do with the dilemma of distance as stated at the end of paragraph 1.3. The question here is how the different positions of internal and external supervisors towards the supervised organizations affect the learning impact is in this context a relevant point for investigation. Since internal and external supervisors have to operate with the dilemma of being independent and well-informed at the same time, it seems they have to operate dynamically at varying relative *distances* from the organization (see De Bruijn et al., 2007). Whether and if yes, what consequences this has for their learning impact on organizations, will also be part of this study.

1.5 Scope and research question

Field of study: (semi) public organizations

This study concerns semi-public organizations and public organizations. Semi-public organizations can be defined as organizations under private law (often foundations) with a legally imposed task, largely financed by public money, and serving a public interest (Committee Dijkstal, 2007). Semi-public organizations are not directly subordinated to political officials (Bovens et al., 2007, p. 24). Within this semi-public sector this study focuses on the educational sector, the health care sector and the public housing sector. Specifically, it's about social housing corporations, regional training centres (so-called ROC's), and hospitals. A second kind of organization that is part of this study is an executive agency or semi-autonomous administrative body (in Dutch: ZBO), which is part of the *public sector.* With the public sector the public administration and related organizations with a public task are meant. The executive agency (ZBO) is directly subordinated to a political official (the Minister). This executive agency is selected in order to be able to compare this with the semi-public cases. Ergo, this study does *not* focus on governmental foundations, agencies and privatised public companies.

The organizations included in this study, semi-public organizations and executive agencies, both have different legislative frameworks and rules concerning, for instance, the organisation of internal and external supervision, and the preparation of the annual reports (Dutch Court of Audit, 2014). In addition to this general legislation, also sector specific rules and frameworks exist in which for instance the Minister's responsibilities are laid down as well as which accountability information the Minister is to receive. Other differences will be elaborated later on in the contextual framework (chapter 3) and the introduction of the cases (chapter 5.1).

Study objects: internal and external supervisors

Although a wide range of internal and external supervisors[4] exists that is responsible for the functioning of (semi-)public organizations (see figure below), this study will only focus on a selection due to time restrictions. Firstly, these include *supervisory boards* or *boards of commissioners* as internal supervisors. Supervisory boards are specific administrative bodies and are appointed within the organization (De Ridder, 2013), which are generally considered to focus on internal operational management, major strategic issues, and should help to protect the continuity of the organisation. Furthermore, the supervisory board has an employer's role towards the board of directors (Minderman, 2012, p. 73-82). Secondly, this study will focus on the external supervision of the *minister's department* (in case of the ZBO) and *inspectorates* (for the other cases), which are

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[4] The term 'supervisor' is used for the Dutch term 'toezichthouder'.

considered to protect the general or public interest deals with quality norms, finances and intervening in case of severe malfunctioning (ibid, p. 70; De Ridder, 2013). The reason that for the ZBO the Ministry is chosen as external stakeholder is because that is the most important external supervisor for the ZBO in terms of their output quality. In the other cases, the most important external supervisors in terms of their output quality are inspectorates (the healthcare inspectorate for the hospital, the inspectorate for education for the ROC, the inspectorate of environment and transport for the social housing corporation). Moreover, for the social housing corporation also the Central Fund Social Housing (CFV) has been investigated, because the inspectorate of environment and transport has just been established, which would make it difficult to gather data about (long term) experiences with learning impact.
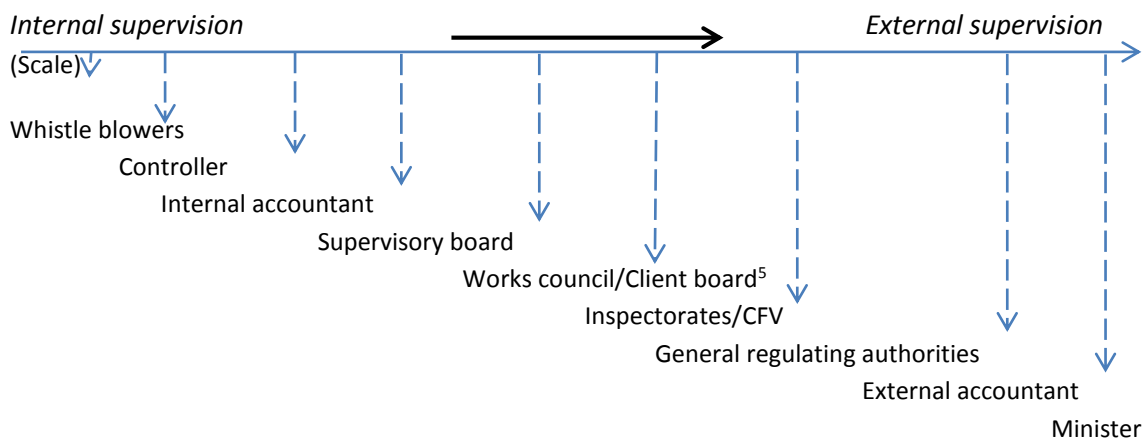
Research question

As already pointed out, there is, altogether, little empirical data available yet about the relationship between internal and external supervision (Minderman, 2012, p. 126) and their separate and joint effectiveness in terms of learning impact on organizations. Hence, this study aims to fill this gap by investigating whether and in what way internal and external supervision (separately and in conjunction with one another) contribute to the learning capacity of (semi-) public organizations.

This aim leads to the following central research question:

> *(How) do internal and external supervision contribute to learning of semi-public organizations? And why?*

In order to formulate an answer to this central research question, a theoretical sub question and three empirical sub questions can be formulated. The theoretical sub question focuses on the concept of *learning.* For this study it is necessary to develop a scientifically based definition of learning. This is done in chapter 2. The theoretical sub question is:

- *How can learning in supervision relationships be defined?*

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[5] Relevant to mention here is that not all works and client councils have a supervising role, but have only an advising role, depending on their allocated formal powers.

When this theoretical sub question is answered, I have taken some space to describe the relevant developments in the field of supervision in the (semi) public sector. These will be described in the 'contextual framework' in chapter 3. In the fourth chapter the methodological approach of this study will be explained. After an introduction of the four cases (ch. 5.1), the following three empirical sub-question will be answered in chapter 5:

- *(How) do internal and external supervision supervise the quality of services, financial management, and risk management of (semi) public organizations?*

To be able to formulate an answer to this sub question both the theoretical chapter(s) and the empirical chapters will be used. In the context chapter (Chapter 3) relevant background of internal and external supervision is described. In the empirical part the domains on which internal and external supervisors supervise will be analysed, i.e. how do internal and external supervisors supervise on quality of services, financial management, and risk management? (Chapter 5.2) The choice for these specific topic of supervision will be justified in the operationalization chapter (4.3). At the end of the chapter a partial conclusion is written, in which will be reflected on the relationship between internal and external supervision.

- *What learning impact do internal and external supervisors have on executive boards?*

To formulate an answer to this sub question also both the theoretical chapter(s) and the empirical chapters will be used. In the theoretical chapter (Chapter 2) theories that define learning and a learning impact in supervision relations will be discussed. In the empirical part the learning impact of internal and external supervision on the executive board along with the theoretical criteria of learning will be described (Chapter 5.3).

- *Why do internal and external supervision result into learning?*

In order to formulate an answer to this third and last sub question firstly, the relative impact of supervision on executive boards' learning will be described (Chapter 5.4). Then, the different theories about why learning occurs will be used to explain the learning impact of internal and external supervision. At the end of the chapter the different theories are judged on their usefulness for explaining the learning impact of internal and external supervision

Schematic overview empirical sub-questions. Partial research questions are formulated to make them more concrete:

(How) do internal and external supervision contribute to the learning of semi-public organizations? And why?	
Theoretical sub question:	
How can learning in supervision relationships be defined?	
Emprical sub questions:	**Partial research questions:**
A- How does internal and external supervision supervise on (semi) public organizations?	1. How do supervisory boards and boards of commissioners supervise quality of services, financial management and risk management?
	2. How do inspectorates/the Ministry/CFV supervise quality of services, financial management and risk management?

B- What learning impact does internal and external supervision have on (semi) public organizations?	1. What is the influence of supervisory boards and boards of commissioners on learning of the executive board?
	2. What is the influence of inspectorates/the Ministry/CFV on learning of the executive boards?
C- Why do internal and external supervision result into learning?	1. Why does the supervision of the supervisory boards and boards of commissioners (not) result into learning?
	2. Why does the supervision of departmental inspectorates/the ministry/ CFV (not) result into learning?

1.6 Relevance

This study aims to contribute to the existing academic literature by clarifying and empirically investigating how internal and external supervision relate to one another and how that affects the learning impact on supervised organizations. This means that it responds to the call for research about the effectiveness of supervision (Winter & De Ridder, 2010; Inspectieraad, 2013), and subsequently the call for 'less burden' of supervision (Ministry of Interior Affairs, 2005; Winter, 2013), which is along the lines of the first.

Also, this study aims to test as to whether a certain *distance* between supervisor and supervised organizations is experienced as a problematic or as a positive element for supervision to be effective. Based on the principal-agent theory one would argue that distance between the supervisor and the supervised organization is problematic due to information-asymmetry and opportunism, while the "new separation of powers" theory, argues that distance is necessary to ensure the independence of the supervisor and his/her credibility and legitimacy to society and the government. When this study can show a relationship between relative distance and learning impact between supervisor and supervised organization, it may contribute to existing learning theories about accountability and supervision relationships. It would however be the first coherent learning theory, because up till now, only separate learning factors have been distilled in literature. As a result, these factors are sometimes even conflicting.

Moreover, there is a lack of literature and empirical data concerning learning in supervision relationships in the semi-public and public sector in general. Although *accountability* relationships have been linked to (organizational) learning and the improvement of learning capacities before (see e.g. Bovens et al., 2008; Greiling & Halachmi, 2013), supervision has not. This is actually kind of surprising, since accountability relationships are an important instrument of the overall picture of "supervision". In addition, these studies remain mainly theoretical and normative on how these processes should be organized or do not operationalize 'learning' but more general 'impulses of quality improvement' (see Schillemans, 2007).

The societal relevance of this study includes the contribution to a better understanding of the interplay between internal supervisory bodies and external supervisors and to uncover potential 'deficits' in the protection of public interests. In addition, this study might contribute to insights that can help reducing the burden all supervisors sometimes form for organizations due to the eventual overlap of their work

or ineffective methods they use. Lastly, assumptions about the extent to which internal and external supervision can be subsidiary according to the current governance debates will be judged on its merits (De Ridder, 2013).

1.7 Reading guide

This thesis is structured as follows. Firstly, the theoretical chapter will be presented (Ch. 2) in which different theories about learning and supervision relationships are included and the theoretical sub-question will be answered. To sketch a broader context of the objects of study the contextual framework (Ch. 3) will generate a better understanding of internal and external supervision and the current developments that affect their functioning. Chapter 4 presents the justification and explanation of the research method and design and the operationalization. Then, in chapter 5 the empirical results are presented along with the different sub-questions. Finally, chapter 6 includes the conclusion of the study, in which an answer is formulated to the central research question. Also, this chapter includes the discussion, in which limitation, implications and suggestions for future research are given. People who are interested to only read the headlines of the research report can, beside the executive summary, read the sub conclusions at the end of each empirical chapter (5.1, 5.2, 5.3, and 5.4) and the final conclusion in chapter 6.

2 Theoretical Framework

2.1 A cybernetic perspective on supervision

Important to note is that a change of behaviour as a consequence of *disciplining* or mere compliance is *not* considered to be learning in this study. In this paragraph two perspectives are explained that clarify the distinction between 'learning' and 'disciplining' function of supervision. Different assumptions and goals are underneath these functions and are elaborated below.

The compliance/constitutional perspective

When the disciplining function of supervision is concerned this can be explained by a *compliance and/or constitutional perspective* as described by Olsen (2014) and Bovens et al. (2008) respectively. The compliance perspective distinguished by Olsen (2014) assumes the existence of human agency, purposeful choice, and history determined by human will, causal understanding, and control (Olsen, 2014, p. 107). In addition, actors are accountable for using their powers, whereby authorized and unauthorized use of discretion is distinguished (Ibid). In other words, the agents' (object of supervision) behaviour is assumed to be rational and on purpose, which makes them fully accountable. According to this perspective the aim of accountability or supervision processes is to detect incompetence, fraud, malversation, and misuse of power. Specifically, this implies that objects of supervision should *comply* to procedural and administrative requirements. Therefore, ambiguity of legislation and norms is considered as a threat for accountability, because compliance requires constitutional and formal-legal clarity to be effective. Hence, ambiguity of risks with which the object of supervision has to deal with is a threat as well, for this perspective is built upon the premises of rules, and verifiable and quantifiable accountability information (without ambiguity). In addition, this implies a *disciplining way of supervising* (Robben, 2010, p. 27-28). A similar perspective is distinguished by Bovens et al. (2008), called the 'constitutional perspective'. The key question in this perspective is, in accordance with Olsen (2014), whether an accountability or supervision arrangement contributes to eradicate executive corruption and the abuse of powers. This requires that public accountability forums are powerful and must be able to withstand the inherent tendency of those in the executive branch to evade or subvert external control (Bovens et al., 2008, p. 233). An important question from this perspective is whether accountability arrangements offer enough incentives for officials and agencies to refrain from abuse of authority. Accountability forums should therefore have enough investigative powers to reveal corruption or mismanagement (focused on conformity with laws and norms), and their available sanctions should be strong enough to let potential transgressors think twice before acting (Bovens et al., 2008, p.233). These perspectives correspond with the *classical* style of supervision as distinguished by Bekkers et al. (2002) in their article about information relations in supervision arrangements. This supervision style has a *repressive character* and implies confronting the object of supervision with eventual discrepancies between the factual situation the object of supervision finds itself in, and the set norms and standards. Subsequently, the supervisor forces the factual situation in compliance with the norms and standards. The role of the supervisor in this style is metaphorically described as a 'cop' by Bekkers et al. (2002), which obviously can be considered as disciplining.

The institutional/learning perspective

In the Oxford Handbook of Public Accountability (2014) Olsen described a counterpart of the compliance perspective: *the institutional perspective.* This perspective assumes that democratic standards and principles are ambiguous and that important concepts are interpreted in different ways by different people (Connolly, 1987). The perspective furthermore considers that competing opinions and disagreement about what makes accountability effective are inherent to democracies (Olsen, 2014, p.108). Furthermore, it is assumed that normative theories and formal-legal institutions give limited behavioural guidance, which leaves room for debates and struggles over authorities, power, norms, worldviews and responsibility between parties (Ibid, p. 111). This was also acknowledges by Robben (2010) in his dissertation about supervision. He argues that many of the risks the (semi) public sector has to deal with are complex and often ambiguous, which are difficult to make rules and regulations for. Instead, it asks for supervision that takes into account the uncertainties and disagreement about the nature and scale of these risks (Robben, 2010, p. 27-28). In contrast to the belief in purposeful choice of people, the institutional theory considers that institutions affect conceptions and practices of accountability by prescribing rules of appropriate behaviour for different actors in different situations (Ibid, p. 109). Ergo, accountability processes not only exist of compliance and control, but can also contribute to self-development and self-government of the actors hold to account: "*Under some conditions accountability processes have an integrative effect and are conducive to intellectual and moral self-development as well as self-government. They ameliorate the moral qualities of individuals and society through the internalization of a democratic and civic ethos; improve communication, learning, and epistemic quality; (…)*" (Olsen, 2014, p. 112). In addition, Bovens et al. (2008) distinguishes a 'learning perspective' as (one of the) counterparts of the constitutional perspective. This perspective considers accountability arrangements and related transparency mechanisms as successful if they make public authorities *more effective in achieving set goals* and *more responsive* to the needs and preferences of their key clienteles (Bovens et al., 2008, p. 233). In other words, when accountability arrangements of supervision arrangements contribute to *improvement* of performances. The crucial questions here are whether the accountability or supervision arrangements offer high-quality feedback, but also the right incentives to officials to reconsider the values and assumptions that underlie their policies, procedures and organizations (Bovens et al., 2008, p.233). This perspective corresponds with the (post)modern style of supervision as described by Bekkers et al. (2002). This supervision style is focused on *prevention* rather than repression. Suppositions of the policies in hand are raised for discussion, which can be considered as a necessary condition for the development and adjustment of professional norms both the supervisor and the supervised organization use in a sector. The role of the supervisor in this style is metaphorically described as 'coach', someone who thinks along with the supervised actor and calls his/her to account about the extent to which he/she acts professionally (Sparrow, 2000). Someone you can learn from.

2.2 Defining learning in supervision relationships

Now that the difference between the 'learning' and 'disciplining' role of supervisors is made clear, we can further elaborate on the definition of *learning* and the exploration of the criteria of a learning impact of supervisors*.* At the end of this section, the theoretical sub question *'How can learning in supervision relationships be defined?'* will be answered.

Organizational learning became an important research topic in since Argyris and Schön's publication of *Organizational Learning* in 1978 (Greiling & Halachmi, 2013). Nowadays the following studies of March and Simon (1958), Cyert and March (1963) and Senge (1990) are even better known in relation to this research topic. The furthering steps of continuously changing environments of organizations

had increased the demands for adequate new ways to be able to adapt to that. The interest in organizational learning has also developed since managers have become aware of the fact that in our knowledge economy learning is a competitive advantage (Berends et al., 2003). However, no theory or model of organizational learning is widely accepted (Fiol and Lyles, 1985, p. 803).

Workplace learning, or on-the-job-learning plays an important role in initial and ongoing competence development (Berings, 2006, p. 54). It includes human change or growth that occurs for the most part in the context of work and activities (Ibid; Fenwick, 2001). The basic idea of workplace learning is that it occurs within the context of day-to-day learning and development, outside of educational programs. Therefore, it is often integrated with work activities (Eraut, 2000; Berings, 2006, p. 54).

Levels of learning

Workplace learning can be considered a process that happens at an individual level (see Barrette et al., 2007; Gilson, Dunleavy and Tinkler, 2009; Berends et al., 2003), at a team or even as an organization *in toto* (Fiol & Lyles, 1985; Senge, 1990; Argote, 2005). It is considered that organizational learning can be more than the sum of its parts. Argyris and Schön (1978) argue that individual learning is necessary but insufficient for organizational learning. So, organizational learning needs some extra condition, like the ability to transfer new knowledge or the institutionalization of knowledge into systems, structures, strategies, routines and prescribed practices in the organization (Berends et al., 2003, p. 103). Greiling & Halachmi (2013) notice that learning can also take place at different levels, but make a distinction between a technical, systemic and strategic level (p. 386). Each level can be of influence on the decision-making and behaviour of people at other levels. For instance, the individual learning of an employee may influence whether he or she trusts his clients, which can result in a change in the way transactions are carried out (technical level). Another example is that learning may influence the quality and scope of the way SWOT-analysis are done (strategic and systemic level). In addition, Fiol & Lyles (1985) have noted that organizational learning from the collected information of accountability relationships can be considered as an integral part of the strategic planning process. It should enable public managers to develop more insight into structures, processes, and strategies of the organization and use them to reach the goals (Greiling & Halachmi, 2013, p.388).

The distinction between different levels of learning matters because it is of influence on the unit of analysis I choose in this research. In this study organizational learning will be approached with the theory that *individuals* are the primary learning entities in organizations. Reason for this is that individual learning processes are to some extent less complex to investigate than group learning processes due to a lack of methodological instrumentation of the latter (Wang & Ellinger, 2010). In addition, supervision relationships mainly take form between supervisor and executive directors in practice. Supervisory boards and inspectorates mainly communicate to executive boards to address their feedback and judgment to (Smulders, 2012). This makes it more logical to zoom in on small-scale, individual learning processes than to group or even organizations processes. Lessons that are generated by the supervisor should first of all lead to learning of executive directors, before they could lead to learning in the rest of the layers of the organization. This reasoning is also in line with the point of Dodgson (1993) that organizational learning has to do with learning by *key individuals* or learning by the *dominant* coalition, ergo, a small groups of influential people like executive directors.

Definition of learning (impact) in a supervision relationship

Because this study will focus on workplace learning (sometimes referred to as on-the-job learning) processes of individual directors, specifically in the context of supervision or accountability relationships, the definition of Smulders (2012), who uses the definition of Berings (2006, p. 54) and Bolhuis & Simons (1999, p. 16) as a base, is most useful. Smulders (2012) defines '*learning*' as *'implicit or explicit mental and/or overt activities and processes, performed in the context of an accountability process, leading to relatively permanent changes in knowledge, skills or opinions.'* (p. 20). The first half of the definition shows that the process/activity of learning can happen mentally or in an unconcealed way. So, it is not always visible that someone is learning. The second half of the definition mentions the context in which 'learning' takes place. However, in this study the focus will be explicitly on supervisory processes instead of accountability processes, so this part of the definition will be adapted for this study. In the last part of the definition the result of learning is pointed out, varying from knowledge to skills to opinions. The acquirement of experience, knowledge and normative insight as part of learning in a workplace was also stressed by the Scientific Council for Government Policy in a report on a 'Learning Government' published in 2006: "*'Learning' in this context directly concerns to better be able to value of what is going on as well as to learn to recognize new possibilities for behaviour and organization. It is therefore not just a transfer of insights of an authority to an unknowing pupil, but rather a mutual acquirement of experience, knowledge and normative insight that can shed some light on the ambiguous and uncertain problems and the critical assessment of those problems.*" (WRR, 2006, p.36). But, not only changes in knowledge, skills or opinions are important impacts of supervision, but also the improvement of policies and procedures can be considered to be an important learning effect in this context, when you consider that supervision should in fact also contribute to the improvement of the organization's functioning (instead of only having an instrumental function) (Van Montfort, 2010). This was also argued by the Scientific Council for Government Policy in the report on a 'Learning Government': *"The term 'learning' underlines that the perception of a problem and the cognitive and normative orientations go through an adjustment, focused on the improvement of the content of policy."* (WRR, 2006, p. 36). Last but not least, a relevant measure of the effectivity of supervisors is that they should solve, or even better, prevent problems (Sparrow, 2000). Therefore, a last result of learning in supervision relationships should be the prevention of mistakes or irregularities. In sum, these adaptions lead to the following definition of learning in supervision relationships:

Learning implies implicit or explicit mental and/or overt activities and processes, performed in the context of a supervision process, leading to relatively permanent changes in knowledge, skills, opinions, improvement of policies and procedures, and the prevention of mistakes.

Ergo, this definition forms the answer to the theoretical sub-question as formulated in the introduction.

2.3 Stimulating and hindering factors for learning

To be able to theoretically explain differences in the extent to which some accountability relationships are better able to stimulate learning while others cannot, an oversight of different learning stimulating and hindering factors in accountability processes is made from already existing scientific literature from the field of public administration and psychology. The learning stimulating and hindering factors

that were distilled from literature can be roughly divided in four categories[6]: formal, environmental, relational/personal aspects, and content aspects.

- *Formal aspects*

Formal aspects have to do with assumptions about how many accountability relationships there are, what sanctioning powers the forum has and how information for the forum is gathered. Schillemans (2007) argues that sanctioning powers may enhance learning especially in the case of supervisory boards, he argues, that those with the formal powers have a bigger impact (p. 157). However, there are scholars who argue that too much sanctioning pressure can create defensive behaviour and can stimulate evasive behaviour, which is counterproductive in terms of learning (see also principal-agent theory section) (De Bruijn, 2006; Schillemans, 2007). In addition to formal sanctions, informal consequences can also be the result of supervision (Schillemans, 2008, p.178). Negative publicity may therefore also be seen as a form of sanctioning, even though no formal punishment is used. Furthermore, learning is argued to be more likely when a forum (supervisor) provides insights that are not already provided by other forums, and less likely when there are too many accountability processes, without added value, in the eyes of the actor hold to account (a so-called *accountability overload*) (Schillemans, 2007, p. 96).

- *Environmental aspects*

Environmental stimuli are external to the organization. They include external forces that, according to the earlier research, trigger learning. Prospects of increased competition, the amount of pressure for innovation and modernization, as well as rapidly changing regulatory obligations fall into this category, because they drive director's and professionals to improve their own performance and the overall performance of the organization (Greiling & Halachmi, 2013, p. 395). That this external pressure can lead to learning has two reasons, one is that external pressure is often needed to question standard procedures and daily routines, and second is can be a motivation for individual employees to improve their performance and look for innovations (Ibid, p. 396).

- *Relational and personal aspects*

Relational aspects concern the assumptions about the relationship between the supervisor (forum) and the director (actor). According to Greiling (2010) learning is less likely when the forum approaches the actor in a suspicious and controlling manner. This is in line with the study of Boers & Van Montfort (2009) who state that learning is more likely when the forum takes on an advisory rather than a supervisory role, because when a supervisory board takes on such a role, executives will have the tendency of creating a more thorough decision-making process before asking the opinion of the supervisory board (p. 153). Also, it is argued that learning is enhanced when there is a moderate level of conflict (Schillemans, 2007, p. 96; Bovens et al., 2008; De Bruijn, 2006). Although an open discussion is positive, the actor is considered to be more likely to actually learn from the remarks of the forum if he perceives a certain threat level.

Greiling & Halachmi (2013) mention that critical debate between supervisor and directors should take place in a 'safe' social environment in order to be able to result in an open discussion and simultaneously enable a "difficult conversation". The importance of a relatively 'safe' space for all parties concerned was already stressed by Argyris and Schön (1978) so as to minimize the chances of

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[6] This division between different aspects of the accountability/supervision relationship is partially inspired by the division of Remco Smulders (2012) made in his master thesis about learning in accountability relationships.

defensive routines taking over the process. The importance of enabling "the difficult conversation" was also proclaimed in the report of the Halsema Committee published in 2013. Nevertheless, Greiling & Halachmi (2013) also acknowledge that at the same time there must be a certain threat of sanctions that will affect the actor to result in a meaningful process. In the study on accountability processes in non-profits by Ebrahim (2005, p. 75) it was stressed that "organizational learning is more likely if error is embraced as opportunity and the threat of sanction is minimized." The sanctioning of errors can result in 'quick fixes' of fundamental problems or the hiding of problems instead of putting them on the table and solve them. In addition, in order to stimulate learning the actor should believe the forum to be a legitimate supervisor (Lerner & Tetlock, 1999). Also, the supervisor's perceived expertise and network with relevant stakeholders were found to stimulate the directors' learning (Schillemans, 2008; Smulders, 2012). For example, members of supervisory boards were regarded as 'ambassadors' for the organizations when they had such a network.

Furthermore, there are contrasting findings as regards the relationship between the likeliness of learning and boards structures, mainly focusing on whether or not there are close social ties between the members of the board and the executive directors (agents). Some scholars argue that independent boards are better able to monitor the actions of the agent, and therefore are better able to prevent self-interested behavior (Nicholson & Kiel, 2007, pp. 587-588; Hwang & Kim, 2009; Boyd, 1995). On the other hand, some scholars argue that close social ties with a forum will result in better information-access, and therefore facilitates high quality decision-making and advice and counsel interactions (Westphal, 1999, p. 16; Nicholson & Kiel, 2007, pp. 588). Social ties are then considered to increase the chance that the executive board (agent) consults the supervisory board and the latter responds to this question. These contrasting statements can be explained by whether one uses the principal-agent model as a base or the separation of powers principle, which will be elaborated on further in the next paragraphs of this theoretical framework.

Also, learning is more likely when the actor does not know exactly what the opinion of the supervisor on a specific matter will be, since he or she will act more self-critical (Green, Visser & Tetlock, 2002). This is also the case when there are different views within the supervision body/board. Lastly, learning is less likely when the actor is already devoted to one view and not open to other insights, often the result of a felt need for self-justification (Tetlock et al., 1989). The need for self-justification can for instance be caused by an agent's fear that his competency is being questioned.

- *Content aspects*

Content aspects have to do with whether the discussions between supervisor and actor focus on reflecting what has already happened, or on what is still to come, and whether the forum comes up with clear feedback. Greiling & Halachmi (2013) argue that if accountability is to focus on organizational learning, it needs to be directed toward learning from the past experiences over an extended period, so as to prevent the repetition of the same mistakes and find new ways to improve future performance. In line with these findings, according to Schillemans (2007) learning is more likely when the debate between actor and forum is focused on reflection: how can the organization be more successful in realizing the objectives? (Schillemans, 2007, p. 95). Furthermore, learning is considered more likely when the supervisor or forum does not solely focus on checking whether certain predetermined short-term targets are met, but pays more attention to long-term plans and strategies (Ebrahim, 2005). Lastly, the actor's chance of learning benefits from clear and concrete judgments and feedback from the forum after debating with one another (Schillemans, 2007, p.95).

Of each category some factors were selected to be investigated in this study. This way we are able to at least say something about the different aspects of the context of the supervision relationship, from more external contextual factors (environment) to more internal factors (content). For the selection also the practical possibility of measuring the factors was taken into account. In the table below the selected factors are presented.

TABLE 1: Predictive aspects and general assumptions

	Predictive aspect	Stimulating/hindering factor	General assumption
External	*Environmental*	External pressure	(Prospect of) increased competition → learning Pressure for innovation/modernization → learning
		Regulatory obligations	Rapidly changing regulatory obligations → learning
		Pressure for innovation and modernization	Rapidly changing technical developments in sector → learning
	Relational/personal	Role supervisor	Advisory role → learning Controlling role → no learning
		Level of conflict	Moderate level of conflict → learning
		(organizational) Culture	Open/constructive culture → learning
		Legitimacy	Relevant network → learning Relevant expertise → learning
		Social ties forum - agent	Close social ties → learning Independence supervisor → learning
		Opinion forum	Opinion not known on forehand → learning
	Formal	Sanctioning pressure	Mild sanctioning pressure → learning Much sanctioning pressure → no learning
		Complementary content of accountability processes	Supervisor provides new insights → learning
Internal	*Content*	Focus of debate	Reflection → learning Short and long-term → learning
		Nature of feedback	Clear and concrete → learning

The different learning stimulating and obstructing factors presented here will be measured and analysed in order to be able to partially explain the learning impact of different supervisors. Probably, not all stimulating and hindering factors will have the same degree of influence on learning. It is likely that some factors are better applicable to a specific situation/organization than others. For instance, increased competition will be of higher influence in sectors where market forces are implemented than in sectors where market forces are not present. The first hypothesis therefore is formulated as follows:

> H1: Not all stimulating and hindering factors will to the same degree contribute to learning of executive directors.

2.4 Analysing supervision relationships: The Principal-Agent theory

In order to get a good understanding of why supervisors have a certain learning impact, the explanation of the underlying assumptions of the relationship between supervisors and executive directors is fundamental. There are two central theories in accountability research with different assumptions about the intentions and interests of principals/supervisors and executive agents and their mutual understanding. In public administration the *principal-agent* theory is most often used for analysing accountability, while the *social contingency* theory is most common in social psychology and in more social approaches of public accountability (Bovens et al., 2014). Both theories assume that actors act rationally, but differ in the way they explain their 'drive' and subsequently their behaviour. Also, the function of accountability relationships are considered to be fundamentally different. Hereafter, I will elaborate further on both models, explain why the principal-agent model will be used as a base for this research, and consider on what point the social contingency model criticizes the principal-agent theory.

In the principal agent theory the modern representative democracy is considered as a chain of principal-agent relationships, a chain of delegation (Strøm, 2000). The fundamental power of citizens is delegated to representatives, who in turn have delegated the power of drafting and enforcing laws and policy to government, which in turn have delegated parts of these tasks to more or less independent bodies or institutions (Bovens et al., 2014, p. 13-14). Every principal in this chain of delegation aims to monitor the way the agent executes the delegated task. According to this theory the primary goal of internal and external supervision is the necessity felt to monitor the functioning of the agents (e.g. managers/directors of a (semi)public organization). Thus, there are multiple stakeholders that serve as principals and multiple levels of management that constitute agents. A "principal" can be defined as an administrative forum that directly or indirectly reports to Parliament and stand in a hierarchal relationship to a public manager (agent) (Bovens, 2004). In the case of public organizations (e.g. ZBO's) 'serving' multiple principals is a realistic scenario, because they are likely to receive commissions from several different ministers. Whenever this happens the agent is likely to escape any clear control from a political principal (Vibert, 2007, p. 75). A similar type of problem arises when there is a chain of principals. This is for instance the case when a minister is several steps removed from an agent, like in semi-public organizations. Semi-public organizations are indirectly hold to account to the minister mostly via inspectorates. As a consequence, *"clarity of tasks are likely to be lost and the greater the distance between the ultimate agent and the original principal, the greater the likelihood that the agent will slip the slash of intended controls"* (Ibid, p.75). Lastly, one actor can simultaneously serve as agent *and* principal, like executive directors, who are agents to the supervisory board and principal to the professionals in the organization.

The agency theory, as the principal-agent theory is sometimes referred to, originates from financial economics and considers the governance relationship as a contract between an organization's owners/shareholders and its managers/directors (Tricker, 2012, p.60). In order to reduce the costs of supervising the management, the principal appoints board members to supervise the agents (Huse, 2007, p.45). This is also the case in the (semi) public sector, in which supervisory boards are appointed to monitor the executive director as internal supervisor.

The principal-agent theory is built upon certain principles describing (behavioral) consequences of contractual relations, and in a more broader sense the consequences of distance between the contractor and the contractee (which will be elaborated on in 2.6.1.); of these principles the most

important are *information asymmetry* and *opportunism*. *Information asymmetry* describes how the agent (e.g. the semi-public organization) may possess more and different kinds of knowledge than the principal (e.g. the the representative of the minister). In relationships with (semi) public organizations supervisors have difficulty in reaching the same level of technical and business knowledge as the highly professionalized organizations, which makes studying cost price calculations and the reasonability of the returns earned even more difficult (De Bruijn et al., 2007, p.90). Also overseeing relevant risks at an early stage is difficult or even impossible for supervisors due to this asymmetry (WRR, 2013, p.18). De Bruijn et al. (2007) argue that the information disadvantage of principals has two aspects: the *solid* 'need-to-know' information and the *soft* 'nice-to-know' information. The first type comprises information that normally can be requested by the supervisor via formal arrangements that require organizations to share information (e.g. by filling in formats). The second aspect contains qualitative information, which can be very useful to value and to estimate reliability of the hard 'need-to-know' information (Ibid, pp. 90-91).

Opportunism is used to describe the assumption that agents will use this information-asymmetry to act strategically in their self-interest (also referred to as 'opportunistic behavior' of 'strategic behavior') (De Ridder, 2013, p. 28). The supervision (enforcement) literature refers to strategic behavior in terms of 'tricks of the trade', 'creative compliance', 'protective strategies' or as a 'game' between inspector and inspectees (De Bruijn et al., 2007, p. 23). Three categories of strategic behavior in supervision relationships can be distinguished (De Bruijn et al., 2007, pp. 23-33): *'taking much and giving little', 'discontinuing the game'* and *'frustrating the game'.* The first category assumes that due to the fact that agents try to play the game of giving and taking as rationally as possible, they will cooperate to a certain level to cultivate some goodwill amongst the supervisors, but at the same time urge for compromises to give in as less as possible. The second category, 'discontinuing the game' as De Bruijn et al. (2007) call it, relates to agents' attempts to get a new chance by promising improvement when the supervisor threatens with sanctions. The last category is called 'frustrating the game', which implies that the agent suggests that he or she is cooperative, but in fact tries to create confusion among supervisors, shows a false (more) positive image or even practice deception or fraud. However, strategic behavior is difficult to assess, because it often exists in a grey area between legitimate and illegitimate behavior. A constantly changing environment (e.g. new rules and regulations) and antagonistic interests between principal/supervisor and agent/organization strengthens this ambiguity even more due to the fact that valuing certain behavior is more difficult when reference frameworks differ (Ibid, p. 24). The synergy of information-asymmetry and opportunism leads to agency costs and the need to supervision and monitor the relationship (Huse, 2007, pp. 46-47). The agency costs could come from the need to reduce the agents' decision-making capacity, supervision, or could be the result of the absence of maximized overturn. In order to make managers act in accordance with the interests of the principals, incentives, rules or sanctions can be used.

While some find success in using the principal-agent theory as analytical device, others have concluded that assumptions and expectations of the theory do not hold or are only partially applicable to relationships between (representatives of) government and contracted non-profit organizations (see e.g. Brandsma and Schillemans, 2013, Lehn, 2008 and Breaux et al., 2002) (Bovens et al., 2014, p. 14). That is to say, principals are sometimes found to be less performance-driven than the PA theory assumes and agents are not always as opportunistic as expected. In addition, whereas the PA theory only focuses on the interaction between two individuals, the principal and the agent, the social contingency theories recognizes the impact of an agent's social environment on his or her behavior

(see e.g. Olsen, 2014). Others argue that the behavior of people in accountability and supervision relationships is heavily influenced by intra-cognitive processes (see e.g. Mansbridge, 2014). Ergo, it is important to realize that the principal-agent theory is inherently functionalistic in comparison to, for instance, the social contingency theory (Tetlock, 1992).

Nonetheless, to make sense of the relationship between supervision and institutional structure and the behavior of people in these structures, a theory is needed that can express widely varying institutional details and their consequences for supervision in these terms. The principal-agent theory is widely used because of its flexibility to model a wide range of variations in institutional arrangements and the behavior of agents as a result of these (Gailmard, 2014, p. 90). Therefore, this theory will be used in this study.
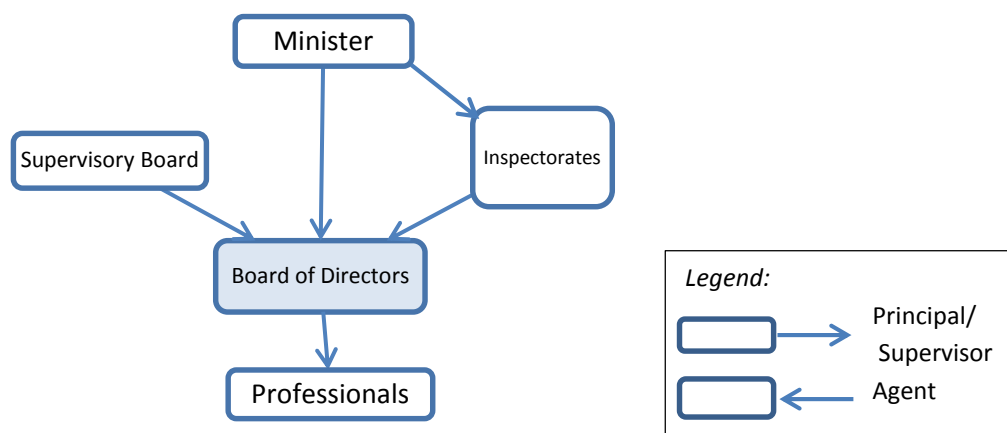
Figure: Overview of Principal-Agent relations in semi-public sector

In the figure above and below the different principal-agent relationships are presented in the context of this study. I will shortly describe them here.

Semi-public sector

In the semi-public sector the departmental Minister is responsible for the functioning of the system of the sector (e.g. educational sector, health care sector, social housing sector), so the Minister can be seen as the overall principal of the sector. The minister has delegated the supervisory tasks to inspectorates, who are in their turn are supervisors the board of directors of semi-public organizations. In the social housing sector the minister has delegated the financial supervision on corporations to the CFV, the Central Fund Social Housing. In principle, in the semi-public sector the Minister or inspectorates are not a principal to supervisory boards. Supervisory boards are their own employers. Supervisory boards are, in addition, because of their employers role towards the management, from that perspective also principal for the management. The board of directors are in their turn principal towards the professionals working in the organization, because of their employers role.

Public sector

In the public sector, of which ZBO's are part, the minister is the principal of the board of directors and also functions as the external supervisor. However, the minister is only responsible for the fact that the tasks and responsibilities of the ZBO are carried out adequately, not for every single decision that

is made by the ZBO (the minister is not directly responsible). ZBO's are not under the supervision of inspectorates, in contrast to the semi-public sector. Also, the minister is responsible for approving the new members of the supervisory board who are put forward by the current board members and decides about the salaries. Furthermore, the supervisory board is besides internal supervisor has an employer's role for the board of directors (and of the external accountant, which falls out of the scope of this study) and is allowed to appoint and fire them.

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            Minister
         /     |
        /      |
Supervisory Board  →  Board of Directors
                        |
                        ↓
                   Professionals
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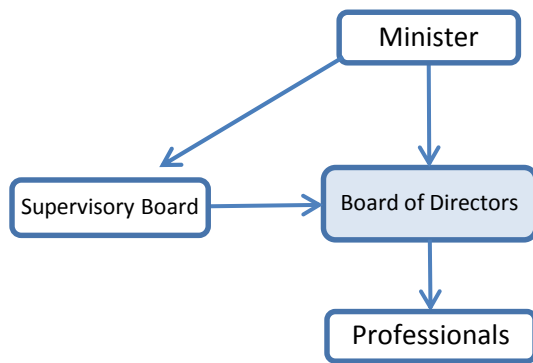
Figure: Overview of Principal-Agent relations in public sector

The assumptions of the principal-agent theory lead to the following hypotheses:

H2: If the agent shows strategic behaviour in the supervision relationship, then learning is less likely to occur *(opportunism)*.
H3: If the supervisor is not able to get full information about the agent, then learning is less likely to occur *(Information-asymmetry)*.

2.5 Analyzing supervision relationships: New Separation of Powers

The main rationale of the constitutional doctrine called the 'separation of powers' is that '*individuals or groups should not be judges in their own cause*' (Bellamy, 1996, p. 437) or according to Harlow (2014) '*no one branch of government should be entrusted with all the functions and powers of government*' (Harlow, 2014, p. 200). This principle has a particular view of men and power, namely that (the concentration of) power corrupts, and that the division of power in three institutions (legislature, executive, and judiciary) could counteract this (Levi, 1976, p. 374; Harlow, 2014). This triadic system has become popular after Montesquieu's essay *De l'Esprit des Lois*, published in 1748. The core message of this doctrine implies that in order to prevent corruption countervailing power should be organized.

In *The Rise of the Unelected* of Frank Vibert (2007) however, a new branch of government has arisen in modern democracies: unelected bodies. Nowadays, unelected bodies play an important role in public policy decisions, which have become more and more complex (p.1). The unelected bodies have the special responsibility 'for handling and dissemination of information, the analysis of evidence and the deployment and use of the most up-to-date empirical knowledge' (p. 12). In other words, they seem to fill an existing knowledge gap that is needed to come to public policy decision. Unelected

bodies exist in different legal forms an carry different names, which makes it difficult to recognize them as composing in fact a whole new branch (p. 1). Supervisory bodies, like inspectorates, regulatory agencies/authorities and even supervisory boards or boards of commissioners can be considered to be part of this new branch by finding empirical evidence about the functioning of the organizations in a sector that fall within the Ministerial responsibility.

Having noted this development Vibert argues that still democracy is not in danger. Quite the contrary, the specialized knowledge and expertise strengthens democracy because it enables access to this latest state of knowledge for citizens as well (e.g. inspectorates that make all their findings public). However, this assumption is based on the precondition that the new branch is restricted to finding factual evidence, and leaves the political and moral judgments to elected bodies (pp.39-40). This basic institutional distinction between the process of gathering information and mobilizing the latest knowledge in democratic societies and the process for passing political judgment on that information and knowledge (i.e. value judgments) is what Vibert calls the new separation of powers (p.2).

According to this account, what distinguishes the new branch and provides the basis for its legitimacy is the greater rigor with which it approaches facts, seeks information, weighs the state of empirical knowledge and tries to draw evidence-based conclusions for public policy (p. 4). In other words, it is based on confidence and trust in respect of their competence. In the same way that the law has developed its own standards so too can the new branch develop its. Nevertheless, unelected bodies that try to ignore the principles and procedures as described above will find their *credibility* and *authority* gone (p.128). Although it is argued that even scientific and evidence-based approaches always have some bias in it (see Kuhn, 1962), it seems that unelected bodies, also called 'independent agencies' because of their rational approach, are relatively free of any suspected bias that e.g. manufacturers, service providers and politicians have (Vibert, 2007, p. 46). In the end, these independent agencies are not entirely free from suspicion themselves. For example, that they might be captured by powerful interests or bend to a government's will. However, independence remains a good starting point and the 'least bad' solution for the provision of information and knowledge compared with the alternatives (politicians, firms/manufacturers etc.).

This principle of independence of unelected bodies, and supervisory bodies in particular, can be considered as accepted by societal institutions. The European law uses the principle of independence for supervisors in different sectors and places considerable demands on them (Winter, 2013; Aelen & Biezeveld, 2013). Also, the European Court of Justice has paid attention to the importance of independence of supervisors concerning the protection of personal details several times (Aelen & Biezeveld, 2013, p. 53). The principle of independence is reflected in the Dutch moral about the organization of supervision as well. Independence and impartiality are seen as central values of (external) supervision bodies, like inspectorates and market authorities (WRR, 2013). They are statutory bodies, established independent from government. They are allowed to select their own work programme and conduct their work as they consider properly and make their reports public. Such powers are widely linked to a non-partisan status in an otherwise political world (Lonsdale, 2008, p. 229). In addition, De Bruijn et al. (2007) argue that interference of third parties –companies, politicians, the media- seriously affects a supervisor's professionalism, quality and moral authority.

In the field of evaluation independence implies 'a distance *from* some party or parties and being resistant to their demands or influences of others', meaning 'an ability to determine what, how and

when work is undertaken without undue interference' (Lonsdale, 2008, p. 228). Different sorts of independence are distinguished in literature. Power (1995) describes two sorts of independence: *institutional and operational independence*. Institutional independence means on the one hand that the supervisor is independent of politics. This means that the Minister does not intervene in the research of the supervisor (Janssens, 2005, p. 12). On the other hand that the supervisor is independent from the object he supervises (the agent). Too close a relationship between supervisor and the object of supervision can lead to a phenomenon called 'regulatory capture' (Carpenter & Moss, 2013; Winter, 2013), in which the interests of the object of supervision are more or less internalised by the supervisor. Obviously, this affects the independence of the supervisor in a negative way. Operational independence means that the supervisor can act and work independently and is responsible for his or her own functioning (in terms of choosing his or her own research objects and strategies). However, De Bruijn et al. (2007) distinguish *structural* independence, in which they take institutional and operational independence together. With *structural independence* De Bruijn et al. refer to the lack of interference of a broader scope of third parties (i.e. companies, politicians, media) (institutional independence) and a high level of autonomy (operational dependence) at the same time. In this study also a distinction will be made between institutional and operational knowledge.

However, being totally independent is considered a key challenge for supervisors in their work (Robben et al., 2013). One reason for this has to do with the politicisation tendency, which means that the government makes supervision a political role and pulls it close as a result of (a perceived threat of) ministerial responsibility (Aelen & Biezeveld, 2013, p. 52). Another reason is that there is always some expectation of consultation or negotiated access to information (Lonsdale, 2008, p. 228), which requires a certain closeness to the information source (agent), a dilemma that will be reflected on later in this thesis.

H4: If the supervisor is independent, then learning is more likely to occur *(New Separation of Powers theory)*.

2.6 The Paradox of Double-Bind

Ergo, the supervisor has to deal with an intriguing paradox of double-bind: Independence and the implicit necessity of keeping distance from the agent to reach that status have a difficult relationship with the wish to be fully informed about the agent's activities and to see through eventual strategic behaviour. In other words, whereas the new separation of power principle seems to consider 'distance' between supervisor and supervised/regulated party as a good thing, that leads to independency, the principal-agent theory considers 'distance' as a disadvantage causing information-asymmetry and stimulating strategic behaviour.

Concerning the eventual learning impact of internal and external supervision this dilemma concerning whether or not keeping distance or seeking involvement is relevant for a couple of reasons. Firstly, some relational learning stimulating and hindering factors reflect the differing ideas about the role of the relative distance between supervisor/forum and agent/actor. Some scholars argue that close 'social ties' lead to an improved access position to information, which is crucial to be able to ask critical questions be able to act properly in case of irregularities as a supervisor. Other scholars stress that close social ties hinder supervisors to act adequately and to be harsh when it is needed (also known as "regulatory capture", see e.g. Winter, 2013). Apparently, the relative distance between the supervisor

and the actor/agent can play a role in learning processes of those agents/actors. Secondly, because studying this dilemma in the relationship between supervisor and agent could clarify the applicability of the different assumptions of the principal-agent theory and the principle of independence (derived from the 'new separation of powers' theory of Vibert, 2007) in specific supervision relationships. As a result, this may enable us to say something about the value of both models in explaining the learning impact of supervisors on executive directors of semi-public organizations.

De Bruijn et al. (2007, pp. 91-93) acknowledge that strict independence may increase the supervisor's information disadvantage. Although much of the information asymmetry can be solved by the statutory obligation of organizations to supply the supervisor information (right of information inquiry), this will at most produce 'need-to-know' information rather than 'nice-to-know' information. 'Nice-to-know' information can only be gathered by supervisors by operating close to the organizations and important players so as to build up required intelligence (Ibid, p. 92). Two solutions are proposed by De Bruijn et al. (2007) to overcome this dilemma. The first is the bundling of policy and operational processes of supervisor and the agent (i.e. joint committees, conducting joint evaluations, or maintaining informal relationships etc.) (pp.91-92). This way, the supervisor has the possibility to obtain 'nice-to-know' information to make up for some of the information asymmetry. The second solution De Bruijn et al. (2007) propose is to build in checks and balances to safeguard independence, even when supervisors seek to get close to the agent in order to obtain 'nice-to-know' information. These checks and balances can be that judgments by only one person are prevented via e.g. binary judgements or making peer reviews a standard part of the supervision process (p.93). It remains to be seen whether these solutions are used by supervisors in the empirical section of the results. Furthermore, no specific solutions were found in literature for the dilemma of strategic behaviour resulting from the distance supervisors operate from. However, information-asymmetry is considered an important source of strategic behaviour, as was already described in the section about the principal-agent theory. Indirectly, these solutions also apply to the strategic behaviour problem.

2.6.1 Clarifying the concept of Distance

There are several types of distance, varying from spacial, to temporal, to social distance and to mental distance (Stoopendaal, 2008). In this context, distance implies being not emotionally involved, and stands for 'universal' and 'rational', which is why *mental (*or *functional) distance* is meant here (Stoopendaal, 2008, pp. 41-45; Napier & Ferris, 1993). Functional distance refers to the extent to which a manager/leader and an professional/employee have knowledge of and experience each other's work. As a result of great mental distance one is able to have an unbiased and *impartial* attitude, and is therefore regarded as a necessary condition for objectivity and supervision. It is often said that from a relatively large distance one is better able to notice things and have a clearer focus, while at the same time scholar argue that being able to notice things well requires *involvement* as was explained in the section above (see also Stoopendaal, 2008, p. 42; Mol, 1992), the opposite of mental distance. *Involvement* actually implies a relatively small mental distance: having knowledge of the facts, being well-acquainted with and being able to understand. Therefore, involvement is related to experience-based knowledge and practical wisdom: 'metis' or 'phronesis' (Scott, 1998; Flyvbjerg, 2001) and is based on knowledge about specific values that is gained in specific situations (Stoopendaal, 2008, p.43). Collinson (2005) stresses that distance to the leader (principal) can also be created on purpose by the employee (agent) which can create room for strategic behaviour (see 2.4). Napier & Ferris (1993) found that for instance the discretionary space of a professional being under pressure due to the manager's/principal's interference can be a reason for distancing oneself from him/her. That being

said, it is important to notice that (mental) distance, as well as its opposite involvement, are relational concepts that will always be experienced in different ways and are therefore subjective terms (Stoopendaal , 2008, p. 60). Distance can be 'present', but can also be the outcome of social processes. As a result of action and reaction of the actors a dynamic of 'keeping distance' and 'seeking involvement' arises, which Stoopendaal (2008) calls *a dynamic process of distancing oneself*.

H6: If the relative distance between supervisor and agent is small, then learning is more likely to occur *(Principal-Agent theory)*
H7: If the relative distance between supervisor and agent is large, then learning is more likely to occur *(New Separation of Powers theory/Principle of Independence).*

2.7 Conceptual model

Internal supervision   **?**   *Learning*

Relationship

External supervision   **?**

How do they relate?	*Explanatory factors*	*Learning impact?*
-Focus with regard to: *(output) quality * operational management (i.e. financial management) *risk management (see chapter 4 Methods)	-Information-asymmetry -Strategic behaviour -Independence -Presence of learning stimuli	-Knowledge/understanding -Skills -Opinions/views -Improvements of policies and/or procedures -Prevention of mistakes

3 Contextual Framework

In this section broader developments concerning the shift that is referred to as the shift 'from government towards governance' in the international scientific literature will be explored.

3.1 The historical context of public services in the Netherlands

Over the centuries, views on the role of government, on what public interests are and how they can or should be secured, have been changed. This has resulted in different organizational arrangements of public services. Traditionally, the Netherlands has a broad spectrum of non-governmental and non-profit organizations. Many of them, including hospitals, schools and social housing associations, have been established from private initiative during the 19th and 20th century at the time of the socio-religious compartmentalization (Dutch Court of Audit, 2014). The power of the State was limited back then. From the 20th century onwards Sate regulation increased and public services became funded under the support of public money and this continued rapidly after World War II: the welfare state was born.

From the 1980s on the Dutch government decided to deregulate and decentralize a large part of the up till then centralized governmentally regulated public services (Goodijk, 2012, pp. 7-ff). In an attempt to make the central governmental organization more efficient and effective with regard to its core business, making policies and regulations, the provision of public services was transferred to a range of executive organizations with varying levels of distance toward government (semi-public organizations) ('t Hart, Bovens & Wille, 2002). During the last 25 years different cabinets used different ways of decentralizing public tasks, resulting in a wide range of structuring and supervision regimes of ZBO's (Dutch Court of Audit, 1994; Minderman, 2012, p. 52). From the 1980s until 1995 three developments occurred, starting with the privatisation of public companies (e.g. the post office, the pilotage service and the Postbank) in the '80s. This was followed by the introduction of market forces in the so-called 'network sectors' (i.e. post, telecommunications and energy sector) in the '90s, partly as a result of EU policy (Dutch Court of Audit, 2014). In the same decade the independence of government bodies, like the Dutch Railways and Kadaster, became a fact (next to the already existing public utilities). The National Court of Audit called this the proliferation of executive agencies (ZBO's) in 1995.

After 1995: Market forces and deregulation

From 1995 onwards a large amount of internal independencies were created and got the title 'agencies' ('agentschappen'). Moreover, attention was paid to the importance of streamlining independencies by the Commission Sint (Dutch Court of Audit, 2014). At that time, market forces and deregulation were emphasized, for instance by implementing regulated competition in the health care sector, which endured until the 21th century. 'Strong government, strong market' became the credo. Ultimo, this deregulation movement has had also considerable consequences for semi-public organisations, like health care, educational and social housing organisations. They received more responsibilities and financial freedom (Minderman, 2012, p. 53; Goodijk, 2012). Simultaneously, in the '90s a call for the recovery of the political primate was heard, that wanted to centralize the control of ZBO's. In 2007 the 'Kaderwet ZBO's' was drafted as a result of this initial call, although somewhat delayed, in order to harmonize the laws and regulations concerning ZBO's. Due to the fact that many ZBO's were not covered by this Kaderwet, is did not reach its goal entirely. Yet, after a report of the

Dutch Court of Audit in 2012 concerning the Kaderwet ZBO's a fundamental review of the system of (semi) public organizations was decided by the government. In recent years, a critical look at the independencies and privatisations was taken, which, for example, resulted in a parliamentary research commission of the First Chamber (report 'Verbroken Verbindingen', 2012). In addition, the question which is now frequently asked, however, due to a series of incidents, whether these decentralizations have resulted in more efficiency and effectiveness (Minderman, 2012, p. 50).

3.2 Challenges of new responsibilities and authorities

As a consequence of the developments described above, many semi-public organizations have grown from small scale initiatives of citizens towards large scale professional organizations and conglomerates with thousands of employees and clients (WRR, 2014, p. 27). The WRR (2014) notes that this development over the last decades has resulted in a weakening of the internal *checks and balances* of these organizations. With internal *checks and balances* organized forms of administrative control and countervailing power are meant. More specifically, 'checks' are the possibilities of internal accountability that have to control and correct members of executive boards/managers. 'Balances' refers the balanced distribution of responsibilities within organizations (WRR, 2014, p. 20). Internal checks and balances are said to increase the precision of the executive boards and by doing so also its sluggishness.

This having been said, the weakening of internal checks and balances is threefold according to the WRR (2014): firstly, the increased complexity of administrative and strategic issues in large organizations asks more and more of internal accountability fora (client and codetermination councils) in terms of expertise, while this level cannot always be offered. Secondly, as a consequence of the scaling-up executive boards run the risk to become too much at a distance from the work floor and their clients (citizens) (Trappenburg et al., 2009). Thirdly, the bigger the organization and the amount of people involved, the greater the risk at a collective action problem when it concerns the troubles of volunteering for delivering countervailing power via all sorts of councils, since the benefits (e.g. improves quality of services) will apply to all (WRR, 2014, pp. 27-28).

Thus, the movement from government towards governance brought new responsibilities and authorities for the management boards of (semi) public organizations. Minderman (2012) notices that along with this decentralization development management boards have become more empowered and professionalized. On the one hand, as a result of the introduction of the two-tier system during the 1990s, inspired by the New Public Management thinking. The two-tier system is based on the business model in which the executive board is accompanied by a *board of commissioners* (WRR, 2014; Peij and Brandjes, 2012). For the non-profit organizations, that resulted in a *supervisory board* next to the executive board. In this model the executive board and the supervisory board are separate entities in which the supervisory board supervises the executive board 'from the outside' (WRR, 2014, p. 39). Although, as was explained in the introduction of this study, the position of supervisory boards is hybrid: they have to supervise the executive board, but they have to stand by them with advice and guidance as well. Recently, the WRR has published a report in which it problematizes the way the business model was copied by the semi-public sector. The WRR argues that whereas business firms have a crucial *third* party in their administrative model, namely the shareholders, the semi-public sector has *not*. The semi-public sector only has stakeholders and the government to which they are held accountable to some extent, but none of them are the *owners* of the organization. This

hybridisation has had some important consequences for the functioning of internal checks and balances in semi-public organizations (WRR, 2014, p. 29). Firstly, since it is not clear who the owner of the organizations is, the societal legitimacy of their long term strategy and administrative direction is limited. In addition, it is unclear who decides what the public tasks of the organizations should be and how far they reach. Secondly, because of the lack of 'shareholders' who can take the role as countervailing power against the supervisory board and executive board, there can be a lack of balance of power (Ibid).

3.3 Consequences for external supervision

As a consequence of putting public tasks at a distance the responsibility of the execution of those public tasks becomes primary one of the executive boards of these agencies, although the Minister will still create the preconditions, the (legal) mission statement and set the goals (Dutch Court of Audit, 2014). Still, the Minister will always be responsible for the system in the end and the democratic accountability processes also directed to the Minister. Concerning the positioning of (semi) public organizations towards the ministry, the organization of political control, the way of funding, supervision and accountability, the Minister makes choices (Ibid). Ultimo, he/she is responsible for the functioning of the system and should therefore be informed about the achievements and effects of all these organizations. In addition, the Minister monitors the way the organizations execute their tasks, whether the quality norms agreed upon are met, whether the public money is spend on the set goals, and whether the acceptance and expense of public means has occurred legitimately and effectively (Ibid). To what extent high-risk operational management and financial management is also involved in the monitoring is the Minister's estimation. The scope of the Minister's supervision is partly determined by his/her specific authorities and inspectorates. Agreements on supervision and accountability processes are registered and are dependent on the type of organization, the funding and the political control. The more the activities of an organization are funded with public money, and the more the activities are public tasks, the more intensive and extensive supervision will be (Ibid). Ergo, the external supervision will vary along the cases in this study.

3.4 Professionalization of internal supervision and executive boards

In recent years, in all semi-public and public sectors supervisory boards and executive directors have become more professionalized (Minderman, 2012; WRR, 2014). The creation of *governance codes* by branch organizations have professionalized the management of semi-public organizations, even as the 'good governance code' of the *Charter Group Public Accountability* (Handvestgroep Publiek Verantwoorden) within the field of executive agencies[7]. Governance codes per sector are concerned with the standardization of the internal relationships of the organization (e.g. between the management and the supervisory board), transparency of the organization and its management, and the prevention of integrity issues (Minderman, 2012, pp. 55-56). The governance codes of the different sectors are much alike and are mainly focused on operational management issues. The charter for executive agencies is also concerned with values as transparency, participation of citizens and stakeholders, and quality of their public services, but also pays attention to the way they should deal properly with their (external) principals. Yet, governance codes are not more than a point of departure, from which executive directors and supervisors can be socialized and conditioned. They cannot solve problems in case people misbehave on purpose, or do not possess necessary skills.

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[7] See website www.publiekverantwoorden.nl

In addition to governance codes also more attention has been paid to education, selection and training of executive directors and internal supervisor, and generic measures as a result of reports following from incidents (WRR, 2014, p. 33). The Committee Halsema (2013) stressed the importance of *culture* in the board room and the necessity to sometimes have a 'difficult conversation' when irregularities occur. Also, stimuli like inspections (visitaties), benchmarks, competition, critical clients and other forms of *horizontal* checks and balances are considered to foster responsible behaviour of executive boards (Dutch Court of Audit, 2014). Lastly, external regulation on executive boards om (semi) public organizations has been sharpened, including the financial supervision from government, the liability of the boards of (semi) public organizations, and the minister's rights to dismiss them (WRR, 2014, p. 33). However, more external regulation also can have its disadvantages, like transactions costs, defensive behaviour and the fact that it often comes too late to *prevent* irregularities from happening (Ibid, p. 34).

4 Research Design and Justification

This study focuses on the learning impact of internal and external supervisors in (semi)public organizations on executive boards. In this chapter the research strategy that was used to answer the central research question will be presented.

4.1 Selecting domains of supervision

The central research question *'(How) do internal and external control contribute to the learning capacity of semi-public organizations?'* and the three sub-questions are operationalized in different partial research questions, as was shown in the introduction. In the first sub-question it will be investigated how internal and external supervisors supervise the executive boards. Only, this will focus on a selection of important topics, namely the quality of services, operational management (especially financial management) and risk management. Due to the limited time and scope of this research other topics, like stakeholder dialogue, HR-policies, and integrity are not investigated here. However, the reason these specific topics were chosen was, firstly, because the *quality of service* is considered a core theme when public services are concerned. When there would be no supervision on quality, the minister would not be able to fulfil his/her system responsibility concerning the overall quality of the sector. Secondly, operational management is a domain in which it appears that internal and external supervisors have different roles. For internal supervisors this topic seems to be an important concern (see e.g. governance codes), while most external supervisors seem to withhold themselves from that terrain as much as possible (see e.g. supervision frameworks of inspectorates). In other words, this would be interesting to further investigate. Lastly, the topic of risk management was chosen, because of a seemingly new interest for this topic[8] after a series of incidents in the (semi) public sector.

> *1) (Output) Quality*
> The (contractable and non-contractable) quality of the public service offered by the organization is the first topic that will be part of the comparison between the supervision relationships. It would

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[8] Considering the high amount of risk management master courses and researches that are currently offered for (semi) public professionals on the internet, e.g. http://www.utwente.nl/onderwijs/professional-learning-and-development/executive_opleidingen/masterclass-risicomanagement-publieke-sector/programma/

be interesting to investigate on what aspects of quality internal and external supervisors focus, what information they use, and what methods are used to assess this quality.

2) Operational management (specifically: financial management)

Operational management is a term that covers a range of internal management systems, including human resources, information, organization (structure), finances, general affairs, communication, and housing. This study will especially focus on financial management (such as budgetary structure, cost control) due to time restrictions. From this angle it would be interesting to investigate what aspects of finances internal and external control pays attention, and what information and methods are used to come to a judgment.

3) Risk management

This topic includes aspects to control external and internal quality, safety and financial risks. Again it would be interesting to explore to what extent different supervisors pay attention to these aspects, what information and methods they use to come to a judgment.

4.2 A Multiple-case study design

The methodological approach that was used in this study involves a qualitative, multiple-case study. A qualitative case study is an approach that enables exploration of a phenomenon within its context using a variety of data sources, investigating links between concepts and behaviours, and ultimately generating and refining theories (Quinn, 2005; Glaser and Strauss, 1967; Baxter and Jack, 2008). The investigated phenomenon is not explored through one 'lens', but rather through a variety of lenses allowing the researcher to reveal and understand multiple facets of it. Moreover, a *multiple*-case study enables a researcher to explore differences within and between and across cases as well. The goal is to replicate findings across cases (Yin, 2003). Miles and Huberman (1994) define 'case' as *"a phenomenon of some sort occurring in a bounded context"* (p.25). However, George and Bennett (2005) stress that the phenomenon should be a well-defined issue of which should be decided what aspects and variables will be focused on. Obviously, this is important in order to demarcate the scope of the research, because it would otherwise become too broad. In a multiple-case study, the cases are the unit of analysis. In this study, the unit of analysis are (executive boards of) (semi) public organizations, having relationships with internal and external supervisors within (semi)public organizations. I will analyse the data both within each case (*within case analysis*) and across the cases (*cross-case analysis*) (Yin, 2003).

The goal of case studies can vary from developing and evaluating theories, to formulating new theories, to using existing theories and causal mechanisms in order to explain a phenomenon (Bennett, 2004, p. 21). In this study firstly the way internal and external supervisors supervise (semi)public organizations is *explored*, as well as their learning impact on executive boards. Subsequently, existing theories are used to *explain* the learning impact of internal and external supervisors on executive boards. Lastly, the theories used will be evaluated on their usefulness within the context of this study. Learning impact of internal and external supervisors has not been investigated together before and not with this particular theoretical framework before. This means that there is a relatively large empirical terrain to be explored. Hence, this study can be considered to have both an explanatory and an exploratory character (Yin, 2003).

4.2.1 Pattern matching

For case study analysis, one of the techniques that can be used is the pattern-matching logic. This logic compares an empirically based pattern with a predicted one (or with several alternative predictions) (Yin, 2003, p. 136; Trochim, 1989). The patterns may be related to the dependent and/or the independent variables of the study (Yin, 2003). In this study patterns of both dependent and independent variables are investigated. The explorative sub-questions (*'How does internal supervision contribute to learning of executive boards?' and 'How does external supervision contribute to learning of the executive boards?'*) search for patterns of dependent variables, which have been predicted (in specific variables) on forehand. So, it was investigated whether a specific predicted contribution to learning of executive boards was reached or not. Subsequently, it was investigated *why* it was or was not reached, in order to answer the sub-questions *'Why does internal supervision contribute to learning of executive boards'* and *'Why does external supervision contribute to learning of executive boards?'.* In this part of the analysis pattern matching was done for independent variable, existing of learning stimuli, the relative independence of supervisors, presence of information-asymmetry of the supervisors in respect of the executive boards, and eventual strategic behaviour of the executive boards. For each theory different hypotheses were used for the analysis. With these independent variables it was investigated how and why this particular outcome occurred (the learning impact) in each case. In addition, 'rival' explanatory theories were used for this: the principal-agent theory and the new separation of powers theory, claiming contrasting influences of *distance* between supervisors and executive boards (agents). As a third rival explanation the learning stimuli are used, which try to explain the learning impact by formal, environmental, personal and content factors. However, in order to use this type of analysis an important precondition should be met: "*The desired characteristics of these rival explanations is that each involves a pattern of independent variables that is mutually exclusive*" (Yin, 2003, p. 140). This means that the three explanations should not have overlap. When we look at the theories we can conclude that it is acknowledged that being fully informed as a supervisor and being fully independent at the same times are by some scholars considered to be mutually exclusive (see e.g. De Bruijn et al., 2007, p. 91, and Hall et al., 2000). Moreover, in the analysis only the learning stimuli are used that are *not* overlapping with these hypotheses about relational aspects (concerning distance, independence, whether or not being informed or showing strategic behaviour). Due to the fact that de stimulating and hindering factors do not form a 'whole' together (they do not form an integrated theory), but stand on their own, this selective use will not be problematic. In the end, if the pattern of learning matches successfully to one of the rival explanations, this is evidence for concluding that this explanation is the correct one (and that the others are incorrect). If this same result is additionally obtained over multiple cases, *literal replication* has been accomplished, and the cross-case results are more significant (Yin, 2003, p. 140). Lastly, if this same result also failed to occur in one or more cases, due to the presence of different circumstances/conditions (aka independent variables), *theoretical replication* is accomplished (ibid). The result would be even more robust. It should be noted in advance, that as a result of the heterogeneity of circumstances of the cases, this can not be achieved in this study (see paragraph case selection below).

4.3 Operationalization

In this chapter the theoretical concepts are translated into measurable indicators. Firstly, the contribution to 'learning' is operationalized into dimensions and measurable indicators. Secondly, the predicted pattern of specific learning variables are defined (the 'ideal' situation), with which the

empirical data will be compared in the analysis. Thirdly, the different rival theories are operationalized into dimensions and indicators. Lastly, the functional relationship (partial research question C1) is operationalized.

4.3.1. Dependent variable: Learning (impact)

As already explained in the theoretical framework the definition of learning was partially based both on Berings (2006) and Smulders (2012), who define *workplace learning* as a mental and/or overt activities and processes, leading to relatively permanent changes in knowledge, skills or opinions. With additional studies of the Scientific Council for Government Policy (WRR) (2006), Van Montfort (2010), and Sparrow (2000), the final definition of learning has become: *"implicit or explicit mental and/or overt activities and processes, performed in the context of a supervision process, leading to relatively permanent changes in knowledge, skills, opinions, improvement of policies and procedures, and the prevention of mistakes."* The parts of the definition have simply be used in the operationalization, and have been concretized into indicators, partially following Smulders (2012) again, and partially using the domain of supervision that are studied (output quality, financial management and risk management).

Operationalization of Learning	
Dimensions[9]	Indicators
1. Knowledge and understanding	-More knowledge of internal and external developments -Better understanding of legal norms and standards -Better understanding societal goals
2. Skills	-Steering/managing more effectively -Improvement of approaching complex problems -Better capable of identifying organizational strengths, weaknesses, opportunities and threats
3. Opinions/views	-Changed opinions about strategic issues (plans, mission) -Changed opinions about operational issues (management)
4. Improvement of policies and procedures	-Changes in definition of (policy) goals, problems or risks -Changes in standard operating procedures
5. Prevention of mistakes	-Prevention of financial instability -Prevention of (escalation of) risks -Prevention of bad quality services

In the table below these different learning criteria are distinguished and applied to the internal and external control in terms of what they would contribute to the learning in an ideal situation[10] (*'Soll'*), in order to be able to compare them with the empirical results of this study later on (*'Ist'*).

Learning criteria	Internal control	External control	Relation internal-external control
	'Soll'	*'Soll'*	*'Soll'*
1. Knowledge and understanding	Results in more knowledge and understanding of what is happening in the organization (internal developments) and in the environment of the	Results in more knowledge and understanding of the legal framework (compliant behaviour) as well as norms for quality	Results in integral knowledge and understanding of the internal functioning of the organization and the

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[9] Dimension 1,2 and 3 are derived from Smulders (2012)

[10] The ideal situation is derived from the intended purposes of internal and external control are discussed in the paragraph 'Scope and research question' under the heading 'study objects'.

	organization (external developments).	assurance systems, societal goals and reporting.	relationships with the external environment
2. Skills	Improves skills of managers and professionals for dealing with accountability issues and other managerial skills, i.e. steering effectively and the improvement of approaching complex problems	Improves skills of managers and professionals for dealing with accountability issues and the quality and scope of a 'SWOT'- analysis.	Improves skills of managers and professionals with regard to dealing with accountability, SWOT analysis and other managerial skills
3. Opinions/Views	Changes opinions with regard to organizational issues (e.g. strategic and operational issues)	Changes opinions with regard to organizational (operational) and public (policy) issues	Changes opinions with regard to organizational (operational and strategic) and public issues
4. Improvement of policies and procedures	Changes/improves definition of goals, problems, risks, organizational structure, and standard operating procedures.	Improves compliance, finances, administrative ability to act, and quality assurance systems	Improvements in defining organizational issues and quality assurance system, finances and an increased level of compliance
5. Prevention of mistakes	Prevents (the repetition of the) mistakes concerning financial stability, integrity, quality of service, assuring strategic goals follow societal interests.	Prevents (the repetition of) mistakes concerning uncompliant behaviour, rightful public spending and bad service quality.	Prevents mistakes and keep each other alert and sharp.

4.3.2. Independent variables: Information-asymmetry and Strategic behaviour

One of the aims of this study is to examine whether information-asymmetry and strategic behaviour influence the learning impact on executive boards. For operationalization of the principal-agent theory, which describes the two phenomena 'information-asymmetry' and 'strategic behaviour' the book '*Law Enforcement. The Game between Inspectors and Inspectees*' was used by De Bruijn, Ten Heuvelhof and Koopmans (2007) (see also theoretical framework).

Operationalization of Information-asymmetry[11]	
Dimensions	**Indicators**
1. Lack of 'need-to-know' information	-Incomplete fill-in of legal accountability (external reporting) formats -Information fails to match the information requirements -Information is supplied to late
2. Lack of 'nice-to-know' information	-No access to other information sources than the formal formats (to be able to estimate the meaning and reliability of the formally supplied information)

Operationalization of Strategic behaviour[12]

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[11] Based on De Bruijn, Ten Heuvelhof & Koopmans, 2007, pp. 90-91
[12] Based on De Bruijn, Ten Heuvelhof & Koopmans, 2007, pp. 23-33.

Dimensions	Indicators
1. Participating in the game ('Taking a lot, giving a little')	-Urging for compromises -Emphasizing particularly the positive aspects of their behaviour and their good will.
2. Discontinuing the process	-Aiming for restarting the process each time it takes an unwelcome turn (e.g. threat of a sanction).
3. Frustrating the process	-Causing confusion among inspectors/supervisors, -Creating a false positive image of one's own behaviour, -Deception, lies, or even fraud.

4.3.3. Independent variables: Independence

As was explained in the theoretical framework, the New Separation of Powers stresses the importance of independence of supervisors. This study aims to empirically explore whether independence of supervisors influences the learning impact on executive boards. For the operationalization of independence Power (1995) was used, who describes two types of independence: institutional and operational independence.

Operationalization of Independence[13]	
Dimensions	*Indicators*
1. Institutional *independency*	-No interference of third parties (i.e. companies, politicians, media) -No informal contacts with object of supervision
2. Operational *independency*	-High autonomy in how to fill in the supervisory role

4.3.4. Independent variables: Stimulating and hindering factors of learning

The presence of stimulating and hindering factors are the last potential explanation for the learning impact supervisors have on executive boards. The different stimulating and hindering factors were derived from existing scientific literature (see theoretical framework) and were operationalized according to the descriptions found in the literature. Due to the limited scope of this study not all stimulating and hindering factors present in the literature were operationalized. A selection was made of factors that have nothing to do with the (effects of) distance between supervisor and executive board, because this would hinder the pattern matching of the rival explanations.

Operationalization of Learning Stimuli		
	Dimensions	*Indicators*
Formal stimuli	1. Accountability processes are complementary with regard to content	-The actor does not feel obstructed by the present accountability processes
	2. Mild sanctioning pressure in relationship	-The actor does not feel pushed into a defensive mode
Environmental stimuli	1. Prospect of increased competition	-Increased exposure of sector to market mechanisms
	2. Pressure for innovation and modernization of actor	-Rapidly changing technical developments in sector
	3. Regulatory obligations of actor	-Rapidly changing rules and legislation in sector

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[13] Based on Power (1995), described by Janssens (2005) pp. 11-13

Relational and personal stimuli	1. Forum takes an advisory role towards actor	-The forum gives advices to the board of directors
	2. Presence of a moderate level of conflict between actor and forum	-Debate takes place between forum and actor in the process
	3. Trust-based relationship (open culture)	-Errors of actor are embraced as opportunity
	4. Forum has access to relevant network	-Actor sees forum members as potential 'ambassadors'
	5. Forum has relevant expertise	-Actor sees forum members as experienced experts
	6. The opinion of the forum is not known exactly on forehand	-Before the actor sends information to the forum, he does not know what their vision is on the matter
Content stimuli	1. Focus on reflection during debate	-Attention is paid to how the organization can be more successful in realizing the objectives in the future
	2. Focus on short –term as well as long-term plans and strategies	-Not only focus on whether predetermined short-term targets are met.
	3. Clear and concrete judgments/feedback of forum	-The actor understands precisely what the forum means and why.

4.4 Selection of cases and respondents

The research design that will be used for this research is a case study, as was justified above. The aim was to demarcate a group of organizations that were part of the semi-public sector, and were relatively large organizations in their sector. The fact that the size of the cases mattered, has to do with the fact that it is known that the professionalism of the internal supervisors varies between small and large semi-pubic organizations (see e.g. Minderman, 2012). Because of the wish to not only focus on one particular sector, but on different sector, the reach of the study would be broader. This approach is in line with the explorative character of this study. There was searched for a reasonable reflection of different variations of relationships between executive boards and both internal and external supervisors, within as much organizations as possible. This aim was derived from the simple principle that more cases results in more information (Swanborn, 1996, p. 56). Three large (semi-)public organizations were selected (one in the educational sector, one in the healthcare sector, and one in the social housing sector), in which the role of internal and external control was investigated. An important general criterion for the selection was that the organization had to have a supervisory board or board of commissioners with formal powers, so they could be considered as 'real' supervisors, not 'just' advisors) (see definition of supervision in the theoretical framework). In addition, it was considered to be interesting to select a large semi-autonomous administrative body (ZBO) as well, because ZBO's have a Ministry as external supervisor (instead of an inspectorate). Although ZBO's have a different constitutional basis, the fact is that even as semi-public organizations they carry out a public task and operate 'at arm's length' of the governance. Besides, both semi-public organizations and most ZBO's have a two-tier board system, which means they have a supervisory board. Having a supervisory board with formal sancationing powers and being a large organizations were the preconditions for the selection of the ZBO.

The second choice was about which (type of) healthcare organization, educational organization etc. would be selected for this study. As a result of the precondition that the organization had to be relatively large, in the educational sector a ROC (regional training centre) was considered a suitable type of organization. In the healthcare sector a general (not specialized) hospital was considered a suitable organization. In the social housing sector no branches exist, even as among ZBO's. So, in these sectors just a large organization would suffice. The ultimate selection of organizations within these branches was done as randomly as possible, whilst covering the requirements and being dependent of the accessibility of the organizations. This accessibility implied whether appointments could be made with relevant respondents for the interviews, after contacting the organization by email and phone.

The respondents that were selected in each case included members of executive boards (directors), members of supervisory boards or boards of commissioners, and managers of inspectorates/the CFV/Ministries of the selected (semi)public organizations. Obviously, these respondent were selected because they are subjects of the study: the aim is to examine the learning impact of internal and external supervisors on executive boards. However, in case none or only one of the executive directors were able to give an interview within the limited time of this study, the board secretary was interviewed. Board secretaries are considered key players in the relationship between the executive boards and internal supervisors as well as external supervisors. That is why they are also called 'boardroom insider'[14]. For the selection of the external supervisors the selection criterion that was used was that it had to be governmental supervision bodies, specialized in the field of the organizations. In addition, of the external supervisors mostly managers of the sector the cases are part of were interviewed (for instance, the manager of the inspectorate of education concerning the branch ROC's are part of). The selection of members of supervisory boards/boards of commissioners depended mainly on their willingness to participate.

4.5 Data collection: Complementary methods

The cases were investigated with a combination of document analysis and interviews. Semi-structured interviews formed an important part of the data collection. Eighteen respondents were interviewed in total: six in ROC case, four in the hospital case, four in the social housing case, and four in the ZBO case. In each case at least one executive director or board secretary, one member of the supervisory board or board of commissioners, and one external supervisor was interviewed. However, in most cases more than one of each category was interviewed. The interviews lasted between 45 and 90 minutes and the interview topics were distilled from the theoretical framework and were used as a guide (see appendix). However, the respondents were free to share their ideas and experiences about the research topic during the interviews. As a result, the order of questions were sometimes changed, and sometimes topics were added or topics were only discussed very briefly if the respondent considered it not very relevant. Furthermore, the semi-structured interviews were complemented with document analysis. Sometimes it was possible to cross-check the role and effects of internal and external control mechanisms via documents (such as annual reports, policy documents, statutes, regulations, governance codes, supervision letters and reports, and supervision frameworks).

The authentication of case study research is the use of multiple data sources, an approach which also adds to data credibility (Patton, 1990; Yin, 2003). In this study, the use of complementary methods and

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[14] See report 'Boardroom insider. Invloed en visie van de bestuurssecretaris op effectieve governance.' (PWC, 2009)

different types of respondents also aimed to objectify the research. However, observation were not done, because the definition of 'learning' (the dependent variable of the study) shows that the process of learning does not have to be overt, but can be an implicit or explicit mental process as well (see paragraph 2.2). Still, the use of both interviews and document analysis can already overcome the risks of disadvantageous interview effects as much as possible (Bos and Geurts, 1994, p. 67). One of the interview effects is for example the fact that respondent tend to mention their successes rather than their failures, and in addition, tend to overestimate their own influence (Schillemans, 2007, p. 114). Moreover, respondents often tend to give strategic answers, which can be a risk in this study as well, given the fact that the strategic relations between executive boards and their supervisors are at stake (see also Weiss, 1995; Schillemans, 2007). In order to prevent these tendencies to threat the trustworthiness of the study about every supervision relationship multiple respondents were heard. In addition, quotes of respondents were compared with documents, like annual reports and supervision letters and/or supervision reports. Lastly, during the interviews not only perceptions were asked about, but also concrete examples were asked and specific situations were submitted to the respondents.

4.6 Data Analysis

All interviews were transcribed and the recordings were saved. A first step that was taken in order to analyse the data was to immerse in the entire amount of data collected. Reading and making notes without starting to code immediately enables you to identify broader themes without losing insight in the connections between notions and their context (Pope, Ziebland and Mays, 2000). A computer-assisted tool that was used to 'code' the data is the qualitative data analysis software NVivo, which is free available at the Utrecht University. Essentially, NVivo helps you to code and categorize large amount of narrative texts, as was the case in this study as a result of the 18 semi-structured interviews. The code tree that was created with the help of NVivo can be found in the appendix. During the coding process the theoretical framework and the operationalization of the theories formed important 'lenses' for identifying and interpreting notions and phenomena, and for finding potential causal linkages between variables. Apart from this deductive way of coding, also inductive analysis was done, which requires 'open coding' (Boeije, 2010). By using open coding as well, the risk of 'forcing' data into predefined categories (Glaser, 1992) was reduced and creates room for unexpected findings that can point at missing variables and even lead to new hypotheses (Boeije, 2010). The coding process requires a continuous comparison between quotes of respondents within cases, and across cases. Consequently, the coding process was cyclic, in continuous interaction with the raw data (see also Weiss, 1995, pp. 154-6)

4.7 Trustworthiness

Many frameworks have been developed over the years to appraise the trustworthiness of qualitative research (see e.g. Lincoln & Guba, 1985) and general guidelines for critically assessing it were also drawn up (e.g. Mays & Pope, 2000). In this study strategies for creating credibility, transferability, dependability, and confirmability have been used as well in order to strive for trustworthiness. Firstly, as was already explain above, complementary methods for collecting the data were used to examine for consistency. Secondly, various theoretical viewpoint have been considered when approaching the data ('triangulation of theories'), which means that they were placed side by side to assess their utility and power (Denzin, 1978, p. 297). For instance, different hypotheses were considered about why a certain learning impact would or would not be reached by supervisors. Thirdly, anonymity was ensured to all organizations and respondents to control for socially desired answers and to create an

atmosphere in which respondents felt free to express their ideas as much as possible. Fourthly, interview data were collected and written down and subsequently the process of 'member checking' was integrated (Baxter & Jack, 2008, p. 556). This means that the first interpretations of the interview data, written down in a report, were shared with the respondent. This way the respondent had the opportunity to discuss and clarify the interpretation, and contribute new or additional perspectives on the issue. Fifthly, considering the technique for analysis that was chosen ('pattern matching') trustworthiness was strived for by a high level of precision, because: *"Low levels of precision can allow for some interpretive discretion on the part of the investigator, who may be overly restrictive in claiming a pattern to have been violated or overly lenient in deciding that a pattern has been matched"* (Yin, 2003, pp. 140-141). By developing measures, as precise as possible, of what patterns of independent and dependent variables were expected, the case study was made stronger (Yin, 2003, p. 141). When great precision could not be reached, hypothesizing very subtle patterns was avoided. However, it should be kept in mind that a case-study design was used, and these measures can only contribute relatively to to increased reliability and validity of case-study designs.

5 Results

The coming paragraphs present the results of the study. Firstly, the four cases that were selected will be introduced, and the studied supervision relationships will be explained. Secondly, the subsequent paragraphs each deal with a sub research question and its underlying partial research questions, as presented in the operationalization section. Each paragraph ends with a conclusion and the answering of the sub research question. The last paragraph of this section is arranged for case comparison; what do the cases have in common and where do they differ based on document analysis?

5.1 Introduction of the cases

- Regional Training Centre (ROC)

The first case is a regional training centre, offering higher vocational education via around 300 training programs to approximately 20.000 to 25.000 students. The specific ROC in this study has roughly 1800 employees. The Dutch (funded) higher vocational education sector in total counted 459.286 students in the school year 2013[15]. The most important law for regional training centres is the Wet Educatie en Beroepsonderwijs (WEB). Relevant provisions in this law are concerned with the functioning of the executive board and the supervisory board. Also, the functional distinction between the executive board and the supervisory board is prescribed (two-tier board structure) (Branchecode goed bestuur in het MBO, 2014).

Internal supervision: supervisory board

Within the higher vocational education sector organizations are legally obliged to have a supervisory boards since 2009 (*Goed bestuur, goed onderwijs,* 2010). Supervisory boards have the responsibility to supervise the organization internally and specifically to supervise the executive board in particular. In order to do so they have an (unclaused) information right and an approval and determination right for all important decisions (Minderman, 2012, p. 78). The statutes of the ROC in this case study mention

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[15] Information derived from the website of the MBO council (www.mboraad.nl) retrieved on 13-8-2014

that the execution of the tasks of the supervisory board should be in accordance with the interest of the foundation. The legal tasks of supervisory boards are being the employer of the executive board (appointing, suspending, firing and remuneration), approving the regulations concerning the executive board, approving the budget, the annual account, the annual report and if applicable the strategic multiannual plan of the organization[16]. Furthermore, the supervisory board has to secure the compliance to legal obligations and to the governance code of the sector Also, the rightful acquisition of financial sources, as well as the effective and rightful spending of it fall within the supervisory tasks. Supervisory boards should appoint an accountant, who reports to the supervisory board. Finally, the supervisory board is obligated to account for the execution of their tasks and responsibilities in the annual report[17].

External supervision: Inspectorate of Education
The inspectorate of education externally supervises all educational organizations in The Netherlands, including the regional training centres, on behalf of the Minister of Education, Culture and Science.
The legal tasks of the inspectorate of education are laid down in the law act concerning education supervision (Wet op het onderwijstoezicht). The core task of the inspectorate as described in this law is to supervise upon the quality of education and whether the educational organizations complies to the law. The inspectorate is responsible for the coordination of the supervision on the rightful acquisition and spending of financial means, which implies the task of controlling the quality of accountants' tasks[18]. In addition to these tasks, the inspectorate is legally obligated to further the improvement of educational quality and to report about the developments in the educational sector.
In order to fulfil these tasks and responsibilities the inspectorate is not only allowed to require the provision of information, but has also the power to take enforcement action as described in the General Administrative Law Act. (Repair) enforcement actions are administrative enforcement (bestuursdwang), a penal sum (dwangsom), and the withdrawing of beneficiary dispositions. A enforcement action that is meant to really punish an organization is the administrative penal (bestuurlijke boete). The power to take enforcement action exists only is it has been granted by or pursuant to act of Parliament[19]. These authorities are applicable to all inspectorates in principle. In addition to formal sanctions, also informal consequences are used by all inspectorates: 'the ability to shame' (Hood et al., 1999, p. 47). Based on the Public Administration Law Act (Wob) reports of inspectorates are public (WRR, 2013, p. 44). In other words, negative publicity may also be regarded as a form of sanctioning (Schillemans, 2008, p. 178).

- Hospital

The second case is a general hospital that offers all general treatments. The hospital has approximately 5.000-6.000 employees and takes care of roughly half a million habitants in their region. The Dutch hospital system is faced with big challenges due to the ageing and decrease of the population[20].

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[16] See Branchecode goed bestuur in het MBO (MBO-Raad, 2014).
[17] Information derived from the website of the MBO council (www.mboraad.nl) retrieved on 13-8-2014.
[18] See website of the inspectorate of education (www.onderwijsinspectie.nl)
[19] Which power is mandated to the inspector-general of the inspectorate (see the law act education supervision, 2012).
[20] Sectorvisie ziekenhuiszorg; retrieved via http://nl.lindenaar-cf.com/Lindenaar_&_Co_-_Sectorvisie_Ziekenhuiszorg.pdf

Internal supervision: supervisory board

Since the 1990s political pressure was exerted to separate management and internal supervision functionally in the healthcare sector. It even became a requirement to be 'admitted' as hospital. Some years ago the Wet Toelating Zorginstellingen (WTZi) resulted in the real introduction of the supervisory board model (Goodijk, 2012, p.15). According to the Quality Law Act healthcare organizations deliverers of healthcare are responsible for the quality of care themselves. Supervisory boards should supervise the organization from an internal perspective (WRR, 2013, p. 39). The hospital in this case study has a supervisory board that, according to the statutes, should integrally supervise on the policies of the executive board and the general state of affairs within the foundation[21]. According to the Healthcare-wide Governance Code 2010 supervisory boards fulfil an employer's role to the executive board and takes care of appointment of the board, evaluation, and the firing. Also, they supervise on the achievement of the objectives of the organizations, the strategy and risks, the functioning of the internal risk management system, the financial reporting, the quality and safety of the healthcare, compliance to rules and regulations, the relationship with stakeholders, and the execution of the organizations societal objectives.

External supervision: Healthcare Inspectorate

The Healthcare Inspectorate is a service department of the Ministry of Public Health, Welfare and Sports (VWS). The Minister makes policy framework that demarcate the terrain in which the inspectorate operates[22]. The state supervision on public health, of which the healthcare inspectorate is part, is established by law in 1865. The current legal basis of the healthcare inspectorate is the Health Law Act of 1956 (Gezondheidswet)[23]. What quality should be delivered is partly described in the Quality Law Act Health Care Organizations and in the norms that the inspectorate has drafted. The Quality law describes in general terms how health care organizations should take care of their own quality: delivering responsible healthcare, having quality policies, having a quality system, and making an annual report[24]. So, the inspectorate sets quality standards and norms together with the field and subsequently supervises whether hospitals comply to these norms and standards. Also, information about operational management and calamities is used to be able to identify quality risks within hospitals[25]. In addition, the inspectorate keeps track of the developments in the health care sector[26]. In order to fulfil these tasks and responsibilities the inspectorate is not only allowed to require the provision of information (General Administrative Law Act). These powers are described in the Health Law Act, the General Administrative Law Act and some special Law Acts. Firstly, advice and incentive measures (campaigns, enforcement communication). Secondly, corrective measures (improvement plans, tightened supervision). Thirdly, administrative measures (command, to give advice to the Minister to give an instruction to an organization, administrative penalty and an order for penalty payment without the intervention of the Public Prosecution Service). Fourthly, criminal and disciplinary law measures (to lodge a 'disciplinary complaint' (tuchtklacht) against a medical professional, tracing and accusation with the Public Prosecution Service). Finally, also the Healthcare Inspectorate has the

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[21] Information derived from the website of the hospital X
[22] See Jaarbeeld 2013, IGZ
[23] See Jaarbeeld 2013, IGZ
[24] See website IGZ (www.igz.nl)
[25] See Jaarbeeld 2013, IGZ.
[26] See Jaarbeeld 2013, IGZ.

informal sanctioning power of making their findings public. Since 2008 the inspectorate makes the reports public actively, which means the inspectorate puts them on their website, about most of the health care sector organizations[27].

- Social Housing Corporation

The third case is a housing corporation that offer approximately 56.000 households a housing accommodation to live in and has roughly 600 employees. The biggest housing corporation in the Netherlands offers 99.000 houses and the smallest only 22 (Dutch Court of Audit, 2014, p. 6). This makes this case a relatively large housing corporation. In recent years housing corporations have become in disrepute by financial mismanagement. As a result, the Second Chamber decided in 2012 to execute a parliamentary inquiry of which the public interrogations were this summer and of which the report was published at the end of October[28]. The core task of housing corporations is to build, manage, and rent affordable housing accommodation for people who cannot pay a housing for themselves due to their income of other circumstances (Dutch Court of Audit, 2014, p. 6).

Internal supervision: Board of Commissioners

In the social housing sector the Besluit Beheer Sociale Huursector (BBSH) of 1993 already resulted in the introduction of the board of commissioners model in social housing corporations (Goodijk, 2012, p.15; Dutch Court of Audit, 2014, p.17). The board of commissioners is considered to be responsible for the supervision on the executive board and the general practices of the organizations[29]. Thereby, the board of commissioners focus on the interests of the social housing corporation and weights these with the interests of those involved with the corporation. The governance code of social housing corporations also states that the supervision of the board of commissioners at least include the achievements of objectives, the strategy and risks, the organization and functioning of internal risk and control systems, the quality policy, the quality of societal justification, the financial reporting, compliance to legislation, and risk management of collaborations. According to the statutes of the corporation the board of commissioners has the authority to approve and adjust the annual account, the annual report, the budget, the business plan, collaborations with other parties, operations of the organization, and the internal organisation of the corporation. The supervisory board has the power to decide about the appointment, judgement, remuneration and dismissal of the executive board and thus has an employer's role[30]. Two members of the board of commissioners are tenants or work for a tenant's interest organizations as described in the statutes of the corporation.

External supervision: CFV and Inspectorate of Environment and Transport

In 1996 the supervision on social housing was transferred from municipalities towards the central government (then the Inspectorate of Social Housing) (Dutch Court of Audit, 2014, p. 16). From 2000 on, the supervision on social housing was placed under the Minister's responsibility in the Ministry of Interior and Kingdom Relations, but the financial supervision on housing corporations got covered by the Central Fund Social Housing (CFV). Nowadays, the supervision of social housing is replaced from

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[27] See website IGZ (www.igz.nl)
[28] Parlementaire Enquête Woningcorporaties, 2014
[29] See Governancecode Woningcorporaties (Aedes/VTW, 2011, p. 16)
[30] Information derived from the supervision framework of the supervisory board of the investigated housing corporation X, 2013

the Ministry towards the Inspectorate of Environment and Transport (Ibid). The Inspectorate of Environment and Transport supervises on the governance of the housing corporations, the integrity of executive board members, the legality of the housing corporations' acting, and their performances as regards offering social housing (i.e. their public core task) (Ibid). The findings of the inspectorate results in an 'individual judgment' each year. The financial supervision is still done by the CFV, that focuses on six aspects: the quality of financial reporting, the maintenance of societally bound capital, the quality of risk management, liquidity, solvability, the financial capacity in relation to the intended activities[31]. The enforcement tools of the inspectorate, with the Minster's approval, is firstly to give the housing corporation a command, which forces the corporation to act in a certain way or to stop acting in a certain way. Secondly, in case things get out of control, the Minister can appoint an external supervisor who checks whether the corporation act in accordance with the orders of the Minister and can also help with the execution of these orders (Dutch Court of Audit, 2014, p. 16). Ultimately, the Minister is responsible for the entire social housing system and the effects of the social housing policy. For that purpose he/she can give instructions for periodic researches to learn about the functioning of the sector. Interesting to note here is that the CFV has no such formal powers and seems to only rely on its informal power of making their findings public.

- Semi-autonomous administrative body (ZBO)

In 2012 there were 128 (clusters of) executive agencies (ZBO's) in the Netherlands (Dutch Court of Audit, 2012, p. 4). There are 5 main tasks for which agencies are responsible: "quasi-judicature (cf. tribunals), paying benefits (e.g. unemployment), judging quality (e.g. meat inspection), registration (e.g. of professional groups like architects) and supervision (i.e. regulators)" (Van Thiel, 2004, pp. 169-170). The ZBO which is a case in this study carries out a legal task, namely safeguarding the quality of a specific field by advising, testing, and supervising, and is covered by the Framework Law[32].

Internal supervision: Supervisory board

The formal position of supervisory boards in ZBO's is regulated in the different law acts in which the agencies themselves are created. The tasks of the supervisory board of this ZBO are described in a particular law and is elaborated in regulations of the minister and of the board's own statutes. The supervisory board of this ZBO has the task to monitor the activities of the executive board and gives its approval on the budget, tariffs, the annual report, the annual accounts, the legal position of the employees of the organization, and does non-compulsory recommendations for the appointment of (new) members of the supervisory board and the executive board[33]. So, in this case the employers role of the supervisory board is drastically limited by the powers of the Minister.

External supervision: Ministry X

The Minister is based on a certain Law Act politically responsible for the policy concerning the field the ZBO operates in (Bekkers et al., 2002). The political responsibility for the functioning of the ZBO is limited to the general policies concerning policy preparation, coordination, policies for norm development and international cooperation, the tariff policies, approves the budget and annual

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[31] See website CFV (www.cfv.nl)
[32] Annual report 2013 of the ZBO; In 2007 the framework law act ZBO's came into force in order to harmonize the organization, supervision and accountability for this widely varying group of organizations by general rules.
[33] Annual report 2013 of the ZBO

accounts, appoints the members of the executive board and the supervisory board, and determines the salaries of the executive board and the compensation of the supervisory board (ibid; see also Framework Law Act). The Minister does not control the functioning of the ZBO on an operational level (of individual cases)[34]. The supervision arrangement with the Ministry defines the extent and content of the ministerial responsibility with regard to the organization, regulates the supervision on the organization in practice (procedures, information supply and control mechanisms) and the interventions the Minister is allowed to take[35]. An example of what has changed since the framework law was implemented is that the Minister is now responsible for determining the salaries of the executive directors. Within the Minster's department a distinction is made between the 'owners role' (the secretary-general) and the 'principal role' (director-generals of policy directorates). The secretary-general, assisted by the unit 'Toezicht', supervises the continuity and the general functioning of the ZBO, while the director-generals focus on the quality of the execution of the tasks they have given the ZBO[36]. In this case the external supervisor has the employers role. Also, the Ministry, as external supervisor of the ZBO, has not the intention to use the 'ability to shame' as the inspectorates do by making their reports public.

Conclusion

Based on the document analysis of this paragraph we can already discover some differences between the organizations, responsibilities of internal and external supervisors and the way they are supposed to fulfil their role/function according to the procedures and regulations across the cases.

The internal supervision of the semi-public organizations all have an employer's role for the executive board, while in the public organization (the ZBO) this role is given to the external supervisor/principal (the ministry). In general all internal supervisors have approval rights on important plans and decisions of the organization, such as budgets, multi-annual strategic plans, systems for risk management, policies and regulations, and if applicable tariffs. Another task the internal supervisor is responsible for is to monitor whether the organization's objectives are achieved. Also, compliance to existing legislation and governance codes is generally regarded as an aspect internal supervisors should keep an eye on. In most cases the governance codes and organizational documents (statutes etc.) mention the importance of weighting the organizations interests against the interests of involved societal parties and stakeholders, although in some only the organization's interests are central and have to be safeguarded. Seemingly, rarely an explicit notion is made about the importance of supervising the quality of services of the organization. The main focus seems to lie on operational management issues and risk management issues when internal supervision is concerned.

The external supervision, executed by inspectorates in the case of the ROC, the hospital and the social housing corporation, mainly focus on quality of the services delivered, compliance to legislation and drafted norms, developments in the sector, and in most cases also the financial situation –directly, or indirectly by the checking of the quality of the accountant's report. In case of the social housing corporation the financial supervision is explicitly the task of another external supervisor than the inspectorate, namely the CFV. Apparently, the CFV has the possibility to supervise the financial situation of social housing corporations more in depth than the inspectorate of Environment and

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[34] Toezichtsvisie ministerie X op uitvoeringsorganisaties op afstand, 2013-2017
[35] Annual report 2013 of the ZBO
[36] Toezichtsvisie ministerie X op uitvoeringsorganisaties op afstand, 2013-2017, p. 33

Transport, who also supervise other domains (and mainly focuses on compliance to legislation). Risk management systems are rarely explicitly mentioned in the function descriptions of the external stakeholders (mostly in relation to financial risks). In case of the ZBO, the external supervisor is not an inspectorate, but the responsible Ministry X. In general, important enforcement powers of the inspectorates and the CFV are the informal power of making their reports public ('the ability to shame'). The inspectorates also have formal powers of corrective measures (e.g. tightened supervision) and administrative measures (commands, penal sums), in contrast to the CFV. The external supervisor of the ZBO on the other hand, the Ministry, makes as much use of the duty to frequently provide detailed information in order to prevent irregularities, but can ultimately fire the executive board as well as the internal supervisor if necessary.

In sum, these differences should be taken into account, because this it likely to influence the learning impact of the different supervisors on the executive directors.

5.2 (How) do internal and external supervisors supervise the quality of services, financial management, and risk management?

Now that the four cases are introduced and the internal and external supervisors are described shortly it is time to go to the next level. In this paragraph the first empirical results will be described in order to answer the first sub-question: *'How do internal and external supervisors supervise the quality of services, financial management, and risk management?'.* The first paragraph will elaborate on internal supervision and the second paragraph will elaborate on external supervision. At the end of this chapter (5.2) a conclusion will be drawn, in which also attention will be paid to the relationship between internal and external supervision.

5.2.1. How do internal supervisors supervise the quality of services, the financial operational management and the risk management?

- ***Quality of services***

Quality committees

In half of the cases the supervisory board or board of commissioners has established a quality committee, that forms an important forum for evaluating and discussing quality issues.

In the first case for instance, the ROC, an executive director explains that the internal supervision on the quality of services is mainly discussed in the 'education committee', one of the 'pre'-committees of the supervisory board. In the education committee not only the member of the supervisory board with the education portfolio takes place, but also the member of the executive board who has this domain in his/her portfolio, the board secretary and the quality care advisor of the organization. The reason for the fact that the quality of education is mainly discussed in the pre-committee, and hardly in the central meetings between the supervisory board and the executive board, is seen as a result of the history of the organization. "*De RvT heeft zich de afgelopen jaren eigenlijk vooral op de financiën geconcentreerd en nauwelijks op de onderwijskwaliteit.*" (R2) Only five years ago the ROC had much financial troubles, which has made the financial management of the organization, reducing the financial risks, a very important topic of supervision. In other words, all attention has for a large part

been focused to safeguarding the organization's financial continuity and this undermined the discussions about the quality of education.

In the hospital, the quality of healthcare was considered as an integral part of the internal supervision before 2014. Yet, in the first quarter of 2014 a committee for quality and safety has been established in which two of the members of the supervisory board as well as (one of) the executive directors take place. The establishment of the committee was a wish of the supervisory board, because in their experience (gained in other organizations) quality committees enables to 'dive deeper' into the substance than in the regular board meetings. *"Recentelijk is er ook een kwaliteitscommissie ingesteld in dit ziekenhuis. In de andere ziekenhuizen waar de respondent actief is hadden ze dat overigens al veel langer. Dus die kwaliteitscommissie was wel gewenst. Daar heeft de Raad van Toezicht best wel even over moeten praten met het bestuur, omdat ze zeiden dat ze dat een onderwerp vonden dat in de totale raad van toezicht aan de orde moet komen. Maar de ervaring van de respondent en de andere leden van de raad van toezicht was dat als je dat afzonderlijk bespreekt je toch dieper op de materie in kunt gaan."* (R8) Still, outside of the committee important topics will be discussed in the general board meetings as well. According to the hospital's annual report of 2013 themes that are to be discussed in the *quality and safety committee* are: 1) the way the executive board develops, monitors, and ensures the quality and safety of the primary process and complies to relevant legislation, 2) how this related to other operational management issues (apart from the primary process), 3) whether the interests of stakeholders are taken into account, and 4) how the executive board deals with remarks, alerts, and recommendations of stakeholders concerning quality and safety.

The board of commissioners of the social housing corporation has no specific quality committee or portfolio. However, they are planning to make a new 'societal issues'-portfolio for a member of the board of commissioners, which should focus on the quality of the execution of the societal task of the organization. "*Bij de woningcorporatie hebben ze dat [kwaliteitscommissie, SG] niet, maar gaan ze een portefeuille maken voor maatschappelijke issues, de maatschappelijke opdracht van de corporatie. Ook gaan één of twee commissarissen zich echt verdiepen in wat de maatschappelijke opdracht van deze woningcorporatie inhoudt, want daar zit ook je kwaliteit."* (R17) The supervisory board of the ZBO has no separate quality committee as well, quality issues seem to be discussed only during regular board meetings.

Monitoring developments and looking critical at quality control systems

An important part of the supervision of supervisory boards and boards of commissioners on quality issues seems to be the monitoring of quality systems, via reports they get from the executive board.

In the hospital for instance, the supervisory board mainly focuses on ongoing processes and the monitoring of quality systems during board meetings, the executive directors tell. Most of the time they take an overview perspective on quality issues: *"Terwijl bij de Raad van Toezicht het veel meer over lopende processen en de kwaliteitssystemen gaat. Toch wat meer die overview. Dat soort gesprekken zijn wat anders dat dat je die met de inspectie hebt."* (R4) Analyses of employees and tenant satisfaction studies, and complaints monitors are used by the board of commissioners of the social housing corporation in order to see the trends. *"Er zijn dus enerzijds papieren indicatoren, zoals bijvoorbeeld onderhoud en de klachtenmonitor. Anderzijds heb je je interne medewerkerstevredenheid-en huurderstevredenheidonderzoeken waar je trend uit kunt halen als raad.."* (R17) In the fourth case,

the ZBO, the supervisory board supervises the quality of services based on management agreements[37] with the executive boards and quarterly reports concerning complaints. However, apart from the regular monitoring there seems to be room left for ad hoc supervision. For instance, because of a recent merger from different parts of the hospital, much attention of the supervisory board went to keeping the quality of healthcare at the same level as before. *"Heel veel is dan [tijdens de fusie, SG] ook vanuit de Raad van Toezicht sturen op die ene kwaliteit van zorg. Dus daar heb je dan een sparring partner voor."* (R3)

With regard to quality assurance the role internal supervisors mainly exists of asking critical questions about the underlying quality control systems. The supervisory board of the ROC for example pays attention to the question how the ROC can control its own quality level. What does the quality system of the organization look like? Is it robust? How should we organize and ensure the PDCA-cycle (plan-do-check-act-cycle)? Is internal auditing done? In the ZBO one of the members of the supervisory board explains that they ask the executive board questions like: *"Is it according to legal legislation and is the continuity of the service ensured?"* (R16). These type of critical questions were also found in examples of the hospital and the social housing corporation. The president of the board of commissioners explains of the social housing corporation explains that analysing incidents also stimulate critical questions about the organization's quality systems: *"Een belangrijke manier van toezichthouden op de kwaliteit van dienstverlening bestaat uit werkbezoeken, kijken op de werkvloer, en de incidenten die er zijn analyseren. Hoe is dat zo gekomen?"* (R17)

Action plans and new standards for new policies
Other themes that are discussed in the quality committees are new policies and transitions in the sector. For example, the education committee of the ROC focuses on the transitions in the vocational education sector, which are set up by the Minister. One of the transitions is called the 'Focus on Craftmanship' and another important one is the implementation of the 'Law act Effective Learning Routes' (wet doelmatige leerwegen). With regard to these topics attention is paid to creating action plans and internal frameworks of control of educational quality, discussing budget and plans, educational standards, communication about the transition, and training needed to implement this transition in the organization[38]. *"In het MBO zitten we midden in een transitie. De focus ligt nu op vakmanschap en de invoering van de wet doelmatige leerwegen. Dat is het zoveelste verandertraject waar het MBO in zit en dat is ook weer een risicovol traject voor de kwaliteit van het onderwijs. Dus dat is een hoofdthema [in de onderwijscommissie, SG]."* (R2) This supervision on (coming) transition in the sector is also done by the internal supervisor of the hospital. *"Verder krijgt de raad van toezicht bij dit ziekenhuis standaard allerlei beleidsdocumenten vanuit ministeries, of vanuit de orde van medisch specialisten of vanuit de NVTZ, toegestuurd bij de vergaderstukken of tussentijds. Daardoor kun je je in de breedte ook goed oriënteren. Verder speelt nu bijvoorbeeld 'de medisch specialist 2015', dat is heel belangrijk. (…) Dit speelt nu enorm en dit ziekenhuis loopt op het gebied van plannen maken voor deze veranderingen voorop. Er wordt ook regelmatig door de raad met medisch specialisten gesproken over hoe ze dat doen, hoe ze daarmee bezig zijn, hoe de verstandhouding is met het bestuur…"* (R8)

Working visits and meetings with councils

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[37] In the management agreements, which are included in the management contract the supervisory board has with the executive board each year, the achievements of that year are described.
[38] Annual report of the ROC, 2012

Another way the internal supervisors fill in their supervision on quality of services is by doing working visits and organizing meetings with working councils and client councils. In order to get more insight in the educational quality of all 309 training courses of the ROC, the supervisory board organizes working visits once a year in which they can take a look within the different colleges and talk to managers, teachers and students. The annual report of the hospital mentions that the president of the supervisory board does working visits in the organization as well, in which he/she gets introduced to division managers and to professionals, and once a year the supervisory board has a meeting with the client council and the workings council of the organization[39]. The board of commissioners of the social housing corporation supervises the quality of service delivery also by a structural working visits scheme to all the neighbourhoods the corporation rents houses. *"Maar je gaat ook gewoon zelf de wijken in. Een keer in de twee jaar zijn de RvC praktisch altijd met een of beide bestuurders in alle wijken geweest, dus die bezoekagenda is indrukwekkend."* (R17) Also, a delegation of the board of commissioners each year meets with the workings council and the tenants organizations[40]. Lastly, the supervisory board of the ZBO also has meetings with the workings council and working visits to other locations are arranged. *"Dat is belangrijk, want een bedrijf staat of valt met de klanttevredenheid en werknemerstevredenheid. Dus als lid van de RvT met de personeelsportefeuille mag je met zekere regelmaat met de ondernemingsraad van gedachten te wisselen."* (R16)

Using external sources and researches about quality

Information discussed during the meetings between the internal supervisors and the executive board concerning the quality of services is also coming from other sources than the executive board only.

For instance, analyses of the educational quality of the ROC done by the inspectorate of education or external research bureaus are used as well. *"Als er analyses zijn worden die zowel in de commissies als in de Raad van Toezicht besproken."* (R7) Another example is that once in every 4 years the social housing corporation lets itself get inspected by an external bureau[41]. In this visitation the social housing and societal achievements of the organization are investigated. Also, the board of commissioners has the possibility to invite an external advisor when they want things to be sought out, but most of the time this is done via the executive board: *"Verder heeft de Raad van Commissarissen ook de mogelijkheid om andere adviseurs in te schakelen als ze dingen uitgezocht willen hebben, maar dat gebeurt veelal via een opdracht aan de Raad van Bestuur."* (R12) Sometimes it also occurs that experts from inside the organization are asked to present their experiences and knowledge. Furthermore, reports about the quality of services of the ZBO written by external parties are used as well, like reports of the National Ombudsman. However, for the ZBO they seem to function mostly as a confirmation of facts[42]. Also in the hospital other (external) sources are used. A member of the supervisory board explains: *"De raad van toezicht maakt vooral gebruik van rapportages van anderen, zoals de interne auditor, de externe accountant en voor kwaliteit de NIAZ-certificeerder. Dat soort rapportages krijg je en op basis daarvan vorm je een oordeel."* (R8) Remarkably, reports of the healthcare inspectorate are not usually discussed within the supervisory board: *"Het is heel belangrijk dat de raad de rapportages van de inspectie ter beschikking krijgt, net als die van de accountant en de audit rapporten. Bij de andere instellingen waar ik heb gewerkt werden altijd de inspectierapporten besproken, terwijl bij dit*

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[39] Annual report of the hospital, 2013
[40] Annual report of the housing corporation, 2013
[41] Annual report of the housing corporation, 2013
[42] See annual report of the ZBO, 2013

ziekenhuis ik nog nooit een inspectierapport heb gezien. Dus dat staat wat op afstand, maar dat gaat misschien wel veranderen in verband met de instelling van de commissie Kwaliteit & Veiligheid.[43]" (R8) In the other cases it seems, however, the reports of inspectorates and other external supervisors are discussed anyway.

Supervision on quality is a difficult job

Overall it seems that the internal supervisors find it quite hard to keep oversight on the quality of services throughout the organization.

For example, because the inspectorate of education investigates only a fraction of all training courses of the ROC in depth, the supervisory board should create a good insight in the quality of all the other training courses by themselves. *"Je zal dit zelf frequenter moeten doen om jezelf [als RvT, SG] een beeld te kunnen vormen van de andere opleidingen. Vaak is dat overigens ingewikkeld, omdat aan kwaliteit weer allerlei deelaspecten zitten. Het gaat niet alleen om het geven van het onderwijs, maar ook over de uitval van leerlingen en de kwaliteit van examinering. Examinering is over het algemeen bij het ROC een moeilijk probleem. Sommige examens zijn gestandaardiseerd doordat ze zijn ingekocht, terwijl anderen door individuele docenten zelf zijn gemaakt. Hierdoor is de kwaliteitstoetsing niet eenvoudig."* (R1) This citation shows that the difficulty lies not only in the large amount of training courses, but also in the complex definition of 'quality' and the way the examination is organized in ROC's[44]. Furthermore, one of the difficulties of the supervision on the quality of healthcare, an external supervisor of the hospital tells, is the fact that the healthcare laws and directives are very broad and multi-interpretable. These laws and directives are to be specified further into norms and standards together with the stakeholders in the field (healthcare providers and the inspectorate). Also, the governance code of the sector uses the 'comply of explain'-principle, which leaves room for interpretation and the own choices of hospitals. *"Wat voor de een goed is, is voor de ander niet goed en dat maakt het werk van de Raad van Toezicht veel moeilijker in de zorg dan bij een financiële instelling waar je je houdt aan de regels of niet."* (R14) In addition, according to the external supervisor, it seems to be that in general there is a lack of (digital) registrations concerning quality parameters by the medical staff of hospitals. Due to this there is little insight in the actual quality delivered. As a result, supervisory boards have a lack of starting points on which they can control and question the executive board, and seem to be quite dependent on the executive board's information.

Conclusion

In the introduction of the cases we have seen that the supervision of the internal supervisors on quality of services seems to be a minor issue in contrast to financial, risk and compliance issues. The empirical data seem to show some explanations for this. Firstly, it can be concluded that only half of cases have a special quality committee (the ROC and the hospital), while the social housing corporation and the ZBO have not. These quality committees seem to have the advantage that quality assurance systems can be discussed more thoroughly, while otherwise the supervision on quality stays somewhat

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[43] Relevant to say here is that all reports of the healthcare inspectorate are on the website of the inspectorate, so the supervisory board in theory *does* have access to them if they would search for it themselves. Also, the internal supervisor with whom the interview was conducted had a financial portfolio, so it could be that the board member(s) with the healthcare portfolio *are* in the possession of the inspectorate reports.

[44] The examination problem is also present in other ROC's (see www.mboraad.nl)

superficial and with an 'overview perspective'. Remarkably, in the cases that háve a special quality committee (the ROC and the hospital) 'quality' is considered a complex and difficult term, whilst in the social housing corporation and the ZBO 'quality' is considered to follow from compliance to legislation and management agreements. So, in the social housing corporation and the ZBO quality appears to be more demarcated. This might explain why in the first two cases it is chosen to organize a quality committee. Still, 'quality' is an aspect internal supervisors overall feel responsible for as well. Quality information that is gathered not only from the executive board, but also from working visits throughout the organization, using external sources and investigations by external parties, inviting experts from outside the organization about a certain topic or new policy, using reports of internal audit departments, and meetings with working councils and client councils.

- **Financial management**

Importance of financial issues

Financial issues can be considered a core element of the internal supervision in all cases, as it already seemed in the introduction of the cases. In the ROC one of the executive directors explains: *"De Raad van Toezicht let primair op de financiën, financieel beleid, en dat heeft te maken met de geschiedenis van het MBO"* (R2) A member of the supervisory board explains that in recent years much has been changes in the financial management of the organization. 5 years ago the ROC had great financial problems, which gradually have been solved over the years by changing the financial and administrative organization, and in which the supervisory board has had an important role: *"5 jaar geleden had de organisatie nog een financieel probleem (…) Het was ook niet helder waar de verantwoordelijkheid lag voor de financiën. (…) Inmiddels is de budgettaire verantwoordelijkheid bij de directeuren gelegd. Ook zijn we bezig de hele administratieve organisatie verder aan het inrichten. Door de nieuwe structuur is veel beter zicht op de geldstromen"* (R2). At the same time, the executive director of the ROC explains that it is in fact not very surprising that financial issues dominate the board meetings due to another reason: image. *"De RvT heft zich de afgelopen jaren eigenlijk vooral op financiën geconcentreerd en nauwelijks op onderwijskwaliteit. (…) Ergens is het ook wel begrijpelijk, omdat je met onderwijskwaliteit niet zo snel in de krant komt als met financiële zaken."* (R2) This citation of the director shows that avoiding negative publicity is an important motivation for the boards, and finances are considered to be the most risky topic for negative publicity. Financial management is an important topic for supervisory board of the hospital as well, because the hospital is dependent of the funding of the banks and insurers, which adopt strict requirements for this. One of the executive directors points out: *"Als het gaat om de financiële continuïteit van het ziekenhuis is dat wel een onderwerp waarop behoorlijk strak wordt toegezien, waar ze [de RvT, SG] echt bovenop zitten. Niet in de laatste plaats, en dan kom je toch ook bij andere toezichthouders, omdat wij ook bij onze financiers gewoon gehouden zijn om aan de normen van financiering te voldoen."* (R3) In the social housing corporation and the ZBO financial issues are considered important aspects as well. The board secretary of the social housing corporation explains: *"De rol van de RvC is door deze transitie niet zoveel veranderd, behalve dat het financiële aspect daar nu ook meer aandacht bij krijgt omdat de externe toezichthouder daar ook meer aandacht voor heeft. Dat komt ook wel door de situatie waar de corporatie nu in zit. 5 jaar gelden klotste het geld nog tegen de plinten bij wijze van spreken, dat is nu heel anders."* (R12)

Audit committee as financial forum

In all cases an audit committee exists in which both the financial members of the supervisory board take place and the financial executive director. The audit committee is an important forum in which the supervisory board discusses issues concerning financial management and the accountant's control with the executive board. In the ROC, for example, two members of the supervisory board take place, the financial director of the ROC and a representative of the accountants firm[45]. 2 weeks before every board meeting the committee has a meeting to prepare financial issues. In the audit committee of the hospital two members of the supervisory board take place, the executive board, the financial director, and two times a year the accountant as well. One of the executive directors tells: *"Bij de RvT heb je een aparte commissie financiën. Daar zit veel deskundigheid. Daar zit een bankdirecteur en een bedrijfskundige in. Zij zijn ook in staat om scherpe vragen aan ons te stellen, zodat wij zeker weten dat we de dingen die we doen ook goed doen." (R4)* In addition, the audit committee creates the possibility to talk not only about financial issues during the regular board meetings. A respondent explains: "*Juist omdat er een financiële commissie is ingevoerd gaat het in de raadsvergaderingen niet alleen over financiële zaken.*" (R8) The president of the board of commissioners of the social housing corporation, who does not take place in the audit committee herself, explains that the audit committee is important for asking the technical financial questions for her: *"Als voorzitter vertrouw je op je audit commissie, maar de audit commissie is niet verantwóórdelijk voor het financiële management. Zij auditen, kijken en luisteren, monitoren, maar de raad is in zijn geheel verantwoordelijk. Je moet er wel op kunnen vertrouwen dat zij de technische vragen kunnen stellen." (R17)* Also the last case, the ZBO, has a special audit committee in which financial issues are prepared and discussed before the general board meeting.

Discussing and approving financial documents, plans and performances

But what financial issues are actually discussed with the internal supervisor? According to the annual report of 2013 of the ZBO the audit committee has met three times last year to discuss the annual documents (like the annual report and the annual account), the concept of the financial multi-annual financial plan, the reports of the internal and external accountants, the financial results of the organization, the ICT progress, and the relationship with the external accountant. In the annual report of 2013 is also written: *"Naast periodieke rapportages over de algemene financiële situatie, is de Raad met medewerking van de interne en externe accountant betrokken bij het financieel beheer. Dit gebeurt voor een belangrijk deel in voorbespreking met de Auditcommissie en daarnaast onder meer door behandeling van het jaarplan, audits en door statusrapportages over lopende actiepunten op dit terrein."* Seemingly, via the audit committee the supervisory board is also involved in the financial management, instead of only being informed about the financial situation periodically. Within the audit committee of the ROC more or less the same elements of discussion are found as in de ZBO. Financial developments are monitored based on monthly reports, the budget, the annual account, and the multi-annual financial planning[46]. The prospective part of the supervision on financial issues was confirmed by one of the directors: *"Een raad van toezicht kijkt niet alleen naar signaleringsgrenzen als het gaat om financiën, zoals de inspectie, maar kijkt meer naar de continuïteit van de organisatie en wil daarin óók niet dat je even onder de signaleringsgrens zit, maar kijkt meer naar welke stappen je zet om daaruit te komen. Wat betekent dat voor het jaar erop? Er zit meer perspectief in." (R9)* So, the supervisory board focuses on the regular financial continuity, but also on financial questions and

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[45] Annual report of the ROC, 2012, p. 13
[46] Annual report of the ROC, 2013

financial performance. In recent years an important topic of the internal supervisor of the hospital was the reduction of the workforce. *"De RvT richt zich dus op de gebruikelijke rapportages, maar ook op financieringsvraagstukken en het verbeteren van de financiële performance. (…) Een van de dingen waar we bij de organisatie het afgelopen jaar mee bezig zijn geweest is het reduceren van personeel."* (R8) Lastly, the internal supervisors should approve important financial documents and decisions according to regulations. The annual report of 2013 of the social housing corporation for instance shows some of the financial aspects the supervisory board's judgement and approval was asked for, like the treasury report, financial numbers of new collaborations, the audit plan, and investments above 5 million euros.

Keeping track of financial risks

Keeping track of financial risks is an important element of internal supervision on financial management. According to one of the executive directors of the ROC main themes that are discussed in the central meetings between the supervisory and the executive board are concerning financial risk management: real estate management, treasury management, and the financial organization of the ROC (R2). A financial member of the supervisory board complements this by telling that financial risks are being discussed during audit committee meetings as well: *"Belangrijke aspecten van financieel management is de bekostiging, de lopende wijzigingen in de bekostiging. Daarnaast heb je ook vragen over wat wens je aan intern rendement? Dat zijn ingewikkelde vraagstukken waar je verschillende ideeën bij kunt hebben, er komen morele en maatschappelijke oordelen bij kijken. Tenslotte speelt huisvesting (strategisch huisvestingsplan) een enorme rol. Er zijn verschillende ROC's die zich op dat aspect zwaar in de nesten hebben gewerkt."* (R1) This citation shows that financial management also has moral aspects, for instance concerning the importance of the return of training programs. In addition, housing is an important element of supervision on finances. In addition to these themes, the annual report of 2013 describes that the supervisory board judges the financial stability of the ROC based on the set 'branche ratio's' for solvability and liquidity.

In the social housing corporation quarterly reports about risky projects were the focus of attention recently, in order to monitor the risks more closely. The president of the board of commissioners declares: *"Bij een andere crisis, die te maken had met het feit dat projecten die je doet als woningcorporatie vaak niet precies zo lopen als gepland, waardoor er allerlei financiële risico's ontstaan, is er door de RvC in gegrepen in de zin van dat er per maand een update van de meest risicovolle projecten moest worden weergegeven. De financiële mensen hebben toen ook iedere keer de (financiële) risico's in kaart gebracht."* (R17) Also the correspondence with the external supervisors, investment decisions, and the rating of the real estate of the corporation were subjects of discussion between the executive and the supervisory board according to the annual report of 2013. One of the members of the supervisory board of the ZBO explains what kind of aspects the board supervises concerning financial management: *"Op het gebied van financien kijkt de raad naar een scala van elementen. Het gaat er dan om of je binnen de begroting blijft en of je op jaarbasis risicoloos daar uit komt of niet. Ook kijken we naar wat de ontwikkelingen zijn ten aanzien van de tariefstructuur. Is het zo dat het dreigt dat het volgend jaar moet worden verhoogd of niet? (…) Enerzijds kijken we naar wat komt er vanuit de omgeving op de instelling af en anderzijds wat onderneem je zelf."* (R16) The supervisory board also supervises the large projects the ZBO executes every year (apart from the general financial documents). The supervisory board gets informed periodically about whether the projects still fit within the budget and planning: *"Maar de Raad van Toezicht houdt bijvoorbeeld ook*

toezicht op projecten die we jaarlijks doen. Daarover wordt de Rvt periodiek geïnformeerd. Dan gaat het met name over hoe die lopen, of het nog binnen het budget past en de planning." (R5)

Effectiveness and efficiency of operational management

Internal supervisors are also in the position to supervise the operational management in-depth. For example, in the social housing corporation the board of commissioners pays attention to the effectiveness and efficiency of the operational management.*"Omdat het interne toezicht dicht op de uitvoering zit, heeft zij een goed beeld van het wat en hoe van de corporatie. Met andere woorden als de maatschappelijke opdracht huizen bouwen voor minder daadkrachtigen is, dan ziet het intern toezicht erop toe dat dat effectief en efficiënt gebeurt en met een verantwoord kwaliteitsniveau."* (R17) The attention for the effectiveness and efficiency of the operational management of the corporation was confirmed by the board secretary[47]: *"Vanuit de RvC wordt ook gekeken naar de bedrijfslasten, niet alleen in relatie tot de sector, maar ook tot andere partijen, bijvoorbeeld beleggers. Een soort benchmarking dus. Dat is iets dat nu veel aandacht heeft en daar speelt de RvC een belangrijke rol."* (R12) Another example comes from the supervisory board of the ZBO and includes that the supervisory board keeps track of the percentage performance evaluations with employees.

Supervision on finances is a relatively 'concrete' job

What distinguishes the supervision on financial management from the supervision on the quality of services? A member of the audit committee of the ROC describes as follows: *"Toezicht op financieel management is relatief eenvoudig, het is een gedefinieerd domein. Het is heel makkelijk om maandelijks een overzicht te geven van wat alle afzonderlijke eenheden hebben geproduceerd, wat de instelling als geheel doet, en wat daarin de ontwikkeling is, wat de vergelijking is met vorig jaar en wat de prognose is voor het komende jaar." (R1)* So, financial management is experienced as a more concrete and demarcated theme than for instance quality. This makes the supervision relatively 'easy'. A member of the supervisory board of the hospital, who also takes place in the audit committee, also stresses the concrete and demarcated nature of the supervision on financial management. The supervision on financial issues follows the regular components (standard financial reports) every year. *"Bij het ziekenhuis bestaat al langer de audit committee en iedereen begrijpt hoe je toezicht houdt op financiën. Dat is allemaal ingekaderd door onder andere de begroting, het jaarverslag, het accountantsrapport en de management letter[48]. Dat zijn hele logische elementen en die moeten allemaal gebeuren."* (R8) The president of board of commissioners of the social housing corporation also acknowledges attractiveness of supervision on finances: *"Toezicht gaat over cijfers enerzijds en verhalen van de bestuurder anderzijds. Die cijfers zijn buitengewoon aantrekkelijk, want dat is zwart-wit. De feedback rondom cijfers zal altijd comfortabel zijn voor de RvC, je weet dat je het over hetzelfde hebt. Als het gaat over de verhalen, zoals bij kwaliteit, dan gaat het om wat zijn de criteria? Hoeveel klachten er zijn? Zijn 72 klachten veel ten opzichte van 68 de maand ervoor? Dat hangt ervan af wat voor klachten het zijn. Die criteria zijn dus veel minder hard."* (R17) At the same time, the president of the social housing corporation tells about a situation in which supervision on finances suddenly seemed to be not as clear and 'easy' as sometimes assumed: *"Jaren geleden hebben wij ook uitleg gekregen over derivaten. Dat klonk toen als een mooi product, je verzekerde je rente en hield er zelfs*

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[47] In Dutch: bestuurssecretaris
[48] A report about the operational management and the administrative organization of the hospital (see annual report of the hospital, 2013)

nog wat van over. Achteraf weet je hoe het is afgelopen. Maar goed, daar zaten dus ook financiële specialisten bij. Het maakt je buitengewoon nederig: je kunt niet alles overzien." (R17) This citation shows a contrast between the stressed concreteness and demarcated character of financial supervision: financial issues can be very complex as well.

Conclusion

In all cases the internal supervisor (supervisory board or board of commissioners) has a special audit committee that prepares financial questions outside of the regular board meetings with the executive board. This enables more in depth discussions and involvement in the financial management. In most cases financial management is considered as a very, or even the most, important topic the internal supervisor pays attention to. The reason for this can be financial troubles organizations has had in the past, policy changes in de sector, or being afraid of negative publicity and the subsequent negative effect on the image of the organization.

A large part of supervising financial management consists of checking and approving the regular financial reports and components, like the budget, the annual report and annual account, the multi-annual financial planning, and the treasury plan. In addition, improving and optimizing the financial structure, periodical reports, operational efficiency and monitoring projects seem to be important issues in order to decrease the financial risks. Hence, this theme partially overlaps the 'risk management theme' of the next section. Financial continuity (solvability, liquidity ratios and treasury plans) seems to be a main concern as well. At the same time attention to limiting the operational costs, like the reduction of the workforce, housing costs, and more efficiency, are also point of concern in most cases.

Lastly, also in the relatively demarcated and concrete field of financial management internal supervisors have to deal with weighting societal and business interests. An example that was mentioned in different cases was the question to what extent all parts of the organization should be profitable. When a division or college is not, should it be closed? But what consequences does this have for the societal objectives of the organization? In these discussions the internal supervisor makes an important contribution to the executive board. Also, as a result of very complex financial products, like derivatives, the supervision on finances has become less 'clear' than it seems.

- **Risk management**

Risk management as 'new' domain of supervision

Remarkably, in all cases it seems that in recent years more attention has been paid to risk management. According to one of the executive directors of the ROC this has to do with the series of incidents in the sector: *"Wat de impact is geweest van InHolland en Amarantis op de verscherping van de rol van de toezichthouder, en de vraag 'wat is toezicht en wat is bestuur?', is actueel en belangrijk, want deze verhouding is veranderd. De afgelopen 10 jaar is de rol van de toezichthouder van notabel, op afstand, een leuke bijbaan waar je er nog 10 van had, veranderd in dat er ook echt wat gedaan moet worden. (…) Het heeft geleid tot meer aandacht voor risicobeheersing: dit gaat mij toch niet overkomen?"* (R9) Within the social housing corporation risk management has also become more and more important the last 5 years. Executive board need to prove to the internal supervisors that they are 'in control'. The board secretary points out: *"Risicomanagement komt steeds pregnanter naar voren als thema. 5 jaar geleden werd het als belangrijk genoemd en vanaf toen zijn er stappen genomen om dat te expliciteren. Daarbij gaat het erom dat je [als bestuur, SG] kan aantonen dat je 'in*

control' bent. De Raad van Commissarissen had ook behoefte om daarmee aan de slag te gaan." (R12)
In addition, the board secretary of the housing corporation acknowledges that the prevention of negative publicity and the risk of reputation damage is an important stimulus for the internal supervisor: "*Je ziet wel dat de focus en de verantwoordelijkheid van de RvC steeds meer ligt op dingen die in de media naar buiten komen, calamiteiten en dat soort zaken.*" (R12) This statement can be illustrated with a section of the annual report of 2013 of the corporation that addresses the extensive attention of the board of commissioners for the derivatives problems during the board meetings. The problems concerning derivatives has been a recurring theme in the news last year, also during the parliamentary inquiry concerning social housing corporations[49]. The problems of the corporation Vestia as the most striking example. Lastly, risk management has already been incorporated in the hospital[50]. Since 2007 a documented risk management policy exists, focusing on risks concerning potential damage to patient's and/or the organization[51]. Besides direct risks for the care for patients, also risks for the operational management (buildings, finances, medical equipment, reputation/image of the organization) are important, as was described in the annual report of 2013 of the hospital. However, this case seems an exception: "*De inspectie zou graag hebben dat dat risicomanagement dat wij hanteren ook door andere ziekenhuizen gebruikt gaat worden. Maar dat wil nog niet erg lukken geloof ik.*" (R4)

Evaluating risk control systems

The risk management of the ROC is focused on financial risks (see also former paragraph), quality risks and risks of other processes, varying from workforce administration to educational logistic processes. "*Financiële en kwaliteitsrisico's zijn de belangrijkste. Verder heb je ook reputatieschade en incidenten die je wilt voorkomen natuurlijk, waar we het ook met de raad over hebben gehad, maar kwaliteit en geld is wel 90%. De raad kijkt daarbij niet alleen naar outputcijfers, maar ook wel dieper naar de onderliggende beheerssystemen van deze risico's.*" (R9) This citation shows that the supervisory board not only supervises whether certain risks occur, but also pay attention to the control systems that should prevent them from happening. This statement of the director is confirmed by one of the members of the supervisory board: "*Het ROC heeft sinds 5 jaar uitgebreide risicobeheersingsplannen. Dus dan wordt er gekeken waar zitten de risico's, hoe is dat het afgelopen jaar verlopen en waar moet dat worden bijgestuurd?*" (R1) Last year the raised interest in risk management in the social housing corporation has led to a thematic session about risk management with the board of commissioners, the executive board, and the management team. In this session questions about what risks the corporation faces and how the risk management system should be organized were asked. "*Vorig jaar is er bijvoorbeeld over risicomanagement ook een themasessie gehouden. Dat ging over vragen als 'wat zien we als onze risico's?' en 'hoe moet het risicomanagement worden ingericht?'. Dat is iets wat ook expliciet op de agenda's staat van de audit commissie en de Raad van Commissarissen. Deze sessie heeft ook in het bestuur en het directieteam plaatsgevonden.*" (R12) A member of the supervisory board of the ZBO points out to what aspects of risk control systems the internal supervisor pays attention: "*In zijn algemeenheid gaat het om hoe het bedrijf wordt geleid en of alle aspecten die van belang zijn in kaart zijn gebracht in termen van risico's en kansen. Zijn de risico's belegd en voorzien en wordt daar ook structureel aandacht aan besteed? Wij doen dat als RvT met elkaar en hebben ook*

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[49] 'Afsluiting van een megalomaan tijdperk', Volkskrant 9-7-2014
[50] The hospital obtained the highest score in a research about risk management in hospitals in 2014 (see website of the hospital).
[51] Annual report of the social housing corporation, 2013

speciaal een audit commissie dat een aantal zaken voorbereid, zoals over financiën en risicomanagement. De RvT heeft de indruk dat het bestuur goede risico-analyses maakt, zich goed verantwoord daarover, niet alleen op organisatieniveau maar ook op projectniveau." (R16) Lastly, in the audit committee of the hospital the internal supervisor judges the risk management policies and the functioning of the internal risk management and control systems once a year. When there are suggestions for improvement, they are made. However, in general the internal supervisor is impressed by the risk policies: *"Ten opzichte van andere organisaties is risicomanagement bij dit ziekenhuis erg goed geregeld. Door de RvT wordt er een keer per jaar naar het risicomanagement gekeken. Als er suggesties zijn voor verbeteringen dat wordt dat door de raad gedaan. Over het algemeen is de raad onder de indruk van het risicomanagement van de organisatie."* (R8)

Monitoring organization-broad risks and information supply

According to one of the executive directors of the hospital the supervisory board focuses mainly on hospital-broad risks: *"Ik denk dat bij onze Raad van Toezicht ook geldt dat ze scherp op het benoemen van de risico's die het ziekenhuis-breed loopt zitten."* (R3) Another citation of the director illustrates this by pointing out that reports of calamities or irregularities in organizational processes are only discusses when they affect the risk profile of the whole organization: *"Naar de RvT gaat proces-informatie, zoals hoeveel meldingen van calamiteiten zijn er, wat is de doorlooptijd van het oppakken van de meldingen, zijn er verbetermaatregelen uitgekomen? Er wordt alleen inhoudelijk over deze meldingen met de RvT gesproken als ze het risicoprofiel van de informatie beïnvloeden. Als er stelselmatig iets mis zou zijn met medicatie dan moet je dat natuurlijk wel verantwoorden. Eigen initiatief is dan erg belangrijk, dan moet je niet gaan zitten wachten tot iemand het merkt."* (R3) Ergo, the director's own initiative to report risks is very important, because the supervisory board seems quite dependent on the executive boards information when risks are concerned.

Yet, there are other information sources for internal supervisors. The accountant plays an important role in the information supply for the supervision on (financial) risk management, and presents points for improvement in his/her reports and management letters. A member of the supervisory board of the ROC explains: *"Een belangrijke input op het gebied van risicomanagement komt van de accountant. Die schrijft halfjaarlijks en jaarlijks een eindrapport met daarin verbeterpunten naar prioriteit."* (R1) The respondent also tells that these reports are quite tough and include a prioritised list of things that should be improved. In addition to the information of the accountant the supervisory board of the ROC sometimes commands the internal control department to take a sample in the organization and check, for instance, the percentages of the presence of students in courses. A member of the supervisory board tells that recently this led to surprising results: *"De raad van toezicht laat wel eens door de interne control afdeling een steekproef doen op bijvoorbeeld de aanwezigheid van leerlingen. Laatst bleek 30% niet aanwezig te zijn volgens het systeem. Dus dat is dan wel een wake-up call. Da ga je je natuurlijk afvragen: werken de administratieve systemen wel goed? Worden ze goed ingevuld? Etc. Dan vraagt de raad aan het bestuur om dat eens uit te zoeken."* (R1) However, commanding the internal control department was not found as a common way of gathering information by internal supervisors in the other cases. A possible reason for this could be that internal supervisors do not feel comfortable towards the executive board doing this, because it is considered as a way of 'sitting of the executives' chair' (see also Van Ooijen, 2013).

A member of the supervisory board of the hospital tells that the supervisory board has regularly contact with medical specialists themselves about risks. In these contacts an upcoming transition in the sector is point of concern. The supervisory board tries to monitor the developments in this respect: *"Er wordt ook regelmatig door de raad met medisch specialisten gesproken over hoe ze dat doen, hoe ze daarmee bezig zijn, hoe de verstandhouding is met het bestuur en de informatie die de raad doorkrijgt via het risicomanagementsysteem: wat zijn de rode vlaggen en waar gaat het juist goed?"* (R8). Also, the president of the board of commissioners stimulates the executive board to report about daily risks as well: *"Ik probeer met de bestuurders de afspraak te maken om ook meer dagelijkse risico's te noteren en op te schrijven in bijvoorbeeld de maandelijkse nieuwsbrief. Dat kan ook het aftreden van een wethouder zijn waarmee je afspraken hebt gemaakt."*(R17) The supervisory board of the ZBO supervises risks related to the organizations activities via the annual report and via an extended risk plan the executive board sends to the supervisory board each year. The audit committee also supervises whether the organization's report about risk management complies to the supervision arrangement with the minister and governance codes[52]: *"In het nieuwe Toezichtsarrangement van de Minister en de Code Goed Bestuur Publieke Dienstverleners stellen regels aan de verantwoording over risicomanagement door de directie. De raad beoordeelt of de verantwoording in het jaarverslag daarover voldoet aan de gestelde eisen."* (R5)

Specific risky businesses

In general, large projects, contracts, 'connected business components[53]', derivatives, workforce and mergers are considered as risky issues according to the respondents. A member of the supervisory board of the ROC explains that managing and screening contracts is an important issue: *"Bij dit ROC is het risicomanagement en de interne auditing belegd bij de financiële afdeling. Zij lichten bijvoorbeeld contracten door van de bedrijfsopleidingspoot. (…) In de financiële commissie komt ook steeds meer risicomanagement aan bod."* (R1) However, the supervisory board of the ROC seems to be dependent of the financial department when it comes to this. An important topic concerning the risk management of the social housing corporation and the ZBO is the management of the project portfolio. A member of the supervisory board of the ZBO explains: *"Dergelijke risicoanalyses worden altijd in de beschouwing betrokken met de vraag of er nou wel of niet een project wordt aangegaan of dat iets wordt geïntensiveerd of wordt afgezwakt. En vervolgens hoe budgetteren we dat?"* (R16) So, risk management can have direct consequences for the management of projects. The board of commissioners once intervened when projects were threatening to escalate. They commanded the executive board to report about the progress of the projects periodically: *"Bij een andere crisis, die te maken had met het feit dat projecten die je doet als woningcorporatie vaak niet precies zo lopen als gepland, waardoor er allerlei financiële risico's ontstaan, is er door de RvC ingegrepen in de zin van dat er per maand een update van de meest risicovolle projecten moest worden gegeven. De financiële mensen hebben toen ook iedere keer de (financiële) risico's in kaart gebracht."* (R17) This intervention seems, however, one of the few examples in which the internal supervisors really intervene in the risk management of the executive board. However, in the annual report of 2013 of the social housing corporation it was noted that concerning the derivatives and the project portfolio an external research bureau was appointed to investigate it. The research report and the recommendations were discussed with the board of commissioners and the executive board. Also, an important topic concerning the

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[52] Regulations Audit Committee of the ZBO, 2005
[53] In Dutch: 'verbindingen' (bijv. losse BV's die aan het bedrijf gekoppeld zijn)

supervision on risk management is the 'management of connections', implying the management of connected business components[54]. The board of commissioners approved a review/test framework for connections that should bring the amount of connected (non-active) business components down.

Supervising risk management: an organized part and an ad hoc part

The president of the board of commissioners of the social housing corporation explains that risk management in fact exists of two parts: an organized aspect and an ad hoc aspect. *"Bij het georganiseerde aspect ziet de raad toe dat de relevante strategische risico's in kaart zijn gebracht en goed worden gemonitord. Voor minder voorkomende of eenmalige risico's moet in het bestuur de noodzaak om dat te melden goed aanwezig zijn."* (R17) This citation shows, as insinuated by a director of the hospital as well, that an important role in recognizing and alarming for ad hoc risks lies with the executive directors. Simply because risk management policies and control systems will never for a 100 percent successful in preventing the occurrence of risks. When it comes to the organized part of supervising risks a member of the supervisory board of the ZBO further points out that the view of the supervisory board sometimes differs from the view of the executive board: "*Tussen het bestuur en de RvT zijn er wel een paar accentverschillen als het gaat om hoe zij naar risicomanagement kijken. Soms is iets vanuit het perspectief van de instelling heel verstandig op korte termijn, maar je kunt ook meer naar het maatschappelijk nut en –functie in combinatie met de kerntaken over een langere termijn kijken.*" (R16) In other words, the supervisory board had the tendency to look at risks from a long-term perspective, safeguarding the continuity of the core task and the organization's additional value to society, while the executive directors tend to look more from short- term perspective and are more willing to seize new business challenges.

Conclusion

Concerning the internal supervision on risk management it can be concluded that this has become more important in recent years in all cases. Some directors clarify this development by linking it to the fact that internal supervision has become tightened and there is a fear for incidents and negative publicity, which encourage the development of systems to control risks. Internal supervisors clearly try to safeguard the continuity of the organization. Some cases have already risk management systems, while others are still busy setting them up. Different types of risks can be distinguished, of which financial risks, quality risks and reputational damage have been mentioned most. Other specific risks are the unpredictability of large projects, workforce related risks, logistical risks and risks coming from many 'business connections' and contracts with other parties. The role of the internal supervisor varies. In organizations where there is no acute severe risk, the audit committee is seems to be concerned with monitoring risks, and the organization and optimization of risk analyses and risk control systems. In case of acute risks the internal supervisor can intervene or actively stand by the executive board, as follows from the example of the social housing corporation. Lastly, the information the internal supervision uses seems to be often based on the periodical reports of the executive and accountant's reports. In addition, internal supervisors sometimes orders the internal control department to investigate a potential risk (ROC), organize a thematic session about risk management (housing corporation) or plan working visits to talk directly to professionals about risks they foresee (hospital). Also internal audit reports can be used for the supervision on quality risks.

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[54] See Annual report of the social housing corporation, 2013

More than once it was acknowledged by directors and members of internal supervision boards that an important role of noting and reporting (ad hoc) risks lies with the directors themselves.

5.2.2. How do external supervisors supervise the quality of services, the financial operational management and the risk management?

- **Quality of services**

Being 'in control': quality assurance

One of the important issues in the external supervision on quality by in de ROC and the hospital is whether the executive board is 'in control'. In the 'Staat van de Instelling', a type of investigation the inspectorate of education does once in 3 years, the inspectorate takes a close look at the strategic objectives of the ROC and whether these objectives have pervaded the college and division plans. Also, the quality of these plans are investigated, for instance whether they are SMART formulated. *"Bij de 'Staat van de instelling' is de procedure als volgt: De inspectie vraagt eerst stukken op bij de instelling. Vervolgens gaan ze ín de organisatie kijken en met allerlei mensen praten om te checken of zij wat van al het beleid en doelstellingen weten, dat bovenin de organisatie is gemaakt, en hoe zij daarmee omgaan. Ook of het plan SMART is (relatie indicatoren en maatregelen). Vervolgens velt de inspectie een oordeel op systeemniveau en op operationeel niveau."* (R2) In addition, the inspectorate investigates whether the executive board is 'in control': *"Belangijker is, dat is ook de toezichtfilosofie van de inspectie van het onderwijs, dat de instellingen er zelf voor moeten zorgen dat ze 'in control' zijn en ze zelf moeten weten hoe het staat met de kwaliteit van hun opleidingen. Er worden dan 5 opleidingen in de diepte onderzocht en daar komen resultaten uit. Vervolgens wordt gekeken of het bestuur van de instelling zelf al op de hoogte was van die resultaten."* (R18) So, 'in control' means that the executive board is aware of the potentially existing quality risks and current situation of all training programs.

The healthcare inspectorate takes a similar approach: *"Daarbij wordt er beter gekeken naar de risico's van de instelling en naar waar de instelling staat, wat de checks and balances zijn van de bestuurder, en of die in control is."* (R14) The inspectorate plans visits to the hospitals based on the defined risks of the first phase of their supervision. During these visits it is checked whether plans and mission are also known on the work floor: *"De inspectie creëert allerlei mogelijkheden om die contacten te bouwen en de reality checks altijd doen op de vloer. Is de missie en de visie die het bestuur verkondigt ook te zien en te voelen op de werkvloer?"* (R14) A visit can be an annual conversations with the executive board, conversations within the organizations, document analysis or a combination of these options. It depends on the scale and complexity of the hospital[55]. In annual conversations the inspectorate takes a look at roles, cooperation and responsibilities of supervisory boards, executive boards, the medical staff, research groups and individual professionals. Also, remarkable deviant outcomes concerning quality indicators are discussed, as well as current issues of the hospitals. After a visit the inspectorate decides whether measures should be taken to improve the quality of the healthcare and within what timeframe. Also, the external supervisor of the ZBO mainly focusses on the quality of the internal

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[55] [55] Website of the Healthcare inspectorate, retrieved on 20-8-2014

governance processes of the ZBO, because when it comes to the output quality the ZBO has a supervisors role itself: *"Voor de kwaliteit van het 'veldwerk' van het ZBO doet het ministerie geen steekproeven. Het ZBO is zelf ook toezichthouder in het veld, dus ze hebben eigenlijk een dubbelrol. De Unit Toezicht bewaakt vooral kwaliteit van processen binnen het ZBO."* (R13) Important questions are: "Are the agreements with the accountant adhered to? Did the supervisory board see the agreements? Was there a clear picture painted by the executive board? Are the accountability processes going as they should?" (R13)

Concerning the investigated external supervisors of the social housing corporation and the ZBO no such approach is used and seem to supervise the quality of services from a large distance (see section below).

Risk-based supervision

All external supervisors carry out some form of risk-based supervision on quality in order to be able to select the most risky organizations or aspects of organizations, to which they focus their (scarce) attention. Besides the in-depth organizational analysis ('Staat van de Instelling') of the inspectorate of educations, that is done once every 3 years for each ROC, each year the inspectorate carries out a risk monitor from a distance. The indicators that are used for this risk monitoring are the same as described for the 'Staat van de Instelling'. However, it is done from a distance and based only on documents, namely the reports of the ROC itself, BRON-data[56], a satisfaction monitor among students, and received signals from the environment. When there are severe shortcomings the inspectorate contacts the ROC meanwhile[57]. The Healthcare inspectorate distinguishes different types of supervision: risk supervision, incidents supervision, and thematic supervision. Risk-based supervision is carried out by gathering documents about the hospitals, varying from reports hospitals deliver themselves, to incoming notifications and other signals about the hospitals (e.g. news reports), systematically gathered experiences of clients and annual reports concerning societal accountability[58]. Based on the gathered information the inspectorate analyses the risks in comparison to other hospitals. Of this analysis the inspectorate makes a report for a particular hospital with signalling lists, or an aggregated report for the whole sector (like 'Het resultaat telt' is for the hospital sector). Furthermore, the external supervision on the ZBO, by the Ministry, monitors whether projects in which the ZBO is involved bring bigger risks with them in order to guarantee the continuity of the service. When there are risks as a result of a project arrangements are made to control them. *"Verder kijkt de unit toezicht ook naar of bepaalde projecten grotere risico's met zich meebrengen. Recent is dat gedaan bij een ingrijpend project. De Minister heeft daar toen wel goedkeuring aan gegeven, maar wel met allerlei waarborgen er omheen. Toen is wel gekeken of dat geen debacle zou worden en de continuïteit en kwaliteit van het ZBO niet zou belemmeren."* (R13) Lastly, external supervision on the quality of public housing is currently done by the Inspectorate of Living Environment and Transport (ILT). Social housing corporations should act according to the rules and regulations of the field. The BBSH (a General Administrative Order from 1993) includes rules concerning six fields of performance: quality of houses,

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[56] Het Basisregister Onderwijs (BRON) bevat in- en uitschrijvingsgegevens, examen- en diplomagegevens van bekostigde instellingen in het voortgezet onderwijs en de sector beroeps- en volwasseneneducatie. Gekoppeld aan het onderwijsnummer of persoonsgebonden nummer leveren de instellingen deze gegevens elektronisch aan bij DUO. DUO registreert ze in BRON. (www.duo.nl)
[57] See 'Toezichtkader Beroepsonderwijs en volwasseneducatie' (Inspectie van het Onderwijs, 2012)
[58] Website of the Healthcare inspectorate, retrieved on 20-8-2014

rental of houses, involving tenants to policy and management, financial continuity, liveability, and living and care[59]. However, the ILT supervises the functioning and performances of social corporations from a distance. An important supervisory role lies at a local level: *"Het toezicht van de Inspectie Leefomgeving en Transport richt zich ook op het functioneren en presteren. Dit doet de overheid terughoudend. Dat wil zeggen als er geen negatieve signalen zijn op lokaal niveau, dus als de gemeente zegt dat het prima gaat, dan wordt er verondersteld dat het goed gaat."* (R11) Thus, in fact the municipalities are supposed to keep a watchful eye on the quality of functioning of social housing corporations. Performance agreements are made between corporations and the municipalities, and the municipalities should warn the ILT if this collaboration really escalates. This relationship is further explained on the website of the ILT: *"Het volkshuisvestelijk aspect van het presteren van woningcorporaties is primair een lokale aangelegenheid. Gemeenten maken hierover – op basis van een door hen opgestelde woonvisie - afspraken met corporaties, waarin duidelijk wordt in welke mate de corporatie presteert op beschikbaarheid, kwaliteit en betaalbaarheid van sociale huurwoningen. De gemeente kan de ILT verzoeken om op dit punt in te grijpen, echter pas nadat gebruik is gemaakt van instrumenten als mediation en arbitrage.[60]."* This citation shows that warning of the inspectorate of environment and transport only seems to happen in case of the escalation.

Quality indicators

An important element of supervising the (output) quality of services by external supervisors are quality indicators. The inspectorate of education uses many different indicators concerning the educational process, examination and certification, returns/profitability, satisfaction of students, employees and employers, quality assurance, compliance to legislation, didactic acting/quality of teachers and financial continuity to come to a judgment[61]. *"In het toezichtskader zijn ongeveer 52 indicatoren opgenomen. De opleidingen die in de diepte worden onderzocht worden op basis van ongeveer 30 van die indicatoren beoordeeld. Sommige indicatoren zijn verdiepend van aard. Dat wil zeggen: die indicatoren worden alleen onderzocht als er problemen zijn op het gebied van leraren of financiën. Daarnaast wordt om te bepalen of de instelling 'in control' is ook op het gebied van kwaliteitsborging, met 8 of 9 indicatoren, beoordeeld of daaraan wordt voldaan. Op basis daarvan wordt gezegd deze opleiding is voldoende of onvoldoende of slecht of goed, op het punt van onderwijsproces, examinering en kwaliteitsborging."* (R18)

The healthcare inspectorate supervises quality norms which are drafted in cooperation with the scientific healthcare associations, branche organizations, and medical professionals[62]. This example illustrates that the law is not specific enough to count on when it concerns the quality of healthcare in hospitals, but this is also the case in the other sectors. Still, the norms and rules that are made by inspectorates leave room for interpretation. *"Wij zien als externe toezichthouder toe op regels die zelf gemaakt zijn door het veld, maar met weinig wetgeving die 1 of 0 is."* (R14) There are approximately 300 variables on which the inspectorate supervises hospitals when quality of healthcare is concerned[63]. Within the report of the annual conversation with the hospital the paragraphs distinguish 'in-take and reference', 'treatments', 'care and monitoring', 'outcomes of care' and 'evaluation of care'. The 'basis

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[59] Website ILT (www.ilent.nl)
[60] See website of the ILT (www. Ilent.nl)
[61] See 'Toezichtkader Beroepsonderwijs en volwasseneducatie' (Inspectie van het Onderwijs, 2012)
[62] Bassisset Kwaliteitsindicatoren Ziekenhuizen 2014 (IGZ, 2013)
[63] Bassisset Kwaliteitsindicatoren Ziekenhuizen 2014 (IGZ, 2013, p.10)

set' of quality indicators for hospitals 2014 shows the total list of quality indicators per treatment, type of disease and concerning the quality policy, mortality rate, dossier investigation and the duration of hospitalization. Another important indicator of quality is the duration it takes before calamities are dealt with in hospitals via the 'VIM-system'. This is also an indicator for the inspectorate that shows whether or not the hospital 'learns' from calamities: *"De inspectie ziet dit het allereerst aan het melden van calamiteiten en het omgaan met het eigen VIM-systeem: hoe wordt dat geregeld en hoe wordt dat teruggekoppeld? Daaraan kan de inspectie zien of een instelling voorkomt dat zoiets nog een keer gebeurt, dus double-loop learning. Daar wordt systematisch naar gekeken, bijvoorbeeld in hoeverre procedures daardoor zijn veranderd. Vervolgens wordt ook een reality check gedaan om te kijken wat daarvan in de praktijk geborgd is."* (R14) So, just as the inspectorate of education a 'reality check' is done of the drafted quality policies. In addition to the VIM-system, the inspectorate also supervises whether there are complaints of citizens at the office of the healthcare inspectorate.

The 'Unit Toezicht', the external supervisor of the ZBO in de ministry, has two sources on which she bases her judgment as regards the quality of services: core performance indicators and complaint reports. The core performance indicators are the agreements made with the Minister, and are reported in the annual report of the ZBO[64]. If the performances deviate from the core performance indicators, than this is reported in the annual report as well. In other words, the Unit Toezicht indirectly supervises the quality of services based on the information given by the ZBO itself: *"Het ministerie kijkt niet rechtstreeks naar de kwaliteit van de geleverde diensten, maar heeft daar twee bronnen voor: kern-prestatie indicatoren (KPI's) en klachtmeldingen. KPI's worden in het jaarverslag vastgelegd, en waarover afspraken zijn gemaakt met het ZBO. Daarbij wordt gekeken of er afwijkingen zijn tussen het jaarverslag en wat is afgesproken. Nu is dit ZBO zelf wel zo netjes om aan te geven waar ze afwijken van de afgesproken normen, dus dat maakt het makkelijk. Als de afwijkingen niet rechtvaardig zijn kan de Minister zeggen dat er maatregelen moeten worden getroffen."* (R13) The fact that the ministry does not investigate the quality of services herself can be explained by the fact that the ZBO is a supervisor on quality within its field itself. In other words, the ZBO has a double role. The ministry therefore takes the findings of the ZBO concerning the quality of services in the field for granted, and only focuses on satisfaction reports amongst citizens concerning the services of the ZBO. Ultimo, the Minister can suspend and fire the directors of the ZBO according to the 'Kaderwet ZBO's' when they do not function well.

Contact with internal supervisors part of the escalation ladder

Ultimately, when this judgment of the inspectorate of education is negative, the inspectorate makes an agreement with the organization about improvement within a certain time frame. *"De vervolgvraag is dan dat als de instelling niet binnen een bepaalde termijn een verbetering weet te bewerkstelligen, dat het moet escaleren naar de Raad van Toezicht. Bij die escalerende gesprekken laat de inspectie weten dat zij zich zorgen maken over het bestuurlijk vermogen en of er wel voldoende tijdig werd aangepakt. Uiteindelijk kan dit, bij gebrek aan voldoende verbetering op basis van expliciet gemaakte verbeterafspraken, ertoe leiden dat de inspectie na een aantal gesprekken met de raad het vertrouwen in het bestuur opzegt. Dat zijn dus de consequenties van het nieuwe toezicht."* (R10) So, if there is no improvement after this given time period, the inspectorate first contacts the internal supervisor to discuss the situation, before formal sanctions are used. The fact that the internal supervisor is part of

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[64] Beleidsregels voor sturing van en het toezicht op het ZBO, Ministry X, 2012

the escalation ladder seems to be the case in the other investigated organizations as well. A respondent of the healthcare inspectorate explains: *"De interne en de externe toezichthouder raken elkaar als het gaat om de dingen die mis gaan. Als de inspectie risico's of problemen constateert roept zijn de RvT op het matje."* (R14) The same goes for the social housing corporation and the ZBO (although the principal of the ZBO, the secretary-general of the ministry, has regular contact with the supervisory board once a year).

Furthermore, the inspectorates and the CFV use the informal sanctioning power of making their findings public: *"De inspectie weet zich bij haar toezichthoudende taak niet alleen gesteund door de wet, maar zij heeft ook altijd het voordeel van de kracht van de openbaarheid van hun bevindingen."* (R10) In the end, the inspectorate can give up its trust in the executive board. This way of working also seems to be followed by the Healthcare Inspectorate.

Conclusion

Looking at the four cases two aspects of supervision on the quality of services can be distinguished: output quality and quality assurance (kwaliteitsborging). Output quality is supervised by all four external supervisors by risk based supervision, although in every case it is filled in differently. In principle documents (annual reports, complaint/satisfaction reports, media) are leading for identifying risks per organizations. When severe risks are signalled, also meetings with the executive board and internal supervisors take place, sometimes in combination with conversations with people throughout the organization. In principle, the quality is measured based on a standard set of indicators for the whole field, although this seems to be not always the case when the social housing corporation and the ZBO is concerned. The reason for the social housing corporations is that municipalities are an important supervisor for the supervision of the quality of services of corporations and make specific performance agreements with the corporations. The reason why quality comparison is not possible for the ZBO is because the ZBO is the only organization with that particular tasks the Ministry supervises. The result is that the ZBO and the social housing corporation have special (individual) agreements with the Ministry.

The Inspectorate of Education, the Healthcare inspectorate also explicitly mention the importance of supervision on quality assurance, which means that they supervise whether sufficient guarantees exist in order to keep the quality of services on a high enough level. Also, it is investigated whether the executive board is 'in control' and knows the state of affairs in all parts of the organization. This means that these external supervisors have meetings with the executive board, and eventually other people in the organizations, in which roles, responsibilities, cooperation's quality systems, and the quality and the implementation of policies are discussed. The external supervisor of the social housing corporation concerning quality (the ILT) does not pay attention to quality assurance within corporations. The CFV is left aside here, because they are only concerned with the financial management of corporations and not the quality of services delivered.

- **Financial management**

Solvability, liquidity, continuity risks

Most external supervisors pay attention to financial risks of the organizations under their supervision. For example, the inspectorate of education also has a financial risk paragraph in the 'Staat van de

Instelling' report in order to supervise the financial continuity of organizations. "*Daarin wordt vastgesteld of er ook financiële risico's zijn via indicatoren zoals solvabiliteit, liquiditeit en rentabiliteit. Dat wordt door de collega's van de financiële afdeling gecheckt. Als het niet in de haak is kan er verscherpt toezicht worden ingesteld op het gebied van financiën.*" (R18) This citation of a respondent of the inspectorate of education shows that indicators for the financial situation are solvability, liquidity and profitability of the organization. The 'Toezichtkader Beroepsonderwijs en Volwasseneneducatie 2012' shows that in addition to this, also the quality of the annual account, the annual and multi-annual budget, and the quality of the financial management in general are used as indicators[65]. Remarkably, the healthcare inspectorate pays almost no attention to the supervision on financial management. Their focus lies only with patient safety and healthcare quality. One of the directors of the hospital tells: "*De inspectie van de gezondheidszorg vraagt hooguit: is het ziekenhuis nog financieel gezond?*" (R3) Indeed, within the supervision plans and frameworks of the inspectorate no financial indicators can be found. How different is the external supervision of the CFV on social housing corporations, which focuses only on finances. The CFV supervises the solvability and continuity, but also liquidity risks, the quality of the reports, and the erosion of 'societal bound capital': "*Voorheen werd er door het CFV naar solvabiliteit en continuïteit gekeken en nu wordt er ook echt naar liquiditeitsrisico's gekeken en naar wat zachtere kanten, zoals de kwaliteit van de gegevens die worden aangeleverd of naar het weglekken van maatschappelijk vermogen. Dat wil zeggen dat geld niet aan verkeerde dingen wordt besteed.*" (R14) Also, the CFV pays attention to the control of derivatives nowadays and to whether the intended plans of the corporation fit within its financial reach[66]. The inspectorate of environment and transport (ILT) also supervises the financial management of the corporations, but are focused on the legal base. "*De ILT toetst jaarlijks op basis van gegevens in het jaar- en volkshuisvestingsverslag en op basis van accountantsverklaringen of activiteiten in het binnen- en buitenland, regels rond staatssteun, woningtoewijzing (90 % norm), sponsoring, leningen, salariëring van bestuurders, raad van toezicht of raad van commissarissen volgens de regels verlopen. Deze regels zijn vastgelegd in wetten en regelingen, maar ook wordt getoetst op de Wet Normering Topinkomens. De toets leidt ertoe dat elke corporatie rond 1 december een zogeheten Individueel Oordeelsbrief namens de minister krijgt[67].*" In other words, for new plans, changes of statutes, mergers, the selling of housing properties, and other important activities social housing corporations need to ask permission of the inspectorate *in advance*. A respondent of the Ministry confirms this: "*Maar wat corporaties wel doen, omdat ze met veel kapitaal omgaan, is hun voornemens indienen bij de inspectie. Er wordt dus op het gebied van financiën ook vooruit gekeken.*" (R11) Lastly, when the supervision on the financial management of the ZBO is concerned, an external supervisor of the Unit Toezicht explains that this is especially focused on continuity as well: "*Wat je als departementaal toezichthouder doet, is het bewaken van de borging van de continuïteit van de dienstverlening, de kwaliteit van de dienstverlening, en dat dat doelmatig en efficiënt gebeurt. (…) Als het gaat om de continuïteit dan is het in ieder geval van belang dat de solvabiliteit en liquiditeit op orde zijn en dat de reservepositie toereikend is om grote tegenvallers op te vangen.*" (R13) The Unit Toezicht supervises whether risks can arise from its financial management, so the Minister will not be 'in trouble' by having something to explain to the Second Chamber. A director of the ZBO declares: "*Dus als wij bijvoorbeeld nieuwe taken willen aannemen, omdat we daarvoor zijn gevraagd, zal het Ministerie er bovenop zitten dat daar geen kruissubsidiëring plaatsvindt. Bovendien zal die kijken wat dat allemaal voor*

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[65] Toezichtkader Beroepsonderwijs en Volwasseneneducatie 2012, Bijlage I (Inspectie van het Onderwijs, 2012)
[66] Beleidsregels CFV 2014
[67] See website ILT (www.ilent.nl)

consequenties heeft voor de bedrijfsvoering." (R6) This citation shows that the Ministry is especially watchful for new tasks and projects, and their financial and operational consequences.

Supervising operational management

Most external supervisors do not supervise the operational management of organizations in detail, although for most organizations the operational management exposes a lot of challenges nowadays: *"Er wordt niet echt naar bedrijfslasten gekeken door de overheid, omdat ze dat iets voor de corporaties zelf vinden. Maar dit is erg in ontwikkeling door de crisis en heffingen, dus corporaties zijn nu erg bezig met hun doelmatigheid (bedrijfslasten)."* (R11) However, external supervisor of the ZBO seems to be an exception. The Ministry keeps a watchful eye on the tariff developments, which should be moderate according to the policy of the Ministry. Currently, the Ministry also writes down the upcoming policies and changes in regulation for the coming year in an annual letter. This enables the ZBO to takes these plans into account in their financial plans. The board secretary of the ZBO points out: *"Het Ministerie legt tegenwoordig in een jaarbrief vast welke accenten zij legt richting het ZBO en waar we rekening mee moeten houden in het FMB [financieel meerjarenbeleid, SG] en bij het uitvoeren van plannen. Daarnaast ligt in het toezichtarrangement vast op welke elementen bijvoorbeeld een tariefvoorstel wordt beoordeeld (gematigd tarievenbeleid, kosten-dekkenheid, gevolgen voor de klant etc.)"* (R5) Although the Ministry used to leave the effectiveness and efficiency of the operational management for the rest to the ZBO's care, recently the new supervision arrangement of the Ministry seems to come back to this. The control protocol of the accountant was revised by the Ministry and now a certain level of efficiency should be attained as well. *"Bij dit hele arrangement is ook het controleprotocol van de accountant herzien. Dat is de weg waarlangs de accountant de bedrijfsvoering controleert. (…) Een van de dingen daarbij is dat doelmatigheid en efficiency belangrijk zijn. Dat is een lastige discussie, omdat je dan echt in de wereld van de bedrijfsvoering van het ZBO komt en dat staat in principe meer op afstand van het Ministerie. "* (R13)

Information sources

Varying sources of information are used for the supervision on financial management issues. In principle, the annual account and multi-annual account function as a base for the information of the inspectorate of education. The ROC's accountant's supervision on the annual report and account is an important information source as well. *"Vervolgens is een belangrijk speerpunt de controle door de accountant, en dat is het ook voor de inspectie. De inspectie is dus niet een primaire toezichthouder op het gebied van financiën, maar een tweedelijns. De inspectie gaat ervan uit dat als accountants bevindingen hebben op het jaarverslag, dat die kloppen."* (R18) However, the inspectorate of education makes the framework which the accountant uses for its judgment and checks whether accountants follow the framework properly. A respondent of the inspectorate points out: *"Het controleprotocol dat sturend is voor de accountant, wordt echter wel door de inspectie vastgelegd. Achteraf toetst de inspectie bovendien via steekproeven of de accountants het controleprotocol goed hebben toegepast, dus dan zijn ze weer primaire toezichthouder op de accountant. Daarmee houden ze de accountants scherp."* (R18) The seriousness of the financial situation is assessed according to two aspects: the extent to which the ROC can fulfil its financial obligations and the extent in which the board of the ROC has insight in its financial situation and is capable of correcting itself[68]. In order to assess this, the

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[68] Toezichtkader Beroepsonderwijs en Volwasseneneducatie 2012, p. 14 (Inspectie van het Onderwijs, 2012)

inspectorate will speak to the executive board, the supervisory board and employees if necessary[69]. How do the external supervisors get their information from the social housing corporations? *"De corporatie verantwoordt zich hoofdzakelijk via de Corpodata-uitvraag[70], o.a. verantwoordingsinformatie (dVi) en prospectieve informatie (dPi). Dat is eigenlijk een manier van verantwoorden die voor alle corporaties hetzelfde is. Er worden relatief beperkt uitvragen gedaan naar specifieke corporaties, tenminste als je niet onder verscherpt toezicht staat, want dan komen dat soort uitvragen aanzienlijk meer voor."* (R12) So, the CorpoData system is an important information source for external supervisors in which corporations account for their performances. In this accountability information an important element is the accountant's control report, which has to meet the requirements of the BBSH[71]. Lastly, the external supervisor of the ZBO (the Unit Toezicht) explains that financial documents function as a base for the supervision of aspects of the operational management, like the division of the costs and the organization of the 'overhead': *"Verder wordt door het Ministerie de bedrijfsvoering echter wel ook in de gaten gehouden via het financiële meerjarenbeleidsplan en jaarverslag, waarin het ZBO inzicht moet geven in bijvoorbeeld de verdeling van kosten, en hoe de overhead is geregeld."* (R13) The healthcare inspectorate seem to not collect financial data outside the annual reports of hospitals.

Conclusion

As regards the supervision of financial management there are differences between the external supervisors. The first thing which strikes most is the fact that the Healthcare Inspectorate seems to pay almost no attention to financial management. The inspectorate of education, the CFV, and the Ministry of the ZBO all supervise the financial management via financial documents, like the annual account, the accountants report, and in case of the CFV and the ILT the digital Corpo-data system. The focus of the supervision is mainly the continuity of the organization, which is based on solvability, liquidity, and profitability indicators. The CFV also supervises the erosion of the societal-bound capital. Moreover, the inspectorate of education and the ministerial supervisor of the ZBO both have the power to adapt the control protocol of the accountant. The quality of the financial reports are taken into account by the CFV and the inspectorate of education. In addition, all external supervisors (except the healthcare inspectorate) seem to include prospective financial information and plans of the social housing corporations in their judgment as well (by using multi-annual accounts). The Ministry on the other hand pays attention to the financial reserves, the moderate tariff development, the financial risks of individual plans and projects, and recently also to the efficiency of the operational management of the ZBO.

- **Risk management**

Supervision on risks versus supervision on risk management

When it comes to the supervision on risks management of organizations, external supervisors seem to focus rather on whether or not risks exist than on whether or not proper *risk management* is executed by an organization. So, the inspectorate of education, for example, does not supervise how the ROC

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[69] Toezichtkader Beroepsonderwijs en Volwasseneneducatie 2012, p. 14 (Inspectie van het Onderwijs, 2012)
[70] Via CorpoData vragen het Waarborgfonds Sociale Woningbouw (WSW), de DG Wonen Bouwen van het ministerie van Binnenlandse Zaken en het Centraal Fonds Volkshuivesting (CFV) gezamenlijk financiële en volkshuisvestelijke informatie op. (bron: www.corpodata.nl)
[71] Besluit beheer sociale-huursector

organizes its risk management system, but monitors the risks itself. However, the inspectorate checks whether the executive board is 'in control' (as was already explained in the quality section), which the inspectorate considers indirectly as a sign that risk management is done properly. A respondent of the inspectorate of education explains: *"De inspectie stelt zelf niet vast of het risicomanagement van ROC's op orde is. Wel wordt nagegaan hoeveel risico's er zijn. Als een instelling 'in control' is dan wordt er vanuit gegaan dat (ook) het risicomanagement in hoofdlijnen op orde is."* (R18). The relationship between the supervision of the Healthcare Inspectorate and the hospital that was taken as a case in this study is remarkable when it comes to risk management. Because the hospital is a leading player in the hospital branche the inspectorate is very interested in how they organize it. In other words, instead of creating and supervising norms for risk management themselves, the hospital tells the inspectorate how it can/should be done. A director of the hospital decares: *"De inspectie is zeer geïnteresseerd in hoe dit ziekenhuis dat [risicomanagement, SG] doet. Vooral als feedback. Het systeem kan een risicoprofiel opleveren en dat risicoprofiel kun je goed delen met de inspectie. Dus daar zit ook voor hun een belang. Dat betekent namelijk dat ze een heleboel dingen niet meer zouden hoeven te onderzoeken, omdat wij dat al zelf gedaan hebben. De inspectie zou graag hebben dat dat risicomanagement dat wij hanteren ook door andere ziekenhuizen gebruikt gaat worden. Maar dat wil nog niet erg lukken geloof ik."* (R4) Ergo, the healthcare inspectorate does not (yet) supervise the risk management system. Just as the Healthcare Inspectorate the external supervisors of the social housing corporation recently become more interested in systems of risk management of corporations. The reason for their interest in risk management is because the external supervisors stand at a large distance from the corporations, and therefore it is difficult to recognize financial risks on time. Important risks for social housing corporations are lowering house prices, interest risks due to high debts and new plans of the cabinet[72]. Just as the Inspectorate of Education the CFV structurally analyses the internal governance of large social housing corporations. According to the policy regulations document of the CFV of 2014 this analysis is based on strategic visions, business plans, treasury statute, a recent strategic stock policy (strategisch voorraadbeleid), multi-annual budgets, financing policy, and insight in risk management instruments used. These indicators together form a dashboard with signalling points for the CFV. Understanding of their risk management would partially reduce this uncertainty. *"Wat de overheid meer wil is zicht krijgen op hoe het risicomanagement van de corporaties zelf eruit ziet. In de nieuwe wetgeving komen er ook eisen aan het treasury en risicomanagement, zodanig dat je in ieder geval op papier weet dat corporaties zich daaraan houden."* (R11) The role of the ILT concerning the supervision of risk management seems to be nihil. Lastly, the external supervisor of the ZBO, the Ministry, seems to be the only external supervisor that supervises risk management in some way. The board secretary explains that the executive board is obliged to account for the risk management and control systems used via the annual report (an in control statement) (R5). The way the executive board has to account for the risk management is prescribed by the Ministry. For instance, in the board regulations of the ZBO is written that the executive board should report: 1) all relevant changes in the risk management and control system, 2) eventual improvements that are planned in the annual report, and 3) whether this is discussed with the supervisory board. The regulations of the executive board also mention that in the annual report the extent to which the performances of the ZBO are influenced by external conditions and variables should be reported. The respondent of the Ministry declares: *"Daarnaast moet er een goed beeld zijn van welke risico's de organisatie loopt de komende periode en welke bedragen daaraan hangen (minimaal en maximaal) en hoe daarop wordt gestuurd. Bij dit ZBO is er*

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[72] See website of the CFV (www.cfv.nl)

inmiddels het goede gebruik van in het Financieel Meerjaren Beleidsplan al wordt aangegeven welke risico's worden voorzien en welke impact dat heeft. Dan kan de unit toezicht vervolgens kijken of ze het eens zijn hoe ze daarmee om willen gaan." (R13) Besides supervising the risk management of the ZBO the Ministry also monitors whether risks exist in new plans, projects and commissions closely in order to reduce the chance of risks for the continuity of the ZBO.

Signalling risks and ensuring their solvation

Although it seems that external supervisors do not set criteria for risk management, they do supervise whether risks are being solved, and within a particular time frame. For instance, the inspectorate of education supervises whether the management of the ROC is 'in control' as was already explained in an earlier section. In short comes down to checking whether the executive board is aware of the risks and problems in the organization. The inspectorate compares this with what they hear and observe during their in-depth investigation of 5 training programs of the ROC. Does the executive board know of the risks and irregularities in these training programs? Are they busy solving them? However, an executive director of the ROC points at the weight that is given to what executive directors tell them about reducing quality risks: *"De inspectie werkt dus met de signaleringsgrens, maar qua kwaliteit hangt toch ook wel veel af van het gesprek met het bestuur. Er was altijd wel iemand van het bestuur die met de inspectie sprak, en als je maar een goed verhaal hebt, dan kom je wel een heel eind. Dus kennelijk is hun informatiebron ook het verhaal en de houding van de bestuurder."* (R9) Just as the Inspectorate of Education the Healthcare Inspectorate monitors quality and safety risks. An important parameter is whether the hospitals reduce the risks measured by the inspectorate: *"De inspectie ziet dit het allereerst aan het melden van calamiteiten en het omgaan met het eigen VIM-systeem: hoe dat geregeld wordt en hoe dat teruggegeven wordt. Daaraan kan de inspectie zien of een instelling voorkomt dat zoiets nog een keer gebeurd, dus double-loop learning. Daar wordt systematisch naar gekeken, bijvoorbeeld in hoeverre procedures daardoor zijn veranderd om vervolgens met een reality check te kijken wat daarvan geborgd is in de praktijk. Ook kijkt de inspectie naar hoe de instellingen hun risico's verminderen op de verschillende prestatie-indicatoren. Daarnaast is ook de reactie van de bestuurder belangrijk, zijn uitleg over hoe dingen geborgd zijn. Tenslotte wordt er ook naar dossiers gekeken."* (R14) So, apart from measurements also the explanation of the executive board plays a role here. The inspectorate creates new performance (quality) indicators for hospitals every year in order to be able to identify quality and safety risks in care processes[73]. However, a difference with the risk management system of the hospital itself is that the risks the inspectorate measures mainly concern quality and safety risks, while the risk management system of the hospital has a broader scope (like a back-up electricity provision, back-ups of patient files, etc.). Lastly, the CFV pays attention to financial risks and how the corporations are planning to solve them by asking for improvement or rehabilitation plans: *"De mogelijke interventies die het CFV kan doen zijn periodiek te laten informeren en/of een verbeterplan laten opstellen. Anderzijds is het zo dat corporaties dusdanig in de problemen kunnen komen, in de negatieve cijfers, dat ze bij het CFV een saneringsplan moeten indienen, waar naar wordt gekeken en indien nodig aangepast, om vervolgens te kunnen leiden tot een saneringsbesluit."* (R15)

Conclusion

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[73] Werkplan 2014 IGZ

In general, risk management has only just become a serious aspect within the supervision of external supervisors. By using risk based supervision, external supervisors already supervised all kinds of risks for a long time, but interest in supervising risk *management (systems)* is new. We have seen that the Inspectorate of Education and the CFV already pay attention to the internal governance (roles, responsibilities of actors within the organizations) and whether executive boards are 'in control'. This is one way of (indirect) testing whether risk management systems are functioning properly: when everybody knows his role and responsibility in the organization, and the executive board is aware of the existing risks, than the risk management of the board probably fine. In addition, the CFV seems to supervise which risk management tools are being used for financial risk management as well. On the other hand, the healthcare inspectorate seems still to be the one that learns from the investigated hospital about risk management, instead of the other way around. The ministry tries to supervise the risks management of the ZBO is by stating risk management as an aspect that should be accounted for in the annual report, and by monitoring new plans and projects closely. Lastly, it seems that once external supervisors have identified risks, they monitor whether and in what way the organization is solving the problems or reduce the risks. The CFV commands the organization to draw up an actual improvement plan, while the inspectorates seem to monitor whether the risks have been reduced within a given time frame, and otherwise take steps on the escalation ladder.

Reflection: To what extent do supervisors, using risk-based supervision arrangements, supervise the risk management systems of these organization already? If the organizations score well on the risk indicators of the supervisor, does this not already imply a good functioning risk management? It seems not, at least not entirely. In principle inspectorates base their supervision to the risks defined in their supervision framework and, based on that, determine whether an organization is in a risky position. This is in fact often a limited scope (see e.g. the healthcare inspectorate that does not include financial risks, but only quality and safety risks), while risks may pop up anywhere (also outside the scope of the supervision framework). This might be problematic, and call for a integral approach, i.e. supervising risk management systems.

5.2.3. Conclusion: How do internal and external supervisors supervision relate to one another?

When we take a look at how the relationship between internal and external supervision can be described across the cases, it appears there are points in which they are complementary, as well as points of resemblance (overlap), points in which they are opposing and a points in which there seems to be a gap in the supervision. The differences can be for a large part explained by the differences in (formal) responsibilities and tasks of internal and external supervisors, which can again vary in a more subtle way between the different sectors as well. Nevertheless, it is interesting to consider the relationship between internal and external supervisors and the variations between the cases for the sake of having an overview, which can be used for answering the rest of the sub-questions.

I will start with the complementary parts. On the one hand, it seems that in case of the ROC and the hospital the external supervisors, the inspectorate of education and the healthcare inspectorate, mainly focus on quality issues. They supervise these issues based on a wide range of quality indicators,

for which they receive information form the organizations and for which they gather information via inspection visits and thematic researches. The supervision on quality by the internal supervisor seems to be still limited, and depending on whether quality experts are seated in the supervisory board/board of commissioners and whether special quality committees are organized. In addition, the assessment of quality is considered quite complex by internal supervisors, especially in the healthcare organization and the educational organization. In the ZBO quality is hardly an issue, due to the fact that the ZBO itself is a supervisor for quality in its field. In the social housing corporation quality is considered a business of municipalities according to the external supervisors, and according to the internal supervisors it concerns compliance to the law as well as the proper and timely repair of houses. Furthermore, whereas the inspectorate of education, the CFV and ILT, and the ministry of the ZBO also monitor the risks concerning the financial stability of organizations, the healthcare inspectorate does not and restricts itself to supervision on quality. Financial stability is an important topic for internal supervisors as well. All cases had a special audit committee, in which financial issues are discussed. Also, financial documents have to be approved by the internal supervisors. In addition, internal supervisors supervise the financial and operational management more in detail. The (mother) ministry X does supervise the operational management of the ZBO to some extent, in contrast to other external supervisors. Internal supervisors not only pay attention to risks, but also to the organization of risk management. Most external supervisors only pay attention to whether or not risks exist, and monitor the time it takes the organization to solve them (not how they manage them).

There are points of resemblance found as well. As was already shortly noticed above, internal supervisors also pay (varying) attention to quality issues just as some external supervisors (i.e. the healthcare inspectorate and the inspectorate of education) do. All internal supervisors organize working visits in the organization, which partially overlaps the external supervision in case of the ROC and the hospital. At the same time, most external supervisors are also interested in financial management (except for the healthcare inspectorate), which partially overlaps the internal supervision[74]. In the ZBO resemblance between internal and external supervision on financial matters exists to a higher extent, because the external supervisor is also interested in operational and risk management issues as well, like internal supervisors do.

Examples in which internal and external supervision oppose one another are rare. However, one type of opposing interests was discovered. Internal supervisors for instance distinguish reputational damage of the organization as one type of risk, while most external supervisors do not. 'Most' external supervisors, because the external supervisor of the ZBO also distinguished a type of reputational damage for the minister, which is in fact in connection with the reputation of the organization (as a result of the ministerial responsibility). In addition, the external supervisors consider non-compliance to legislation and norms as a risk. These interests can sometimes be contradicting and stimulate opposing reactions from supervisors. For instance, when it comes to the point of external supervisors making their findings public. For the external supervisors this is an important (informal) enforcement power, while internal supervisors would sometimes wish the negative publicity was spared the organization.

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[74] Only 'partially', because in practice they both lay different accents (see the more detailed sub conclusions and the table above). Internal supervisors for instance also look more close at (the organization and structure of) financial and operational management issues, while external supervisors only monitor eventual risks for financial stability.

Lastly, when we look at 'gaps', topics that get neither attention from internal supervision nor from external supervision, two issues come to mind. Firstly, in most cases not much attention is paid to long-term strategic positioning questions both by internal and external supervisors. External supervisors only check whether such long-term plans and strategies exist. Internal supervisors should therefore pay attention to the direction of these plans and strategies. However, according to both some supervisors and executive directors this is not always done to a satisfying extent. In paragraph 5.4.2 I will come back to this notion. Secondly, there

> IN MOST CASES NOT MUCH ATTENTION IS PAID TO LONG-TERM STRATEGIC POSITIONING QUESTIONS BOTH BY INTERNAL AND EXTERNAL SUPERVISORS.

literally is a 'gap' between internal and external supervision when it comes to contact in regular situations. They only seem to have contact when things go wrong with organizations, as part of the escalation ladder. This can be considered a gap in the cooperation between the two. Varying reasons for the limited contact between internal and external supervisors were found in this study. One reason is that external supervisors often question the independence and quality of internal supervisors. They see them as part of the organization, safeguarding mainly the organization's interests. In other words, they do not take them serious and do not consider them as equal sparring partners. Another reason that has come across is that internal supervisors keep distance from external supervisors, because they associate external supervisors with alarming situations (no wonder, since contact with internal supervisors is part of the escalation ladder of external supervisors). This simply seems to have a deterrent effect on internal supervisors. A last reason that has been given is the fact that historically internal and external supervisors always have been separate worlds, which from historical institutionalism's perspective can be considered a 'legacy of the past' (i.e. the *path dependency* argument) (Peters, 2012, p. 70).

> INTERNAL AND EXTERNAL SUPERVISION ONLY SEEM TO HAVE CONTACT WHEN THINGS GO WRONG WITH ORGANIZATIONS, AS PART OF THE ESCALATION LADDER.

	Internal supervision	External supervision
Quality of services	-Half of the cases has quality committee as discussing forum -Discussing quality assurance and monitoring quality systems -Action plans and standards for new policies and transitions -Open quality norms (difficult) versus compliance to the law (relatively easy) -Information sources: executive board, external research bureaus and inspectorates, working visits, meetings with client and workings councils.	-Most important topic for inspectorates. -Governance approach: executive board 'in control' (roles, responsibilities, tasks clear?) -Use of large amount of quality indicators -Checking if policy plans and mission are pervaded throughout organization and if they are SMART. -Quality risks monitored via documents, media, satisfaction and complaint reports, municipalities (corporations) -Quality on work floor measured via visits and conversations with people in all layers of organization (only the inspectorates) -Use of formal and informal sanctioning powers (making findings public)
Financial management	-Considered most discussed topic for internal supervision -Audit committee as discussing forum -Financial documents and developments -Keeping track of financial risks	-Financial stability most important topic for CFV, ILT, Ministry X (ZBO) -Solvability, liquidity, continuity risk indicators -Healthcare inspectorate pays no attention to financial situation; -CFV supervises leaking of societal-bound

	-Effectiveness and efficiency of operational management -Supervision on finances is relatively easy/demarcated compared to supervision on quality -Although, complex moral questions exist in financial supervision. For example: Should every part of the organization be profitable?	capital -Operational management is considered to be the domain of the organization itself -Information sources are annual reports, accountant reports and letters, and Corpo-data system (corporations) -Inspectorate of education and the Ministry of the ZBO both have the power to adapt the control protocol of the accountant.
Risk management	-Risk management has become more important, partially due to fear for reputation damage -Monitoring organization-broad risks -Evaluating risk management system explicitly on agenda -Dependence on information from executive board, accountant, internal audit and control department -Large projects, contracts, connected business components, derivatives, workforce, and mergers are considered risky aspects -Attention to how to solve and control risks.	-Supervision on risks (signalling function) is already done by all external supervisors, while supervision on risk management is not yet done (although interest in it seems to be growing); -The Ministry of the ZBO seems to be an exception -The governance approach ('in control statement') of the inspectorates and the CFV aims to estimate the quality of the risk management. -Attention to monitoring the time it takes to solve the risks.

Table : Schematic outline of comparison between internal and external supervision

5.3. What learning impact do internal and external supervisors have on executive boards?

Now the domains quality of services, financial management and risk management are explored as regards the supervision of the internal and external supervisors in it, the next sub question will be answered. In this paragraph the empirical results concerning the learning impact of internal and external supervision on executive boards are described. I will do this through the criteria of learning, as explained in the operationalization chapter. At the end of the chapter the results are compared to the ideal learning impact as was described in the operationalization (i.e. comparison between 'ist' and 'soll').

5.3.1. What learning impact do internal supervisors have on executive boards?

- **Contribution to Knowledge and Understanding**

As explained in the operationalization with 'Contribution to knowledge and understanding' is meant that the executive directors get more knowledge and understanding of internal and external developments of the organizations, and/or get more knowledge and understanding of legal norms and standards, and/or get more knowledge and understanding of societal goals of the organization. These are predefined indicators, which have functioned as a 'lens' whilst analysing the results.

Understanding relationships between complex administrative issues

An important contribution of internal supervision to executive directors seems to be to understand the relationship between complex administrative issues. In the ROC the supervisory board is considered to be able to relate organizational norms and values to an operational level. One of the

directors gives an example of how the supervisory boards once explained the relationship between different aspects of quality, policies, and operational management: *"De Raad kijkt naar alle aspecten van het verbeteren van kwaliteit, zoals wat dat betekent voor het type mensen dat je inhuurt, de beoordeling van je functionarissen, de informatiesystemen en de betrokkenheid ook als bestuur bij het hele onderwijs."* (R9) A way the board of commissioners of the social housing corporation tries to contribute to knowledge and understanding of the executive board is by explaining the relationships between complex administrative issues to the executive board. Sometimes directors regard issues as distinctive entities, while in fact they may ask for a more integrated approach. *"Bij deze Raad van Commissarissen zit een hoogleraar bestuurskunde, die een aller charmantste manier heeft om toch de meest ingewikkelde bestuurlijke vraagstukken open te vouwen en bespreekbaar te maken door bijvoorbeeld te zeggen 'Kijk eens, jullie willen twee hele grote issues aanpakken, de hebben met elkaar te maken, maar jullie behandelen ze onafhankelijk van elkaar. Heren, mag ik een voorbeeld zien van hoe je dit integreert?' Hij gaat vervolgens apart met ze praten en helpt ze. Dat is buitengewoon effectief."* (R17)

Insight in internal processes: Wake-up calls for the executive board

In the social housing corporation case the board secretary and the board of commissioners explains that the supervisory board has had an important role in tightening up a business case of an investment proposal for a new financial system. The board of commissioners contributed to the understanding of the total impact of the investment proposal on the whole organization. *"In eerste instantie heeft de Raad van Commissarissen dat tegen gehouden, omdat de business case niet goed genoeg was. (…) Ze hebben daarvoor een aantal suggesties gegeven om het opnieuw op te pakken en vervolgens is het tot een beter stuk gekomen. Het besluit is dus beter uitgewerkt teruggekomen en ook het hele traject om te komen tot de implementatie van het voorstel is verbeterd. Dus de leerimpact is dan niet alleen op financieel gebied, maar ook op het gebied van kennis en inzichten over hoe zoiets werkt en wat het voor impact heeft op de organisatie."* (R12)

Furthermore, when knowledge and understanding of the operational management is concerned, the supervisory board of the ROC makes a difference as well. A member of the supervisory board tells that one time they let the internal control department take a sample in order to check the presence of students at that moment. He tells that it turned out that 30% of the students were, according to the administrative system, not present. Without a doubt this was a wake-up call for the supervisory board as well as for the executive board. How was that possible? This the administrative systems work properly? Did teachers fill in the presence of students at all? *"Dan zegt de Raad ook van: wat is hier aan de hand? Ga dit eens uitzoeken…"* (R1)

Insight in external developments and policy transitions

According to the annual report of 2013 of the ROC and a member of the supervisory board attention is being paid to changes in the MBO sector, especially in the education committee. These are for instance developments that concern the cabinet's new policies and regulations for the MBO sector. How this should be filled in by the ROC is something that is discussed in the education committee. Also, broader societal and moral questions are raised as a result of the new policies are also discussed in the board meetings. *"Er komt een nieuwe inrichting van het MBO. Er moet selectie gaan plaatsvinden in het eerste jaar vanwege het rendement. Maar is het nog een taak voor het ROC wat er gebeurt met de leerlingen die dan weg worden gestuurd? Is het ROC nog verantwoordelijk om daarvoor een oplossing*

te bieden? Over dat soort vraagstukken is discussie tussen het bestuur en de RvT." (R1) Thus, the boundaries of the societal task and goals of the ROC are also subject of discussion.

From the perspective of a member of the supervisory board of the ZBO the contribution of the supervisory board consists of signalling societal developments which the executive directors do not see, or do not directly consider as relevant. *"Zij [leden van de Raad van Toezicht, SG] kunnen maatschappelijke ontwikkelingen zien die relevant zijn, maar die misschien vanuit het perspectief van de bestuurders van het ZBO misschien niet zo relevant lijken. Ik weet bijvoorbeeld veel over hoe de arbeidsmarkt er in Nederland voor staat, waar de knelpunten zijn, hoe de arbeidsvoorwaardeonderhandelingen verlopen etc. Als er dus op dat vlak zaken aan de orde zijn bij het ZBO, kan de ik met mijn bagage tegen het bestuur zeggen 'Houd daar rekening mee' of 'Heb je daar al aan gedacht?'."* (R16) So, this way the supervisory board relates developments in the ZBO's environment to the daily practices of the organization.

Experiences from other sectors and organizations

From the perspective of the directors of the hospital the supervisory board members take experience with them from other sectors and organizations. This contributes to the richness of discussions, and ultimo, to new knowledge and understanding of the directors: *"Men [leden van de RvT, SG] neemt natuurlijk ervaring mee van buiten. Als het een beetje mee zit ook van buiten de sector. En dat is wel van toegevoegde waarde. Dat wil niet zeggen dat het even briljant is, maar er zijn zeker wel zaken die een Raad van Toezicht gewend is [vanuit andere sectoren, SG]. Bijvoorbeeld risicomanagement (…) In de Raad zitten veel mensen die daar binnen hun eigen tak van sport ook mee om te gaan. Nou dan heb je soms een hele goede discussie en dan komen er ook echt dingen uit waar wij wat aan hebben."* (R4) When a new member enters the supervisory board, with a certain background, this results in a new dynamic in the discussions, one of the directors points out: *"Sinds we een hoogleraar geneeskunde in de raad hebben zitten, geeft dat toch een ander soort discussie dan daarvoor. Daar moet je dan weer op letten, hoe je in de voorbereidingen probeert rekening te houden met wat zo iemand in zal brengen. Welke vragen die zal stellen, en dat proberen voor te zijn door het alvast op te schrijven."* (R3) This citation also shows that directors take into account how the members of the supervisory board will react on forehand.

Awareness of societal function and goals of the organization

An external supervisor from the Healthcare Inspectorate and a member of the supervisory board both emphasize the societal value of supervisory boards for advising executive directors. *"Leden van Raden van Toezicht hebben een groot maatschappelijk potentieel om advies te kunnen geven. Het zou zonde zijn als je dat niet gebruikt."* (R14) The member of the supervisory board gives a concrete example of how the supervisory board shows its societal value, namely during discussions about the societal interests and reach of the societal goals of the organization: *"Op het moment dat beleid wordt bepaald, wordt er altijd een afweging gemaakt tussen private en maatschappelijke belangen. Als een bepaalde tak niet meer winstgevend is, kun je daar niet zomaar mee stoppen. Recentelijk is er een dergelijke afweging bij dit ziekenhuis gemaakt, omdat moest worden bepaald welke behandelingen op bepaalde locaties wel of niet werden aangeboden. Wat doe je dan? De RvT moet dan duidelijk aangeven als bepaalde keuzes gemaakt worden wat dat voor maatschappelijke impact heeft. De Rvt heeft dan een taak om na te gaan of bepaalde groepen mensen niet benadeeld worden. (…) Vaak is daar wel goed over nagedacht en heeft het bestuur er een goede onderbouwing voor."* (R8)

Also, a current debate within the board meeting of the ZBO is concentrated around the question for which purpose the ZBO actually exists. In other words, also in this case the supervisory board plays a role in discussions about how to fill in the societal goals of the organizations. Again the question is how far the societal tasks of the organization reach and where they end. *"Wat een actuele thematiek is, is waartoe is het ZBO op aarde? Zijn we er puur voor de kwaliteit en veiligheid op het gebied van de kerntaak of zijn we er ook voor anderen als het bijvoorbeeld gaat om de grote expertise op het gebied van ICT? Tot waar rijkt het maatschappelijk belang dat het ZBO moet dienen? Het gaat dan om een onderscheid tussen het bredere publiek belang en het engere publiek belang. De RvT is dan meer voor het engere publiek belang, omdat het bredere publiek belang ook meer risico's met zich mee brengt ten aanzien van het uitvoeren van de kerntaak van het ZBO."* (R16)

Furthermore, as already mentioned in the cases before, also in the social housing corporation the board of commissioners are concerned with the societal goals of the organizations. In the experience of the president of the board of commissioners it is important to always use the most customer-friendly model. The board of commissioners will urge for that. But it is the task of the executive board how they fill this in in concrete. *"Ook wordt er dan voorgesteld om het meest klantvriendelijke model toe te passen. Dan wordt besproken of het geld ervoor beschikbaar is, zo niet, dan moeten de bewoners worden gecompenseerd. Dus het bestuur moet daarin dan zelf een keuze maken. Maar de RvC staat er dan wel op dat het goed wordt afgehandeld."* (R17)

Conclusion

With 'Contribution to knowledge and understanding' as a lens, the data was screened and analysed for examples and practices in which the executive directors get more knowledge and understanding as a result of internal supervision. What was found was a range of examples that confirmed that internal supervisors in all four cases do contribute to the knowledge and understanding of executive boards. Internal supervisors can give insight in internal processes by wake-up calls, in external developments and policy transitions, and they can contribute to the awareness of the societal function and goals of the organization. Also, examples of other kinds of contributions to knowledge and understanding were found, like providing experiences from other sectors and organizations, and understanding complex relationships between administrative issues. No concrete examples were found of the contribution of internal supervision to the knowledge and understanding of legal norms and standards.

- **Contribution to Skills**

As described in the operationalization chapter one of the criteria of learning is the contribution to skills of the executive directors. What is meant here is that the supervisor contributes to the capacity of the directors to manage more effectively, to improve their capacity to approach complex problems, or to make the directors better capable of identifying organizational strengths, weaknesses, opportunities and threats. Again, these indicators are used as a 'lens' whilst analysing the data.

Improvement of approaching complex problems

The executive directors and the internal supervisors of the ROC both agree that supervisory boards contribute to the skills of executive directors when it comes to approaching (complex) problems. This concerns skills for managing educational quality, strategy, and the involvement of stakeholders. *"De Raad van Toezicht draagt bij als het gaat om het benaderen van complexe problemen, met name op*

het gebied van HR, strategie en kwaliteit. Als het gaat om kwaliteit dan zijn dit vaardigheden zoals het organiseren van visitaties. Bij strategie gaat het om de wijze waarop wordt geanalyseerd, zowel intern als extern. De wijze waarop de relevante stakeholders worden betrokken en hoe een en ander omgezet wordt in een samenhangende strategie. Vervolgd in daarvan afgeleide jaarplannen die congruent zijn met het strategisch plan." (R7) This citation also shows that these skills are subsequently embedded in annual plans and strategies.

In addition, according to a director of the ROC the supervisory board is concerned with how to solve (complex) problems: *"Een RvT kijkt meer naar de continuïteit van de organisatie (…) en kijkt dan veel meer naar welke stappen je zet om daaruit te komen".* (R9) Also, when an executive director needs help with a particular issue, the supervisory board can hire an expert on that specific domain and with particular skills: *"Op het gebied van onderwijs constateerden wij als raad van toezicht dat er weliswaar een collegelid was, die de taak had het onderwijs te verbeteren, maar die had moeite om dat te operationaliseren. (…) Dus toen hebben wij een hoogleraar Onderwijskunde gevraagd om in de Raad van Toezicht en in de onderwijscommissie te gaan zitten. Dat heeft toen geholpen om het hele kwaliteitszorgsysteem op te zetten."* (R1)

Also, the contribution to approaching complex problems was described by a member of the supervisory board of the ZBO. He gives an example of how the supervisory board helps the directors of the ZBO to solve a relational problem they had with a ministerial department: "*Soms help je het bestuur een enkele keer met hoe je een probleem het beste kan tackelen. Dat heeft de RvT nog wel eens gedaan als het ging om de verhouding met een departement. Als dat een beetje stokt, hoe kan je dat dan op een zodanige manier in beweging brengen zodat het win-win is? (…) Het gaat erom hoe je iets het beste kunt aanpakken, waar moet je aan denken, welke processtappen moet je ondernemen en wat moet je vooral niet doen? Welke volgorde hanteer je? Wie moet er wanneer actief worden? Als het gaat om politiek-bestuurlijke beïnvloeding zijn er een heleboel facetten die een rol spelen.*" (R16) The respondent explains that the contribution of the supervisory board in this case can be considered as sharing skills with the directors, but can also be considered as sharing 'know-how' about political administrative influencing with the directors.

Recommendations for effective management

It seems that the use of specific models and administrative systems are recommended to the executive board as a result of internal supervisor's experiences in other organizations/sector. Also, they can make a comparison with other organizations: *"De RvT draagt bijvoorbeeld verschillende modellen om risico's in beeld te brengen aan, of vergelijkingen met andere onderwijsinstellingen waar men op een bepaalde wijze met uitval omgaat, of verschillende rapportage modellen, en de wijze waarop strategisch HR beleid vormgegeven kan worden."* (R7). As regards the contribution to effective management skills of the executive directors of the hospital a member of the supervisory board explains: "*De raad heeft op het gebied van risicomanagement soms suggesties voor verbetering of suggesties voor hoe op bepaalde risicovolle gebieden geacteerd kan worden.*" (R8) So, this means that the internal supervisor gives feedback about actions the directors can take when they think there is need for improvement. An example of the contribution to skills the member of the supervisory board gives is to advice the directors to create a 'dashboard' with strategic indicators, which the directors can use for their management. Also, organizing a quality committee and an awayday ('hei-dag') are examples of concrete contributions to management skills as the respondent points out: "*Een voorbeeld*

is dat zolang ik al in de RvT zit er al wordt gevraagd om een dashboard met strategische indicatoren. Na heel veel gesprekken is er nu een staatje ontstaan met een aantal indicatoren, niet alleen financiële, maar ook kwalitatieve, en zaken die met de organisatie te maken hebben. Dat wil de RvT nu ieder kwartaal zien. Als een indicator er niet is, dan eens per jaar. Dat hangt af van hoe dat ingeregeld is. Dat is dus een soort over en weer leren. Het bestuur leert daarbij hoe ze op bepaalde indicatoren kunnen sturen en de raad leert wat belangrijk is in relatie tot de strategie en wat het bestuur als belangrijk ervaart. Een ander voorbeeld is het instellen van een kwaliteitscommissie en het houden van een hei-dag." (R8)

In addition, internal supervisors also contribute to the form and content of reports, financing questions or the improvement of the financial performance. A member of the supervisory board of the hospital points out: *"De Raad van Toezicht draagt bijvoorbeeld bij aan de vorm en inhoud van rapportages, financieringsvraagstukken of het verbeteren van de financiële performance."* (R8) The board secretary and the supervisory board of the social housing corporation explain how the supervisory board contributed to the improvement of a business case for the investment in a new financial system: "*Er is bijvoorbeeld dit jaar een investeringsvoorstel gedaan voor een nieuw financieel systeem. In eerste instantie heeft de Raad van Commissarissen dat tegen gehouden, omdat de business case niet goed genoeg was. Er was in dit geval vanuit de audit commissie aangegeven dat ze ten eerste een sluitende business case wilden en ten tweede vonden ze dat er een aantal aspecten onvoldoende terugkwamen. Ze hebben daarvoor een aantal suggesties gegeven om het opnieuw op te pakken en vervolgens is het tot een beter stuk gekomen. Het besluit is dus beter uitgewerkt teruggekomen en ook het hele traject om te komen tot de implementatie van het voorstel is verbeterd."* The improvement of the business case as a result of the feedback of the supervisory board was described in the annual report of 2013 of the organization as well.

Personal help with management skills

On the other hand, contributing to *personal* skills of executive directors is much less common. As an executive director states: "*Echte persoonlijke vaardigheden leer je niet van de RvT.*" (R9) A member of the supervisory board explains the difficulty of giving feedback on personal skills of directors: *"Maar echte adviezen over hoe een bestuurder iets beter kan doen, kun je alleen in de wandelgangen geven. Dat is voor het bestuur tricky, dat kan niet al te open. Dan kun je bijvoorbeeld zeggen 'Goh, joh, let daar eens op'. Een voorbeeld is dat ik een keer tegen een bestuurder heb gezegd, omdat ik zelf veel managementervaring heb, 'Ik merk dat je daar niet heel veel verstand van hebt. Ik heb thuis nog een hele set kant-en-klare stukken liggen. Zou je die graag willen hebben? En dan praten we erover. Zo kan je iemand verder helpen. Moet je nooit tijdens de vergadering doen, want dat leidt tot gezichtsverlies.*" (R1)

Conclusion

With the second learning criterion the data was screened and analysed for examples of how internal supervisors somehow contribute to the skills of the directors. In each case examples were found of the contribution to the improvement of approaching complex problems and internal supervisors recommending effective management models/tools. Contribution to personal management skills seems not a common to do as internal supervisor, although this is sometimes done in the corridors. These examples confirm the fact that internal supervisors can contribute to the skills of executive directors. However, examples of contributions to the capability of identifying organizational strengths,

weaknesses, opportunities and threats were not found. This could be explained by the fact that in chapter 5.2, about how internal and external supervisors supervise, it seemed there is a lack of attention to strategic positioning questions. SWOT-analyses are often used for strategic questions, so this strengthens the finding of the 'strategic positioning gap' in internal supervision relationships.

- **Contribution to Opinions or Views**

The learning criterion 'contribution to opinions or views' was operationalized in terms of changed opinions about strategic issues (like plans or missions), and changed opinions about operational issues (like management issues). Again, these indicators have functioned as a 'lens' during the coding process and may be complemented by practical examples from the interviews.

Changed views on operational issues

Concerning the contribution to changed opinions about management issues, the executive directors and supervisors of the hospital give an example. They tell that besides concrete management skills they now look different at plans due to the supervisory board. Plans are more than just an intention for the future: *"Een concreet voorbeeld is dat we mede door de RvT de afgelopen jaren wat strakker in de leer zijn geworden als het gaat om dat een plan meer is dan alleen een voornemen voor de toekomst. Een plan is ook iets dat een resultaat moet opleveren binnen een bepaalde tijd en met een bepaalde kwaliteit."* (R3)

The directors of the hospital also give an example of how the supervisory board sometimes can change their opinions and views concerning operational issues, like risk management. *"Maar in de Raad van Toezicht zitten natuurlijk veel mensen die gewend zijn om binnen hun eigen tak van sport ook met risicomanagement om te gaan. Nou, dan heb je soms een hele goede discussie en dan komen er ook echt dingen uit, waar wij als bestuurders wat aan hebben."* (R4) Another example, which is mentioned before, is the recent plans to set up a quality and safety committee as part of the supervisory board. The executive directors initially considered a special quality committee not necessary, because they considered quality and safety should be discussed in the central board meetings. However, after all the quality committee will be set up in 2014 (see also the annual report of 2013), so this can be considered as an example of how the supervisory board has changed the opinion/view on this point. A member of the supervisory board explains: *"Recentelijk is er ook een kwaliteitscommissie ingesteld in dit ziekenhuis. In de andere ziekenhuizen waar ik actief ben hadden ze dat overigens al veel langer. Dus die kwaliteitscommissie was wel gewenst. Daar heeft de Raad van Toezicht best wel even over moeten praten met het bestuur, omdat ze zeiden dat ze dat een onderwerp vonden dat in de totale raad van toezicht aan de orde moet komen. Maar mijn ervaring en die van de andere leden van de raad van toezicht was dat als je dat afzonderlijk bespreekt je toch dieper op de materie in kunt gaan. En dan kun je daarna natuurlijk met de voltallige raad van toezicht alsnog over op aantal zaken terugkomen."* (R8)

In addition, the board secretary of the social housing corporation explains that if the board of commissioners has a different opinion than the executive board, and they have a good argumentation for it, the executive board takes their opinion into account. *"De reactie van het bestuur op de adviezen van de Raad van Commissarissen is afhankelijk van het onderwerp. Als er op duidelijke gronden wordt gezegd door de RvC dat ze het ergens niet mee eens zijn, of iets onvoldoende uitgewerkt vinden, dan*

wordt daar een oplossing voor gezocht. Dat is het niet zozeer een compromis als het de goede oplossing zoeken, die recht doet aan beide standpunten." (R12)

Changed views on strategic issues: Looking through a different 'lens' to the organization

Furthermore, the supervisory board of the ROC also offers a different 'lens' to look at the organizations as the directors do themselves. A director of the ROC explains: *"Verder is het vooral 'learning by doing'. Door mee te kijken door de bril van de Raad van Toezicht kijk je als bestuurder op een andere manier naar de organisatie."* (R9) A member of the supervisory board acknowledges this and states that the supervisory board contributes to the opinions and views of the executive board constantly, which is reflected by the way policies are made: *"Via de dialoog tussen de bestuurders en de Raad van Toezicht worden er aan de lopende band ideeën uitgewisseld en beleid aangepast op basis van de feedback op alle gebieden. Dat ziet de raad ook terug in de manier waarop beleid wordt gemaakt door het bestuur."* (R7) An example of how the supervisory board has contributed to the opinions and views of the executive board is given by another member of the supervisory board and concerns the buildings of the ROC. Purchasing a new central building for all students has put several ROC's in financial problems. He explains. *"We hebben als Raad van Toezicht ook heel lang gediscussieerd over huisvesting, want het College van Bestuur had zelf ook wel een zekere neiging om te zeggen 'laten we nou eens een mooi pand wegzetten'. Toen hebben we dat uiteindelijk voor één pand gedaan, een soort emotioneel offer. Maar voor de rest hebben we gewoon tegen het bestuur gezegd dat ze de oude panden maar moeten opknappen."* (R1) In the annual report of 2013 of the ROC it becomes clear that the executive board indeed aims to reduce the accommodation costs by selling some accommodations and by renting accommodations standing empty. Furthermore, *ex-ante* influence of the supervisory board on the plans and proposals of the executive board were acknowledged. One of the directors points out the supervisory board's influence is already included in the proposals for plans and policies: *"Het zit hem niet zozeer in het onderhandelen als het stuk (beleid) al klaar is, maar meer in de datgene dat je voorstelt aan de Raad van Toezicht. Daar zit al ingecalculeerd hoe zij zullen reageren en dan heb je voorstellen, die misschien wat minder scherp zijn dan je zelf zou willen, maar in termen van haalbaarheid veel reëler zijn. Maar ultimo, als je echt een heel andere inhoudelijke koers wil, dan ga je toch je eigen gang als bestuur, want wij hebben de verantwoordelijkheid voor de organisatie."* (R9)

An example of how the board of commissioners of the social housing corporation has contributed to the change of opinions or views was described in the annual report of 2013 and was also mentioned by the president of the board of commissioners in the interview. The board of commissioners advised the directors to pay attention to and to organize a strong strategic staff for the translation of the societal policy goals and issues into practice and vice versa, and for the support of the executive board. *"Bij een zorgorganisatie waar ik ook in de raad van toezicht zit, hebben ze een aparte kwaliteitscommissie. Bij de woningcorporatie hebben ze dat niet, maar gaan ze een portefeuille maken voor maatschappelijke issues, de maatschappelijke opdracht van de corporatie. Ook gaan één of twee commissarissen zich echt verdiepen in wat de maatschappelijke opdracht van deze woningcorporatie inhoudt, want daar zit ook je kwaliteit."* (R17)

The contribution to changed opinions and views on strategic issues was also experienced in the ZBO. An executive director gives an example, that had to do with accepting the commission for a large scale ICT project. He tells he clearly remembers the warnings of the supervisory board about the strategic risks of accepting the project: *"Daar hebben wij toen toch wel een vrij fundamentele discussie over*

gehad met de Raad van Toezicht. Die zeiden, 'tel je knopen, want je komt in een ander bestuurlijk vaarwater terecht als je dat doet. Stel dat je het operationeel zou kunnen, dan kom je in een andere financieringsstructuur dan je nu hebt.' Dat is mij wel bijgebleven. Zij wilden het ook echt weten als de directie dat toch zou doorzetten. Zij zagen hobbels op de weg." (R6) So, although the supervisory board did not deny that the organization may have been *capable* to execute the project on an operational level, they warned the directors for risks on a higher level (a new financing structure). This example was confirmed by a member of the supervisory board (R16). However, in the annual report of 2013 it is noted that the ZBO is still involved in the preparations of the ICT project. This means that this example can be considered as one in which the executive board has chosen to follow its own strategy. However, as the citations shows, the executive director has kept in mind the warnings of the supervisory board.

Executive directors have become more approachable for other views and opinions

An interesting development was mentioned by an internal supervisor, who has several functions in supervisory boards in the semi-public sector. The president of the board of commissioners of the social housing corporation notes that the current generation of executive directors seem to be much more trained in 'managerial thinking' than before. This means that they are more open to other views, scenarios or patterns and are more approachable in that sense. *"Als het gaat om het bijdragen aan veranderde ideeën op het gebied van strategische of management issues is de huidige generatie bestuurders al behoorlijk getraind in 'managerial' denken. Een generatie hiervoor, dus de generatie van de meeste toezichthouders nu, was veel meer van 'zo doe ik het nu eenmaal'. Het omgevingsbewustzijn was minder een issue. Die kozen echt een koers en kwamen soms ook heel ver, daar niet van, maar de bestuurders waar ik nu mee te maken heb zijn allemaal erg alert op het feit dat je kunt veranderen van scenario en patroon. De aanspreekbaarheid daarop is behoorlijk groot nu."* (R17)

Conclusion

The 'lens' that was used to analyse the data for the learning criterion 'contribution to opinions or views', included changed opinions about strategic issues (like plans or missions), and changed opinions about operational issues (like management issues). Seemingly, the contribution to opinions or views of the executive directors by the internal supervisor happens in varying ways in the different cases. Internal supervisors can not only contribute to changed views on strategic issues by looking through a different lens to the organization. They also contribute to changed views on operational issues by making clear some principles ('plans are more than just an intention for the future') and by showing the need for some organizational *do's* and *don'ts* (e.g. organizing a quality committee or an 'away-day[75]'). In other words, internal supervisors do contribute to opinions and views of executive directors. In addition, a notion was made that nowadays directors seem to be more approachable for other views and opinions (e.g. of supervisors) than some decades ago.

- **Improvement of policies and procedures**

The learning criterion 'improvement of policies and procedures' was operationalized in two indicators, including changes in definition of (policy/procedure) goals, problems or risks, and changes in standard operating procedures.

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[75] 'hei-dag' in Dutch

Changes in definition of (policy) goals, problems and risks

When it comes to the contribution to policies and procedures the members of the supervisory board of the ROC explain that this happens continuously: *"Dat gebeurt eigenlijk de hele dag. Dat kan ook bij een stuk gebeuren, bijvoorbeeld over de manier waarop het is opgebouwd. Het gebeurt ook in commissies."* (R1) and: *"Via de dialoog tussen de bestuurders en de raad van toezicht worden aan de lopende band ideeën uitgewisseld en beleid aangepast op basis van de feedback op alle gebieden. Dit ziet de Raad ook terug in de manier waarop beleid wordt gemaakt door het bestuur."* (R7) Also, the supervisory board seems to pay more attention to the policies in a broad sense, like with the connections between issues and their consequences for policies. In addition, the supervisory board not only supervises the output quality and numbers, but also the management and control systems underneath the numbers. A director points out: *"De Raad van Toezicht kijkt naar alle aspecten van het verbeteren van kwaliteit, zoals wat dat betekent voor het type mensen dat je inhuurt, de beoordeling van je functionarissen, de informatie- en beheerssystemen en de betrokkenheid ook als bestuur bij het hele onderwijs."* (R9) This was confirmed by a member of the supervisory board: *"Vervolgens wordt, omdat je kwaliteit van het onderwijs niet los kunt zien van de kwaliteit van het personeel, in de Raad ook besproken hoe het één met het ander samenhangt en wat voor consequenties dat heeft voor het beleid."* (R7) Moreover, the director explains that the perspective of the supervisory board also focuses on the continuity of the organization, and its consequences for policies: *"Een Raad van Toezicht kijkt veel meer naar de continuïteit van de organisatie en wil daarin óók niet dat je even onder de signaleringsgrens zit, maar kijkt dan veel meer naar welke stappen je zet om daaruit te komen. Wat betekent dat voor het jaar erop? Zij kijken meer naar het totale, brede beleid."* (R9)

The executive directors of the hospital point out that if the internal supervisor does not agree with the decisions the executive board makes, they do not always comply with their wishes: *"Wij maken in principe natuurlijk het beleid en dat moet worden goedgekeurd door de RvT. Zij zijn het wel eens niet eens met de keuzes die wij daarin maken. Dat gebeurt wel eens, maar de kritische opmerkingen die ze daarbij hebben, daar heb je wel wat aan. Maar soms doen we daar dan niks mee."* (R4) However, this citation makes clear that the directors not always change the policy when the supervisory board does not agree with it, but they can use the critical remarks anyway.

The board secretary of the social housing corporation explains that the board of commissioners indeed contributes to the improvement of new policies by changing the definition of problems, goals and risks. This examples was also described in former categories, but fits this category as well: *"De leerimpact van de RvC op het bestuur bestaat vooral uit het meebrengen van een andere bril en daarmee het aanscherpen van beleid met behulp van adviezen. Er is bijvoorbeeld dit jaar een investeringsvoorstel gedaan voor een nieuw financieel systeem. In eerste instantie heeft de RvC dat tegengehouden, omdat de business case niet goed genoeg was. Er was in dit geval vanuit de audit commissie aangegeven dat ze ten eerste een sluitende business case wilden en ten tweede vonden ze dat er een aantal aspecten onvoldoende terugkwamen. Ze hebben daarvoor een aantal suggesties gegeven om het opnieuw op te pakken en is het vervolgens tot een beter stuk gekomen."* (R12) Furthermore, the board secretary tells that the contribution of the board of commissioners often implies the way policies and plans are worked out. The executive board consults the board of commissioners already in an early stage of the policy design process: *"Over het algemeen zijn de visies op strategie en beleidsniveau hetzelfde. Verschillen in visies zitten hem vaker in de manier van uitwerken. Bij het maken van beleid wordt er ook*

geprobeerd al in een vroeg stadium de visies van de RvC mee te nemen, dus hun klankbordrol al aan het begin van het ontwerpproces vragen (…)" (R12)

Changes in procedures

A member of the supervisory board of the ROC gives two examples of changed policies and procedures as a consequence of the internal supervision. The first is the contribution to the development of the (internal) quality care system, which included attracting an education expert who subsequently helped establishing the system. This example was also considered as a 'contribution to skills' (see section above, citation of R1), but the result of hiring an expert can be considered to contribute to quality procedures as well. The second example is the contribution to the improvement of financial forecasts and controlling financial risks by measuring 'the temperature of the organization' more often. The periodical reporting about the progress on all kind of operational and strategic issues was also improved as a result of internal supervision: *"We hebben er een aantal jaren over gedaan om een adequate rapportage te krijgen. Die heeft bestuur nu al een flink aantal jaar. We zijn nu twee dingen aan het doen en dat is al lastig genoeg. Het ene is er een reeks van te maken, want dan zie je of het op of neer gaat. Het andere is er een benchmark bij te zetten, per apart probleem en vergelijk het met de directe interne buren. Dat proces is nog onderweg, maar het is nu wel zo dat we elke maand een gestandaardiseerd rapport krijgen met een flink aantal parameters met hoe het met het onderwijs staat, de uitval, ziekteverzuim, financiën en het hele rataplan. Dus dat systeem loopt en dat geeft veel rust. Al roept het college wel van 'Moet dat nou elke maand? Kan dat niet per kwartaal?!'"* (R1).

In addition, the president of the board of commissioners gives an example of how the board of commissioners advices about procedures: *"Deze casus is in de Raad besproken met als uitkomst dat de regiobedrijven nog beter naar de wensen van de huurders moeten luisteren alvorens een karwei te starten."* (R17), and: *"Ook wordt er dan voorgesteld om het meest klantvriendelijke model toe te passen. Dan wordt besproken of het geld ervoor beschikbaar is, zo niet, dan moeten de bewoners worden gecompenseerd. Dus het bestuur moet daarin dan zelf een keuze maken, maar de RvC staat er dan wel op dat het goed wordt afgehandeld."* (R17) Sometimes the board of commissioners even intervenes in the procedures followed: *"Bij een andere crisis, die te maken had met het feit dat projecten die je doet als woningcorporatie vaak niet precies zo lopen als gepland, waardoor er allerlei financiële risico's ontstaan, is er door de RvC ingegrepen in de zin van dat er per maand een update van de meest risicovolle projecten moest worden gegeven. De financiële mensen hebben toen ook iedere keer de risico's in kaart gebracht. Dat was een ingreep in de bedrijfsvoering."* (R17)

Conclusion

Concerning the criterion 'improvement of policies and procedures' different ways in which internal supervisors contribute to this criterion were found. The contribution to changed policies and plans seems to happen continuously during the dialogues between the executive board and the internal supervisor. By bringing a different lens with them, internal supervisors contribute to the sharpening of policies and plans. Concerning the contribution to procedures internal supervision has appeared to be able to contribute to financial control and quality care procedures. This means that internal supervision is considered to contribute to the improvement of policies and procedures.

- **Prevention of irregularities/mistakes**

As described in the operationalization chapter, the last learning criterion 'prevention of mistakes/irregularities' is divided by three indicators: the prevention of financial instability, safeguarding the integrity of executive directors, preventing the escalation of risks, and the prevention of bad quality services. Again, the indicators have functioned as a lens whilst analysing the data, so they may be complemented.

Importance of being hold to account

One of the executive directors of the ROC tell that an important role of the supervisory board is holding the executive board to account about their actions and decisions, and being a point of reference: *"Het zit hem meer in het verantwoorden dat je structureel bezig bent met kwaliteit en hoe dat gaat. Daarin is de Raad van Toezicht veel belangrijker dan een inspectie, omdat een RvT veel breder kijkt dan een inspectiekader.(…) Het is uiteindelijk toch belangrijk dat je een referentiepunt hebt en dat je verantwoording aflegt over de keuzes die je maakt."* (R9) In addition, the director stresses that the supervisory board keeps the directors alert: *"De Raad van Toezicht is een belangrijke actor in het scherp houden van het bestuur."* (R9) and another executive directors declares: *"Wat goed is aan het toezicht van de Raad van Toezicht is dat als je bijvoorbeeld een hoogleraar in huis hebt, je kritische ogen hebt die meekijken, en vreemde ogen dwingen. Hij doet dat op een manier die acceptabel is."* (R2) Also, one of the directors tells that the supervisory board puts time pressure on the acting of the executive directors. They want them to get things done as soon as possible: *"De toegevoegde waarde van de Raad van Toezicht is dat, behalve dat ze veel druk hebben uitgeoefend op het bestuur om het allemaal zo snel mogelijk in orde te hebben…"* (R2). The respondent also tells that she considers the time pressure sometimes too much and unrealistic.

Signalling function for safeguarding financial stability

As already pointed out in earlier sections about the ROC, the supervisory board has contributed in varying ways to stabilizing the financial situation of the ROC. Not only was the financial organization and reporting improved, but also the ability to predict de financial situation (by implementing forecasts) and the management of the ROC's buildings and accommodation by strict supervision. *"Acht jaar geleden was de financiële situatie slecht. Toen konden we zomaar ontdekken dat er ergens een gat zat van 8 miljoen. (…) Dat was erg onrustig en we hebben er ontzettend veel energie in gestoken om dat te verbeteren. Nu kunnen we dat op drie tot vijf miljoen nauwkeurig voorspellen. Wat dan nog ruw is, maar dat geeft wat meer rust. (…) Dat komt doordat wij de voorspellingsmogelijkheden aanzienlijk zijn gaan verbeteren door veel vaker te meten."* (R1) The directors of the ROC tell me that the role of the supervisory board in the prevention of irregularities consists of a signalling function (mainly when financial problems are concerned): *"De raad van toezicht heeft een signaleringsfunctie op het financiële gebied. Dan zeggen ze tot hier en niet verder, maar dat is ook hun rol."* (R2) In addition, a member of the supervisory board of the ROC gives an example of one time they let the executive board analyse an incident in another educational organization, Amarantis. This way the supervisory board tried to prevent such an incident from happening in the ROC as well: *"Ook op het gebied van misstanden speelt de Raad van Toezicht een rol. De casus Amarantis heeft de Raad helemaal laten analyseren door het College van Bestuur. Toen is gebleken of dat henzelf ook had kunnen overkomen. Daar is heel uitvoerig bij stilgestaan. De Raad probeert dan ook heel kritisch en alert te zijn, met name op het financiële aspect. Maar toch kun je niet met de volle zekerheid zeggen dat het jezelf nooit zal overkomen."* (R7)

Interventions for safeguarding the continuity of the organization

A concrete intervention the supervisory board of the ROC did in order to prevent irregularities is that they fired an executive director, when it appeared he had not the capabilities to function well: *"5 jaar geleden hadden wij een financiële man in het College van Bestuur, die notabene van PWC kwam en een accountantsachtergrond had. Maar die bleek dat process van onvoorspelbaarheid van uitslagen op financieel gebied niet goed onder controle te krijgen. Nadat wij dat twee jaar hadden aangezien en met allerlei methoden hadden geïntervenieerd, kwamen we tot de conclusie dat we daar niet verder mee kwamen. Dus toen hebben we tegen de man gezegd dat het toch beter was dat hij iets anders ging doen."* (R1) In addition, the earlier mentioned example of the surprising (in a negative way) results of the sample the intern control department took as regards the presence of students, was also commissioned by the supervisory board. *"Tijdens de vorige raadsvergadering hadden we de interne control-afdeling gevraagd een steekproef te doen op de aanwezigheid van leerlingen. En toen bleek dat ze dertig procent van de steekproef aan leerlingen niet konden vinden. Dus dat was wel even een wake-up call. Dan heb je natuurlijk allemaal vragen: Werken administratieve systemen wel? Worden ze wel goed ingevuld? Enzovoorts. Maar dat werkte. Dan zegt de Raad van Toezicht ook van: wat is hier aan de hand? Ga dit eens uitzoeken…"* (R1) This wake-up call can also be considered as a contribution to prevent irregularities from happening (again).

The president of the board of commissioners of the social housing corporation explains that they made a severe intervention at one time, when there were financial problems with derivatives. This way the further escalation of risks was prevented: *"Als het echt een keer fout gaat, zoals met de derivaten destijds, wordt er door de RvC een commissaris naast de CFO gezet. Dat was niet als politieagent, maar gewoon iemand die heel slim met banken kon omgaan. Zij zijn toen één op één samen opgetrokken. Dat was een noodsituatie. Je voelt je als RvC net zo verantwoordelijk voor dat het goed komt."* (R17) The board of commissioners practically sat next to the financial director to help him to solve the problems. The member of the board of commissioners had good skills in dealing with this specific problem, which legitimized this intervention according to the respondent. Another example shows a less severe intervention of the board of commissioners in a risky situation: *"Bij een andere crisis, die te maken had met het feit dat projecten die je doet als corporatie vaak niet precies zo lopen als gepland, waardoor er allerlei financiële risico's ontstaat, is er door de RvC ingegrepen in de zin dat er per maand een update van de meest risicovolle projecten moest worden gegeven. De financiële mensen hebben toen ook iedere keer de financiële risico's in kaart gebracht. Dat was een ingreep in de bedrijfsvoering."* *(R17)* The citation shows that the board of commissioners wanted to get informed about the most risky projects quite often (each month). That way they could closely monitor the progress of the projects, so they could intervene when they got out of hand.

In this last case, the ZBO, the role of the supervisory board in preventing irregularities or mistakes from happening can be described as mediator via their network in this first example: *"Ook als de directie een dreigend conflict heeft met een bepaalde partij wordt de Raad van Toezicht geconsulteerd. Dan vragen ze hoe ze dat zouden kunnen oplossen. Kent de Raad van Toezicht iemand daar? Kunnen we daar eens bemiddelen? Kunnen ze een keer een belletje doen? Dat hangt dan ook wel weer van het profiel af van hoe actief en wat voor netwerk ze hebben."* (R6) Another example shows that the supervisory board functions as a fire alarm when they hear about developments in networks that can be risky for the ZBO: *"Of hoe kun je met een ontwikkeling die gaande is en een probleem oplevert, omgaan? Soms hoor je op andere plekken, bijvoorbeeld in andere netwerken, van problemen en die*

kun je dan ook aankaarten bij het ZBO. Soms hebben ze het zelf al gezien, soms niet. Maar het aardige is dat je er dan achteraan kan om te kijken of het probleem opgelost kan worden. Dan heb je meer dan een signalerende rol. Op die manier is de RvT complementair aan het bestuur. Daarbij help je dus ook eventuele knelpunten te voorkomen." (R16)

Ensuring strategic goals follow societal interests

One of the members of the board of commissioners explains that they also try to ensure that the strategic decisions of the executive board are in line with the interests of clients: *"Dan kom je er achter dat in de ene plaats vanwege de kosten en de snelheid de renovatie op een andere manier wordt aangepakt dan in de andere , waar er een blok van containers werd gebouwd met veel comfort erin, zodat de bewoners daar tijdens de renovatie terecht kunnen. Natuurlijk kom je ook wel eens een naar incident tegen, waarbij iedereen het ermee eens is dat de betrokken bewoner gecompenseerd moet worden. Maar dat soort dingen wil de RvC ook horen. Ook wordt er dan voorgesteld om het meest klantvriendelijke model toe te passen."* (R17) Also, one of the executive directors of the hospital tells that the supervisory board contributed to the safeguarding of societal interests when the organization organized a merger. The internal supervisors made efforts to ensure the quality of care was maintained: *"Gezien onze historie, was afgelopen jaar erg belangrijk om te komen tot een fusie van samenstellende delen van het ziekenhuis. En dan is het niet een vanzelfsprekendheid dat je zomaar dezelfde kwaliteit hebt, ongeacht waar je woont, afhankelijk van de locatie waar je naartoe gaat. Heel veel is dan ook vanuit de Raad van Toezicht sturen op die ene kwaliteit van zorg."* (R3)

Difficulty of intervening in board culture

When there are irregularities in the board culture, it seems quite hard to intervene for the supervisory board. One member of the supervisory board experiences that as follows: *"De meeste problemen die ontstaan zijn gelieerd aan persoonsculturen. Het is heel moeilijk voor de Raad van Toezicht om dáárin te interveniëren. Ik ken heel veel voorbeelden waarin dat wel geprobeerd is, maar dan blijkt de gezagsverhouding tussen de RvT en het College van Bestuur toch lastig om daar ook overtuigend in te zijn. Dat is eigenlijk al te bedreigend als we ons daarmee gaan bemoeien. We proberen dat te externaliseren, met coaching, begeleiding, enzovoorts. Dat werkt overigens zelden."* (R1) The respondent explains that the relationship between the internal supervisor and the executive board makes interventions of that sort difficult, because it is to threatening for the board.

Conclusion

The last learning criterion 'prevention of mistakes/irregularities' was also found to be part of the impact of internal supervision. In the different cases the importance of being hold to account was underlined, the signalling function for safeguarding financial stability, the internal supervisor's interventions for safeguarding the continuity of the organization, and their efforts for ensuring that strategic goals follow societal interests. It seemed that no examples were found of safeguarding of the integrity of executive directors. This can mean two things: 1) there have been no problems with integrity of directors, or 2) respondents do not want to talk about it. However, in one example about *board culture*, a member of a supervisory board made clear that it is difficult to intervene as internal supervisor in this. This might be related to the lack of examples of safeguarding the integrity of directors as well: it is a difficult area. In addition, no concrete examples were found of safeguarding

bad quality services by internal supervisors, which might be the result of the limited attention of internal supervisors for quality issues.

5.3.2. What learning impact do external supervisors have on executive boards?

- **Contribution to knowledge and understanding**

As explained in the operationalization with 'Contribution to knowledge and understanding' is meant that the executive directors get more knowledge and understanding of internal and external developments of the organizations, and/or get more knowledge and understanding of legal norms and standards, and/or get more knowledge and understanding of societal goals of the organization.

Contribution to understanding of legal norms and standards

One of the executive directors of the ROC explains that the supervision framework of the inspectorate of education has a an arranging and professionalizing role for the organization: *"Dit geconstateerd hebbende, kan dus wel worden gesteld dat er van zo'n toezichtskader een ordenende en professionaliserende werking uit gaat. Instellingen weten waar ze naartoe moeten werken. In die zin heeft het misschien wel een lerend effect. In dit ROC is op een gegeven moment bedacht dat de vragenlijst en criteria van de inspectie naar de docententeams moest worden uitgezet, in combinatie met de kwaliteitscriteria van het ROC zelf. Dat werd natuurlijk een enorm groot aantal samen, maar het effect was wel dat de docententeams zeiden: 'oh, is dat allemaal van belang?'. Dus er wordt door zo'n kader wel een beeld gevormd van wat een opleiding allemaal inhoudt en aan welke vereisten die moet voldoen, dat was er eerst nog niet."* (R2) It seems that the supervision framework creates an image of what a training program contains, and to what requirements should be met.

In addition, a point one of the directors of the ROC makes about the supervision of the external supervisor is that they always base their judgment of the relative performances of the ROC, namely relative towards other ROC's. This way the expected performances of the organization can become more clear: *"Wat wel in de gesprekken naar voren komt is hoe andere ROC's presteren op bepaalde gebieden. Als je het dan als ROC relatief slecht doet dan komt er wel eens aan de orde hoe andere ROC's dat doen. Er is geen objectieve norm, het is altijd een norm in relatie tot anderen."* (R9) This way the inspectorate can inform the executive board how other ROC's deal with certain problems. Also, a respondent from the healthcare inspectorate explains the benchmark function of their supervision: *"Het indicatorensysteem levert ook benchmarks. Daarnaast is er ook een benchmark op het gebied van calamiteiten. Het veld heeft daar zelf weinig in gedaan. Daarnaast geeft de inspectie ook systematisch resultaten terug aan ziekenhuizen over hoe ze scoren ten opzichte van andere ziekenhuizen. Ze krijgen een staatje waarop staat welke indicatoren ze hebben aangeleverd en hoeveelste van de hoeveel ze zijn qua score. De Raad van Bestuur moet daar een reactie op geven en daar krijgen ze punten voor."* (R14) So, the supervision of the inspectorate compares the functioning of organizations in the sector and makes it possible to compare them systematically.

Also, as 'new' external supervisor of the social housing corporation the Inspectorate of Environment and Transport contributes to the knowledge and understanding of legal norms and standards of executive boards: *"Het volkshuisvestelijk toezicht, waaronder ook toezicht op rechtmatigheid valt, ligt nu bij de Inspectie Leefomgeving en Transport. Dat gaat dus om het toezicht achteraf, heeft het voldaan aan de wettelijke kaders?"* (R15)

Lastly, one of the executive directors of the ZBO points out that the supervision framework is helpful for performance agreements: *"In termen van wat je als bestuurder hebt aan toezicht begint het bij een toezichtskader. 10 jaar geleden hadden we dat nog niet. Nu weten we dat we afspraken moeten hebben over welke prestaties we leveren."* (R6) Also, the Ministry contributes to a better understanding of good quality norms in the functioning of the ZBO: *"Verder is het Ministerie als opdrachtgever degene die aan 'de voorkant' iets wil met kwaliteit en dat gebeurt dus in de oprachtbrieven. Desalniettemin is de kennis van het ZBO over hun diensten veel groter dan die van het Ministerie, omdat zij zich alleen tot de hoofdlijnen moet beperken."* (R13)

Contribution to knowledge of internal developments of the organization

A respondent of the inspectorate of education makes note of the fact that per type of investigation the inspectorate can have a different learning impact on organizations: *"De concrete leerimpact die je bij bestuurders bewerkstelligt als inspectie is erg afhankelijk van het soort onderzoek dat je doet. Bij 'de staat van de instelling' zit het voor een belangrijk deel op bijdragen aan kennis en inzicht, maar niet erg aan het bijdragen aan vaardigheden."* (R18) The type of investigation that has been highlighted the most in this study is 'De Staat van de Instelling', which according to the respondent, especially contributes to knowledge and understanding of directors concerning the quality of the training programs that were investigated in depth: "*Het gesprek met de inspectie in het kader van 'de staat van de instelling', dat de bestuurder samen met de onderwijsspecialist van de RvT heeft gevoerd, duurde bijna driekwart week. Dat is zinvol voor beide partijen. Als het goede professionals zijn en in de open modus zitten, dan zijn dat zeer waardevolle gesprekken met de inspectie."*(R2)

Contribution to knowledge about (external) departmental developments

A function the external supervisor has as regards the ZBO is informing the executive board about the developments within the Ministry and between Ministries that affect the ZBO: *"Ik denk dat het vooral de rol van het Ministerie is op dit gebied om er voor te zorgen dat het ZBO op de hoogte is van ontwikkelingen binnen het departement en interdepartementale ontwikkelingen en besluiten die van invloed zijn op het ZBO."* (R5) So, this contributes to the knowledge and understanding of relevant developments.

Contribution to understanding of the societal goals

A respondent of the CFV explains that they supervise not only solvability, continuity and liquidity, but also whether the corporations do not waste societal capital or bite off more than they can chew concerning societal goals: *"Voorheen werd er naar solvabiliteit en continuïteit gekeken en nu wordt er ook echt naar liquiditeitsrisico's gekeken en naar wat zachtere kanten, zoals de kwaliteit van de gegevens die worden aangeleverd of naar het weglekken van maatschappelijk vermogen (d.w.z. dat ze niet met de verkeerde dingen bezig zijn, zoals met boten enzo...). Ook wordt er nu gekeken of ze niet teveel hooi op hun vork nemen."* (R15) In other words, they will make clear which type of investment suits their societal function, and which do not.

Conclusion

The impact of the external supervisors concerning the learning criterion 'contribution to knowledge and understanding' happens in varying ways in the investigated cases. For each indicator examples were found, like the contribution to knowledge of internal development of the organization, the

contribution to knowledge about (external) departmental developments and the contribution to understanding of the societal goals. Still, it is clear most examples include a contribution to the understanding and knowledge of legal norms and standards. This means that external supervisors, as well as internal supervisors, contribute to knowledge and understand of executive directors. Further differences in emphasis will be discussed in the final conclusion of this paragraph.

- **Contribution to Skills**

As described in the operationalization chapter one of the criteria of learning is the contribution to skills of the executive directors. What is meant here is that the supervisor somehow contributes to the capacity of the directors to steer more effectively, to improve their capacity to approach complex problems, or to make the directors better capable of identifying organizational strengths, weaknesses, opportunities and threats (i.e. doing a SWOT-analysis).

Improving the capacity to approach complex problems

One of the member of the supervisory board of the ROC point out that the inspectorate of education can contribute to the skills of executive directors when it comes to improving and ensuring the educational quality: *"Desalniettemin zijn er genoeg instellingen die van zo'n inspectie wat kunnen leren, van sturing op het hoogste niveau tot op het onderste niveau. Hoe zorg je ervoor dat de PDCA-cyclus goed loopt? Hoe zorg je voor een goede borging van kwaliteit in een afdeling? Er zijn een hoop collega's in de besturen van ROC's die de ballen verstand hebben van hoe het eigenlijk gaat in zo'n instelling. En dat heeft weer te maken met het profiel van het bestuur en van de RvT van zo'n instelling."* (R2)

In general, the CFV as external supervisor of the social housing corporation, does not give concrete instructions to executive boards: *"Als het gaat om het geven van concrete aanwijzingen voor het aanstellen van mensen of wat dan ook, dan zou het CFV dat nooit doen. Zij treden niet in de rol van de bestuurder. Anders zou je weer meer adviseur zijn, of straks doe je een suggestie en dan blijkt dat averechts te werken en dan staat het in de pers en krijg je Tweede Kamervragen."* (R15) Therefore, the contribution to concrete skills seems rather difficult. However, a board secretary of the corporation tells that recently the CFV actually did advice the sector concerning derivatives: *"Tot nu toe gaf het CFV nog wel eens adviezen aan de hand van sectorbrede onderzoeken, die ze bijvoorbeeld op het gebied van derivaten hebben laten uitvoeren."* (R12) In this report a large amount of recommendation were done for the corporations on how to deal with derivatives as well as for the strengthening of the rules concerning derivatives[76].

Improving effective management skills

In hospital case the external supervisors contribute to the skills of directors by offering them steering instruments via the quality indicators they use: *"Wat de inspectie heeft gezien is dat in de afgelopen 10 jaar de indicatoren steeds meer gebruikt worden als indicatoren en als sturingsinstrument voor de bestuurder. Dat is een groot goed dat de inspectie de bestuurders heeft aangereikt, zowel van de particuliere klinieken als van de GGZ en vooral ook de ziekenhuizen die daar het verst in zijn."* (R14)

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[76] See website of the CFV:
http://www.cfv.nl/nieuws/nieuwsbericht/Derivatenonderzoek_Renterisicos_beheerst_of_financiele_risicos_vergroot#.VCA1Kfl_uSo

Conclusion

As a result of the analyses it seems that external supervisors can also contribute to skills of the executive dirextors, although a relative small number of examples were found (and not even one for the ZBO). External supervisors have appeared to contribute to knowledge of internal development of the organization, to knowledge about (external) departmental developments and to understanding of the societal goals. Reason for the small amount of examples may be that contributing to the skills of directors is experienced as very personal and is associated with the risk of coming 'too close to the directors role' as a supervisor. In the supervision frameworks of inspectorates and other external stakeholders, mostly output measures are included. Good skills of executive directors seem to be taken as a given, the domain of the organization itself. Moreover, just like internal supervisors, external supervisors seem to play no role in improving the executive board's capacities to identify aspects of strategic relevance, like strengths, weaknesses, opportunities and threats of the organization. This seems in line with the experience that this is a deficit of internal and external supervisors on this matter.

- **Contribution to Opinions or Views**

The learning criterion 'contribution to opinions or views' includes changed opinions about strategic issues (like plans or missions), and changed opinions about operational issues (like management issues). Again, these indicators have functioned as a 'lens' during the coding process and may be complemented by practical examples from the interviews.

Changed opinions about operational issues

A respondent of the inspectorate of education explains that contributing to opinions and views of directors happens every time during 'De Staat van de Instelling'-investigations: *"De concrete impact die je bij bestuurders bewerkstelligt als inspectie is erg afhankelijk van het soort onderzoek dat je doet. Bij de Staat van de Instelling zit het voor een belangrijk deel op bijdragen aan kennis en inzicht (…) en wordt er vrijwel ieder onderzoek bijgedragen aan ideeën, bijvoorbeeld over hoe een examencommissie moet worden ingericht of over het belang van het borgen van de veiligheid van examens."* (R18) It seems that both quite practical issues are concerned as well as knowledge and insight (the importance of guaranteeing the safety of exams). However, these examples seem to illustrate that the views the inspectorate of education share with executive directors are considered quite 'binding'. So, although the executive directors will learn how to organize an exam committee, this comes close to a way of 'disciplining' the executive boards.

A respondent of the healthcare inspectorate explains how the inspectorate acts towards the executive board when they identify risks in an organization: *"Er wordt nu eerder met het hele governancesysteem gepraat (RvT, bestuur, professionals). Daarbij wordt het bestuur erop attent gemaakt dat de uitkomsten anders zijn, dat ze ander gedrag vertonen, dat de systemen niet goed werken, dat er geen borging meer zit in de PDCA-cyclus etc. Waar ligt dat aan? Zien jullie [de bestuurders, SG} de risico's ook? Wat zegt jullie RvT ervan? (…) We vragen ze dan ook op kantoor. Wij presenteren wat wij hebben gezien, zij presenteren wat zij hebben gezien. Als dat erg uit elkaar loopt dan wordt gekeken hoe dat komt. Maar meestal hebben we echt dezelfde blik en zien ze het wel maar waren ze niet bij machte om op dat moment al, door allerlei omstandigheden, niet in te grijpen."* (R14) This citation shows that when the inspectorate comes into contact with the executive board, so when they have found (severe) risks,

they share their views and opinions about the situation of the hospital with them and the internal supervisor. At the same time they are curious what the executive board thinks of the situation and whether they have also seen the risks. This can be considered as a contribution to the views and opinions of the executive directors. If in the end, the inspectorate wants that the executive board comes into action and take over the view of the external supervisor this would be a more disciplining kind of influence.

Changed opinions on strategic issues

During the interview with the CFV it becomes clear that, due to the fact that the CFV has no direct sanction powers, an important part of their supervision work depends on persuading corporations and proof they see something wrong: *"Het CFV is een kleine organisatie waar specialisten werken. Dat geeft je autoriteit in het veld. Maar dan moet je wel bestuurders kunnen overtuigen waarom zij het verkeerd zien. Een voorbeeld was een corporatie met investeringen met onredabele top, dat wil zeggen iets dat niet door huurinkomsten wordt gedekt. Kortom, een a-typische corporatie die afweek. Maar die had gewoon een riant vermogen, een riante liquiditeitspositie dus er gebeurde niets. Maar je zag op een gegeven moment wel met het aanvliegen vanuit het Behoud Maatschappelijk Vermogen-lijntje, dat die in het negatieve zakte. Dus dan kom je in gesprek en leg je hen voor dat het toch niet de bedoeling kan zijn dat ze 300 miljoen zomaar over de schutting gooien?! Dat geven ze dan wel toe."* (R15) So, by showing their expertise and the awareness of the societal goals the coporations should pursue, the CFV can contribute to changed views of executive directors on their way of investing money.

Lastly, in the ZBO case it seems that opinions and views are exchanged between the executive board and the external supervisor as well. However, the ministry has relatively much power, and ultimately has to approve the plans and mission. This makes it hard to distinguish whether these examples actually contribute to learning, or that they have a more disciplining character: *"Bij dit ZBO is er inmiddels het goede gebruik dat in het Financieel Meerjaren Beleidsplan al wordt aangegeven welke risico's worden voorzien en welke impact dat heeft. Dan kan de Unit Toezicht vervolgens kijken of ze het eens zijn hoe ze [bestuurders, SG] daarmee om willen gaan. Ook wordt daarbij gekeken naar de efficiencyontwikkelingen in het kader van de doelmatigheid."* (R13) The fact that the Ministry has the powers to approve important (financial) decisions and policy plans concerning the ZBO can be explained by the fact that ZBO's (public sector) are at a relatively smaller distance to politics than the other cases (semi-public sector). The Minister has a greater responsibility for ZBO's, which makes the larger interference in the functioning of the ZBO a logic consequence. The following citation makes the relatively large influence of the ministry on the ZBO clear: *"De agenda van vergaderingen wordt zo voorbereid dat er per punt bij staat over of het 'adviserend', 'ter informatie' of 'besluitvormend' is. Dat zit dus gebakken in de formats die dan worden gebruikt per agendapunt. Bij punten die 'ter informatie' zijn wordt er uitgewisseld wat er speelt, 'adviserend' zijn punten in de zin van dat het ministerie zegt dat het verstandig zou zijn om een bepaalde actie te ondernemen, 'besluitvormend' betekent uiteindelijk dat dat punt een besluit van het departement is en als dat verder nog bekrachtigd moet worden dan is dat dus het voorbereidende stuk van de minister."* (R13) Seemingly, in the category 'advising' on the agenda of meetings between the executive board and the ministry, the ministry makes clear what they would want the ZBO to do in a specific situation. Although this sounds rather disciplinary, there is reason to consider that there is a real debate in case there are different views: *"In de interactie met de directie zit altijd een onderhandelingselement. En er wordt ook altijd goed gekeken naar de gezichtsuitdrukking om te zien hoe serieus iets is. Hebben we daar een deal…of?"* (R13) This

citation shows that both parties try to find a middle way between their ideas. So, in that way the ministry actually contributes to the views and opinions of the directors.

Conclusion

In the section above the learning criterion 'contribution to opinions or views' of external supervisors was analysed. Seemingly, the contribution to opinions and views of the executive directors by the external supervisor happens in varying ways in the different cases. Firstly, external supervisors can contribute to changed views/opinions about operational issues, for instance by proclaiming how a specific committee should be organized or by showing the executive board the risks they have identified in (e.g. the quality registration systems) of the organization. That is, it appears that sometimes the risks external supervisors identify are not considered to be risks by the executive board. This way, the external supervisor can contribute to opinions and views of the executive board concerning (definitions of) operational risks. As regards strategic issues external supervisors can use persuasion (based on their expertise) or formal power to have influence on the views and opinions of the executive boards, for example about important financial and policy decisions. However, in the ZBO the influence of the external supervisor (the ministry) on strategic issues is much larger than is the case in the semi-public sector cases, like the housing corporation. This is logically the result of the higher degree of political responsibility of the minister for the ZBO than for the semi-pubic sector cases.

In this learning criterion it is particularly important to consider whether the change of opinions/views of the executive directors as a result of the external supervisor is caused by learning or by disciplining, because the views the inspectorate of education share with executive directors are considered quite 'binding'. In other words, learning and disciplining come close here. The point is, that if the executive board gets persuaded by the external supervisor, the executive directors should at least be convinced by the argument of the external supervisor. Only then it is likely that learning takes place.

- **Improvement of policies and procedures**

The learning criterion 'improvement of policies and procedures' was operationalized in two indicators: 1) changes in definition of (policy/procedure) goals, problems or risks, and 2) changes in standard operating procedures. Both indicators were used as a lens during the coding process.

Improvement of procedures

Concerning the contribution to the change of quality procedures the executive boards of ROC's are considered to learn a lot from the inspectorate of education, like improving the 'plan-do-check-act'-cyclus and quality care procedures. An executive director explains: *"Desalniettemin zijn er genoeg instellingen die van zo'n inspectie wat kunnen leren, van sturing op het hoogste niveau tot op het onderste niveau. Hoe zorg je dan de PDCA-cyclus goed loopt? Hoe zorg je voor een goede borging van kwaliteit van een afdeling?"* (R2)

A respondent of the healthcare inspectorate explains how they can check whether the hospital learns from calamities and whether procedures are improved: *"De inspectie ziet dit het allereerst aan het melden van calamiteiten en het omgaan met het eigen VIM-systeem [meldingssysteem van calamiteiten, SG]: hoe dat wordt geregeld en hoe dat teruggegeven wordt. Daaraan kan de inspectie zien of een instelling voorkomt dat zoiets nog een keer gebeurt, dus double-loop learning. Daar wordt*

systematisch naar gekeken, bijvoorbeeld in hoeverre procedures daardoor zijn veranderd om vervolgens met een reality check op de werkvloer te kijken wat daarvan geborgd is in de praktijk." (R14) The respondent explains that afterwards, the changed procedures are checked on the work floor (reality check) during an inspection visit.

Another example is that in 2012 the CFV has presented a large amount of recommendations about how corporations can deal with the financial risks of derivatives: *"Tot nu toe gaf het CFV wel eens adviezen aan de hand van sectorbrede onderzoeken, die ze bijvoorbeeld op het gebied van derivaten hebben laten uitvoeren."* (R12) These recommendations for dealing with these financial products were of course taken serious by the executive boards of corporations, because the corporations were quite shocked after the derivatives incident of Vestia. Therefore, this can be considered to have had a contribution to the improvement of policies and procedures concerning derivatives.

Improvement of policies

In addition, the inspectorate of education supervises whether goals and policies of the executive board are known on the work floor, and whether they are SMART-formulated. This means that policies and plans should be specific, measurable, acceptable/activating, realistic, and limited in time: *"Bij de 'staat van de instelling' is de procedure als volgt: De inspectie vraagt eerst stukken op bij de instelling. Vervolgens gaan ze ín de organisatie kijken en met allerlei mensen praten om te checken of zij wat van al het beleid en doelstellingen weten, dat bovenin de organisatie is gemaakt, en hoe zij daarmee omgaan. Ook of het plan SMART is. Vervolgens velt de inspectie een oordeel op systeemniveau en op operationeel niveau (productniveau). Het punt is bijvoorbeeld dat dan niet alle plannen even SMART zijn, omdat dat gewoon een behoorlijke analyse-capaciteit vraagt en niet alle medewerkers hier universitair geschoold zijn. Dus dan is de conclusie van de inspectie dat het niet overal op operationeel niveau op orde is."* (R2) So, the inspectorate whether policies and goals are well formulated on a system level and on an operational level.

In the hospital case external supervisors pay attention to the quality of policies as well, especially the way they are formulated and whether there is a closed feedback cyclus: *"Ik ken maar twee of drie ziekenhuizen waar vakgroepen kwaliteitsdoelen hebben per kwartaal en waar op wordt afgerekend. Dan is er borging. Als het SMART geformuleerd is, dan gebeurt het ook. Invoeren van best practices bijvoorbeeld kan vervolgens een enorme risicoreductor in een ziekenhuis betekenen."* (R14) Ergo, the inspectorate checks whether quality goals are formulated, whether they are SMART formulated, and whether best practices are implemented, in order to judge the risks in an organization.

Furthermore, the financial external supervisor of the social housing corporation, the CFV, can be considered to contribute to the improvement of the definition of risks in financial plans by asking an improvement plan in case they have identified financial risks. A respondent of the CFV points out: *"Dan moeten ze een verbeterplan opstellen voor het kunnen komen tot een realistische begroting. Als die er is komen ze bij het CFV op gesprek en dan zeggen ze vaak dat ze toch wel blij zijn met die brief en het feit dat het CFV ze heeft gedwongen om alle efforts in te zetten om het probleem op te lossen. (…) Het is een stukje organisatieverbetering, meer bedrijfsmatig acteren."* (R15)

A way the ministry wants to contribute to the improvement of policies and procedures, namely concerning risk management, is by organizing a session about risk analysis: *"Het Ministerie is van plan om een sessie te doen over risico-analyse voor het ZBO. Alle partijen in het veld (divisiemanagers,*

controllers, financiële managers, directiesecretarissen) worden dan bij elkaar gehaald en dan wordt via een vraagmethodiek achter de computer gevraagd wat iedereen ziet aankomen aan risico's, hoe zwaar men dat inschat en hoe groot de kans is dat die risico's zich zullen voordoen. Daar wordt dan een rapport voor gemaakt en daarmee moet het ZBO aan de slag. Hoe gaan ze dat beheersen? Wat betekent dat voor de rapportages? Hoe moeten ze dat gaan monitoren? Deze sessie is al eens bij een ander ZBO dat onder dit Ministerie valt gedaan en levert een belangrijk risicoprofiel voor het ministerie op. Daarnaast zullen de betrokken partijen ook kunnen leren van het verslag." (R13) This way not only more knowledge and understanding can be gathered, but the ministry also aims to improve the risk management policies and procedures.

Conclusion

The analysis of this section concerned the learning criterion 'improvement of policies and procedures'. Different ways in which external supervisors contribute to this criterion were found, which means that internal supervision is considered to contribute to the improvement of policies and procedures. Except for the ministry of the ZBO, most external supervisors check whether policies and procedures are formulated in a good way (SMART) and whether they are pervaded to the work floor. Also, they supervise whether policies, procedures and (in case of the CFV) financial plans are improved when they are considered to create risks or when calamities have happened. The ministry however, also has influence on the executive board *during* the formation phase of policies and plans (like in the case of risk management), not only when they are already formed. Also, the CFV has had a more pro-active role in advising social housing corporation on procedures concerning derivatives.

- **Prevention of irregularities/mistakes**

As elaborated in the operationalization chapter, the last learning criterion 'prevention of mistakes/irregularities' is divided in indicators: the prevention of financial instability, the prevention of the escalation of risks, safeguarding the integrity of executive directors, and the prevention of bad quality services.

Prevention of bad quality services

A respondent of the inspectorate of education tells that besides their judgement about the quality of training programs in the 'Staat van de Instelling', the inspectorate indeed has a function in preventing real defects. However, it does not happen often that the inspectorate finds severe defects, such as the absence of examination of a course: *"Bij misstanden, wat in een aantal gevallen ook wel door de inspectie wordt geconstateerd, gaan scholen daarna ook zeker aan de slag. Soms blijkt bijvoorbeeld dat een vak niet wordt geëxamineerd en dan zorgt de inspectie ervoor dat dat wel gaat gebeuren. Dus in dat geval wordt er ook bijgedragen aan het voorkomen van misstanden, maar dat gebeurt niet ieder onderzoek."* (R18)

Besides the 'Staat van de instelling'-method in which the inspectorate of education uses quality indicators, they also visit the ROC's now and then to find possible defects or irregularities: *"Daarnaast heeft de inspectie als taak om zo nu en dan binnen te komen en door te prikken en te kijken waar dingen niet goed lopen die aangepakt moeten worden. Vaak heb je dan ook de outliers, de laagste 5%, daar is veel discussie over. Daar steek je relatief gezien ongelooflijk veel energie in, terwijl als de inspectie meer naar de middenmoot zou kijken, er een groter verbeterpotentieel zou zijn. Maar dat wordt niet gezien door de politiek en de buitenwereld."* (R14) This citation also shows that the prevention of incidents

and defects is an important aspect of the work of the inspectorate, but that this line of working may not be the best way to improve the quality level of moderate and good functioning educational organizations. However, this does seem to mean that now the prevention of irregularities is an important part of the work of the inspectorate. The risky organizations get relatively much attention from the inspectorates.

Physical inspection visits to find irregularities are also done by the healthcare inspectorate: *"We hebben natuurlijk ook wel inspectiebezoeken tussendoor, thematische bezoeken, zoals kijken naar een OK of andere kritische afdelingen. Dan heeft men een andere benadering. Dan word je echt aangesproken op dingen die men tegenkomt en waar ze vragen over hebben."* (R4) The respondent of the healthcare inspectorate further explains that when the inspectorate finds risks or irregularities in their investigations, they act sooner nowadays, because the risks are better manageable in an early phase: *"Vervolgens speelt de inspectie daar eerder op in, omdat de risico's dan nog beter beheersbaar zijn. Ze wachten nu niet meer totdat er verscherpt toezicht moet worden ingesteld. Dat was vroeger wel zo. Er wordt nu pro-actiever opgetreden."* (R14)

Lastly, the ministry of the ZBO also has a signalling function concerning the quality of services of the ZBO by receiving complaints from citizens. These are brought to table during regular meetings between the Ministry and the executive board: *"De minister heeft op het gebied van kwaliteit een signaleringsfunctie. Als er brieven komen van burgers dan wordt dat in het routine-overleg met de directie van het ZBO aangekaart. Zij gaan dan intern navraag doen om te kijken of ze zich ergens zorgen over moeten maken en gaan dan een gesprek met de medewerkers aan die daarbij betrokken waren."* (R13) This way, the Ministry actively contributes to denounce defects.

Prevention of the financial instability and the escalation of risky projects

The CFV supervises whether the points for improvement made by the external accountant are implemented, and thereby contributes to the prevention of irregularities in the financial management: *"Daarnaast ontvangt het CFV de managementletter, die uit twee onderdelen bestaat: een soort tussentijdse controle aan het eind van het jaar, en de jaarrekening. Dat wordt ook aan de RvC gerapporteerd. Daarin wordt ook aangestipt wat de mogelijke nieuwe plannen van de Minister voor de corporatie kunnen betekenen en blikken ze bijvoorbeeld nog terug op de punten die nog open staan van de tussentijdse controle van de accountant."* (R15)

In the last case, the ZBO, the Minister sometimes actually creates guarantees around risky projects of the ZBO before approving them to start, in order to prevent risks threat the continuity of the organization: *"Verder kijkt de Unit Toezicht ook naar of bepaalde projecten grotere risico's met zich meebrengen. Recent is dat gedaan bij een ingrijpend project. De Minister heeft daar toen wel haar goedkeuring aan gegeven, maar wel met allerlei waarborgen daar omheen. Dus toen is er wel gekeken of dat geen debacle zou worden en de continuïteit en kwaliteit van het ZBO niet zou belemmeren."* (R13)

Conclusion

In the last learning criterion 'prevention of mistakes/irregularities' different example were given of the contribution of external supervisors. In terms of the prevention of bad quality services external supervisors appear to have an important signalling function for quality risks, both by supervision from

a distance (via indicators of complaint letter from citizens) and by physical inspections visits to the organizations. Most external supervisors also play a role in preventing financial irregularities, for instance by ensuring the accountant's improvement point are implemented. Just as in the former chapter about the learning impact of internal supervision no examples were found of the safeguarding of the integrity of executive directors (just like the internal supervision section).

5.3.3. Conclusion: What learning impact do internal and external supervisors have?

In this paragraph the expected ('soll') learning impact of internal and external supervisors are compared to the empirical results.

Criterion 1: Knowledge and understanding	Internal supervision	External supervision
	'Soll'	*'Soll'*
	Results in more knowledge and understanding of what is happening in the organization (internal developments) and in the environment of the organization (external developments).	Results in more knowledge and understanding of the legal framework (compliant behaviour) as well as norms for quality assurance systems, societal goals and reports.
	'Ist'	*'Ist'*
	-Provides insights in the relationship between complex administrative issues; -Gives insights and wake-up goals about internal processes; -Offers a discussion forum for the many changes the sector currently faces (external developments); -Carries experiences from other sectors and organizations; -Stimulates the awareness of societal goals of the organization; -Monitors relevant societal developments and their impact.	-Arranging and professionalizing function of the supervision framework; -Improves understanding of legal norms and framework -Offers benchmarks and shows the relative performance relative to other organizations in the sector; -Informs about relevant departmental (policy) developments. -Informs about what investments fit the societal goal

When we look at the difference between what was predicted to be the learning impact concerning the contribution to knowledge and understanding, and what was found in the empirical data, it seems that they are quite similar. Internal supervision indeed contributes to knowledge and understanding of internal and external developments. In addition, internal supervisors also discuss the societal function and goals of the organization with the executive board. External supervision indeed contributes to the understanding of legal norms and frameworks, and gives insight in how quality assurance should be organized. Less often societal goals and reports are discussed. Furthermore, whereas internal supervision mainly contributes to a broad understanding of administrative issues, and their mutual relationships, external supervision contributes to knowledge and insight in specific domains (in-depth), namely in norms for quality and financial performance. In addition, internal supervisors often contribute to understanding of operational and management issues in comparison with other sectors, while most external supervisors contribute to the understanding of the (quality) performances of the organization relative to other organizations in the same sector.

Criterion 2: Skills	Internal supervision	External supervision
	'Soll'	*'Soll'*

	Improves skills of managers and professionals for dealing with accountability issues and other managerial skills, i.e. steering effectively and the improvement of approaching complex problems	Improves skills of managers and professionals for dealing with accountability issues and the quality and scope of a 'SWOT'- analysis.
	'Ist'	*'Ist'*
	-Contribution to organizing visitations, stakeholder involvement and how to implement that in strategies and plans; -Contribution to organizing a quality care system; -Contribution to internal and external analysis (asking for a dashboard with strategic indicators) -Recommendation of models, policies and administrative systems; -(Personal) management advices in the corridors; -Contribution to reports, business cases, financial questions and financial performance; -Management of departmental relations and know-how of political-administrative influencing.	-Improving and ensuring quality skills (PDCA-cyclus); -Offering steering instruments via the performance indicators; -Offers skills in order to recognize and reduce the risks of financial derivatives.

Remarkably, both the contribution to effective management skills and the contribution to the capability to approach complex problems seem to be present, but the contribution to strategic SWOT-analysis not. This is in line with the first supervision 'gap' that was described in the former paragraph of the results chapter. Furthermore, there are differences between the kind of skills to which internal and external supervisors contribute. External supervision mainly focuses on how quality assurance systems should be organized and how financial risky products can be handled, so in fact skills to reduce risks. Also, as a result of their way of supervising based on quality indicators, external supervisors offer steering instruments for executive directors. Internal supervision on the other hand, contributes to a broader spectrum of skills, for instance skills to manage (stakeholder) relations, personal management skills (and how to cope with an eventual lack of some of them), and skills to improve documents and reports (e.g. financial reports and business cases). In addition, in contrast to internal supervision only a few examples of the contribution to skills were found for external supervision, and not one for the ZBO. Ergo, it seems that contributing to skills is more the domain of internal supervision. Lastly, the contribution to personal skills of executive directors is a difficult matter, because of the risk to undermine the authority of the directors.

Criterion 3: Opinions/ views	**Internal supervision**	**External supervision**
	'Soll'	*'Soll'*
	Changes opinions with regard to organizational issues (e.g. strategic and operational issues)	Changes opinions with regard to organizational (operational) and public (policy) issues
	'Ist'	*'Ist'*
	-'Plans are more than just an intention for the future'; -Changes views on the administration of financial information; -Has a (financial) signalling function; -Stimulates looking through a different 'lens' to the organization; -Has ex-ante influence on the creation (new)	-Views about the organisation and importance of quality ensuring practices; -Exchange of views and opinions on risks; -Showing when a financial investment or decision is not allowed;

	strategies and missions; -Changes views on risk management and the need of a separate quality committee; -Stresses importance of a strong strategic staff concerning the societal task; -Warns for consequences of a strategy for the continuity of the organization.	-Binding strategic and management advice.

Concerning the contribution to opinions and views the empirical results of both internal and external supervisors reflect the predictions about their learning impact quite well. Although both internal and external supervisors seem to exchange their views and opinions on the nature of risks, the internal supervisors also exchange their views on the organization of operational issues (such as financial management) and the formation of plans and strategies. The view of internal supervisors seems to be more or less internalised in the proposals for policies, plans and strategies of the executive board. Furthermore, internal supervisors sometimes emphasize the importance of certain issues, although they do not have to be legally obliged or part of a supervision framework. For instance, the importance of having a quality committee, or the importance to investigate the nature and limits of the societal tasks and goals of the organization. Lastly, the views and opinions that external supervisors share are more binding than those of the internal supervisors. This gives the exchange of views with external supervisors sometimes a more disciplining character than that it results in learning, unless the executive board is convinced of the external supervisors point of view.

Criterion 4: Improvements of policies and procedures	Internal supervision	External supervision
	'Soll'	*'Soll'*
	Changes/improves definition of goals, problems, risks, organizational structure, and standard operating procedures.	Improves compliance, finances, administrative/managerial ability to act, and quality assurance systems
	'Ist'	*'Ist'*
	-Continuous dialogue and critical remarks about issues affecting policies and procedures; -Shows the connections between policies, control systems, human recourses, quality, and operational management; -Contributes to the improvement of a quality care system; -Contribution to the improvement of periodical reporting about financial issues and risk management; -Improved preparation of the implementation of policies and plans.	-Evaluates PDCA-cyclus and quality care procedures; -Evaluates whether policies and plans are SMART, and pervaded throughout organization; -Promotes best practices and closed feedback cyclus; -Stimulates that organizations learning from calamities by changing procedures; -Commanding for improvement plans in case of financial risks; -Advice concerning derivatives policies; -Influence on policies and procedures during the decision making process (ZBO).

It seems that for both internal and external supervision the predicted learning impact reflects the empirical results. It is, however, interesting to notice that internal supervisors are more concerned with the formation process of policies and procedures, while the external supervisors are concerned with the evaluations of existing policies and procedures and the way they are implemented (although the ministry of the ZBO forms an exception at this point and also interferes with the formation of important policies). Furthermore, it seems that overall the focus of external supervisors lies in policies

and procedures concerning quality (except for the CFV and the ministry of the ZBO), while internal supervisors also pay attention to other policy domains and procedures (e.g. financial).

Criterion 5: Prevention of mistakes	Internal supervision	External supervision
	'Soll'	**'Soll'**
	Prevents (the repetition of the) mistakes concerning financial stability, integrity, quality of service. Ensures strategic goals following societal interests.	Prevents (the repetition of) mistakes concerning uncompliant behaviour, rightful public spending and bad service quality.
	'Ist'	**'Ist'**
	-Holds executive board to account for their decisions (being a point of reference); -Safeguards financial stability; -Analyses incidents that happen in other organizations in order to learn from them; -Fires incapable directors to prevent irregularities (although it is difficulty to intervene in board *culture*); -Gives wake-up calls for the executive board; -Offers 'emergency help' in case of crisis; -Monitors most risky projects closely and screens for risky developments in society; -Mediates via network in case of relational problems with partners/stakeholders/ supervisors of the firm; -Ensuring strategic decisions are in line with the interests of clients and society.	-Point at of defects as well as smaller quality shortcomings in compliance; -Doing physical inspections to identify calamities on the work floor; -Pro-active actions when irregularities are identified; -Checking whether the improvement points of the accountant are implemented; -Creating guarantees around risky projects; -Signalling function based on complaint letters from citizens.

Concerning the prevention of mistakes and irregularities both internal and external supervisors play and important role. The most striking difference between the contribution of internal and external supervision on this learning criterion is that internal supervision forms a forum to which executive boards are hold to account (almost) continuously, and forms an point of reference for decision making. Most external supervisors only pay attention to the organization once a year or so. In addition, external supervisors are more focused on identifying mistakes and calamities, and if they do, they make the executive board aware of it. Internal supervision not only has a signalling function as well, but is also especially focused on which steps should be taken to control and solve the problem. Lastly, both internal and external supervisors had no examples in which they had safeguarded the integrity of executive directors, or had prevented incidents concerning integrity issues. It may be that such integrity issues have not taken place of course, but it may also be something that is difficult to discover or respondents don not want to talk about.

- *Impact of internal and external supervision in conjunction with one another*

Now, what can be considered the impact of internal and external supervision in interrelation with one another? When we compare the empirical findings with the predicted joint impact that was described based on the literature, we get the following table:

Joint learning impact of internal and external supervision	Internal and external supervision	Internal and external supervision
	'Soll'	**'Ist'**

Knowledge and understanding	Results in integral knowledge and understanding of the internal functioning of the organization and the relationships with the external environment	-Understanding of relationships between complex administrative issues; -Understanding of legal norms/frameworks; -Insight in functioning compared with other sectors and within the same sector; -Knowledge of societal, political and policy developments -Awareness of societal function, goals and expectations.
Skills	Improves skills of managers and professionals with regard to dealing with accountability, SWOT analysis and other managerial skills	-Skills to organize forms of accountability -Skills to set up a quality care system -Skills to set up a dashboard with strategic indicators -Skills to improve the quality of reports and plans - Skills to deal with financial risks -No SWOT-analysis skills
Opinions/Views	Changes opinions with regard to organizational (operational and strategic) and public issues	-Views on seriousness of risks (signalling function) -Views on strategies and plans and their consequences for the continuity -Views on what is allowed and what is not allowed according to legislation -Views of the reach of the societal function and goals
Improvement of policies and procedures	Improvements in defining organizational issues and quality assurance system, finances and an increased level of compliance	-Improvement of a quality care procedures; -Improvement of periodical reports about financial issues and risk management; -Improved preparation, formation and implementation of policies and plans. -Change of policies/procedures in case of risks/calamities/non-compliance
Prevention of mistakes/ irregularities	Prevent mistakes and keep each other alert and sharp.	-Executive board is hold to account for their decisions; -Gives wake-up calls for the executive board; -Monitors most risky projects closely and screens for risky developments in society; -Safeguards financial stability; -Pro-active actions when irregularities are identified; -Checking whether the improvement points of the accountant are implemented; -Ensuring strategic decisions are in line with the interests of clients and society. -Analyses incidents that happen in other organizations in order to learn from them; -Fires incapable directors to prevent irregularities; -No regular communication between internal and external supervision that could keep both alert and sharp.

From the table above a quite promising result is presented. We can conclude that internal and external supervision have a different kind of learning impact. Although they both create learning in all five learning domains (knowledge and understanding, skills, opinions etc.), they lay different accents within these domains. Some aspects however, are not covered by internal and external supervisors, like long-term strategic positioning questions. Other aspects are covered both by internal and external supervisors, like financial stability and quality issues.

5.3.3.1. Does the way internal and external supervision relate to one another also influence the learning impact?

Now that both the way of supervising is investigated as well as the learning impact by internal and external supervisors, some consequences of their relationship in the cases can be observed. The question here is: does the relationship between internal and external supervision influence the learning impact on executive directors? The answer to this question is yes. There are different reasons for this. As has already appeared in the former paragraphs it is partially the result of the different responsibilities and tasks internal and external supervisors have in comparison to one another. This not only influences the domains (quality of services, operational (financial) management and/or risk management) in which supervisors create a learning impact to a greater or lesser extent, but also determines the supervision framework that guides the interaction between supervisor and executive director. For example, internal supervisors appear to contribute much more to knowledge and insights about operational management issues than external supervisors do, simply because most external supervisors hardly pay attention to that domain, but are explicitly responsible for supervising the quality of services instead.

Furthermore, it is striking that in the investigated cases internal and external supervisors most of the time only have contact with one another when risky situations in organizations escalate. In other words, they only seem to communicate with one another to check whether both of them considers the situation of the organization risky enough and to agree on follow up interventions that are needed to solve the problems. This does not fulfil the predicted joint learning impact 'keep each other alert and sharp' (see table above) in times when there are no risks identified. This asks for a broader use of the communication between internal and external supervision, namely for cooperation and reflection in 'normal' situations as well, and for learning from one another. Also, for the purpose of 'supervision on supervision' more regular contact would be useful, and could keep both internal and external supervisors sharp. It lies within the line of expectations that when the contact between internal and external supervision improves for the sake of the just mentioned functions, this will influence whether or not executive boards learn from them as well. The reason for this

> FOR THE PURPOSE OF COOPERATION, REFLECTION, LEARNING FROM ONE ANOTHER AND FOR THE SAKE OF 'SUPERVISION ON SUPERVISION' MORE REGULAR CONTACT BETWEEN INTERNAL AND EXTERNAL SUPERVSISION WOULD BE USEFUL.

would be the fact that both supervisors would be better informed about the organization's functioning and at the same time they would be able to stimulate each other's sharp/alert view. Lastly, the different interests that are the base of both internal and external supervision may become more harmonized as a result of the increased cooperation and reflection.

5.4. Why does internal and external supervision result into learning?

5.4.1. Relative impact of supervision on learning of executive boards

A first aspect which is relevant when one studies the learning impact of supervision is of course the relative impact of supervision compared to other factors that result into learning of executive directors of (semi)public organizations. When we ask the respondents what they consider the relative impact of supervision in the learning processes of executive directors an interesting range of other contributors of learning become clear. Other external supervisors than inspectorates are mentioned as important influencers, like, in case of the hospital, the Dutch Care Authority (NZa), the Authority Consumer and Market (ACM), and increasingly *financers* such as banks. Also, the quality care system and administrative systems of the organizations themselves are a source for learning: *"In het geval van calamiteiten wordt dat natuurlijk daarnaast ook met de inspectie besproken. Maar het grootste deel van dat databestand van meldingen blijft gewoon in het 'huis' zelf, waar je natuurlijk veel leervermogen uit kunt halen."* (R4) In case of the ROC, the executive directors explain that the *branche organization* (MBO-Raad) has a signalling function in terms of risks and organizes benchmarks, which enables ROC's to compare their performances to other ROC's. In addition, in the MBO sector the Ministry of Education, Culture and Science has organized a group of people, called *MBO 2015*, who visit ROC's in order to reflect on their operational management and progress concerning the new policies in the sector amongst other things. The MBO 2015 group has no sanctioning powers. After a sort of sounding board meeting the ROC gets an advice, which can be very useful and complementary to the inspectorate according to one of the executive directors. Furthermore, one of the executive directors of the ROC points out that ultimo *discussion with colleagues in the field* has the most important learning impact to him: *"Ik ervaar de meeste leerimpact via het echte gesprek, het collegiaal gesprek met vergelijkbare instellingen of andere bestuurders (over de kunst van besturen), vormen van intervisie (hoe doe jij het, hoe doe ik het?). Dat kan gebaseerd zijn op benchmarks, maar de bestuurder leert op zich niks van benchmarks als hij niet een beeld bij heeft van wat máákt dat iets succesvol is of wat iets beter maakt dan het andere. Papieren en rapporten zijn nuttig, maar je leert ergens echt wat van als je het verinnerlijkt via een gesprek."* (R9) The ZBO which was investigated in this study also has other external stimuli for learning than the Ministry, like the *National Ombudsman*, who makes a report about the ZBO each year. Also, *feedback from collaboration partners and suppliers* are valuable, and the *yearly report of the Nyenrode Business University about public performances* enables a sort of benchmarking. When the social housing corporation is concerned contribution to knowledge and understanding as well as to policies and procedures comes from the *branche orgainzation Aedes*: Aedes also organizes visitations for social housing corporations, resulting in useful feedback concerning their societal task and the governance: *"Visitaties zijn één keer per vier jaar, dat is natuurlijk maar weinig, maar er wordt dan gekeken naar een aantal componenten en daarover wordt dan een spiegel voorgehouden aan de bestuurders (en misschien ook wel een beetje aan de raad van toezicht). Hoe doe je het naar de verwachtingen van de samenleving? Hoe ziet je governance eruit? (...) De meeste corporaties gaan wel aan de slag met zo'n rapport. Soms stapt een bestuurder ook op als het heel slecht nieuws is. Als het miniserie dergelijke visitaties zou organiseren zou toch de vraag reizen uit welke hoofde de overheid dat dan zou doen en vanuit welke legitimatie. Dat moet eigenlijk uit de samenleving komen. De overheid zal niet snel op de stoel van bestuurders gaan zitten."* (R11)

In sum, it can be concluded that supervision is just one part of the learning stimuli that reach (semi) public organizations. This puts the relative impact of supervision in perspective, and should be kept in mind when conclusions are drawn at the end of this study.

5.4.2. The role of stimulating and hindering factors

In the operationalization chapter of this study the different stimulating and hindering factors as found in the literature were transformed into variables and indicators, which were used during the analysis. Whether they were found to influence the learning impact of internal and external supervision will be discussed below.

- *Formal stimuli*

The investigated formal stimuli were firstly, whether if the accountability processes organizations have to deal with are complementary as regards their content (concerning the domains they cover), this would have a stimulating effect for learning. Secondly, it was investigated whether a mild sanctioning pressure in the supervision relationship stimulated the learning impact.

Complementary accountability processes

Concerning this stimulating factor confirmation was found in the data. Firstly, concerning external supervision, it seems that if the accountability information the organizations have to deliver seems to fit their own planning and control cyclus, it is generally experienced as more 'useful' or 'relevant': *"Maar de uitvraag in het reguliere toezicht sluit goed aan op de eigen planning en control cyclus van de corporatie en zijn daardoor redelijk relevant. Over de diepgang is nog wel af en toe discussie en over de wijze waarop, maar dat is geen belangrijk bezwaar voor het bestuur."* (R12) In contrast, a citation of the executive directors of the hospital shows that when the linkage between the accountability information and the director' idea of important information is missing, this is experienced as a hindering factor in their work: *"Het is belemmerend ja, omdat de organisatie daar gewoon last van heeft. Al die criteria, normen etc. moeten allemaal ingevuld worden. Natuurlijk doen wij dat ook heel braaf, maar om nou te zeggen dat je daar heel veel motivering in vindt…"* (R4) *"…Sommige wel, andere kun je inderdaad niet beargumenteren waarom dat nou zo belangrijk is. Dan is het bijvoorbeeld belangrijk omdat dat uit de systemen gehaald kan worden, maar je weet alleen datgene als je onder een lantaarnpaal staat wat beschenen wordt, maar je weet niet wat daarnaast is."* (R3) Also, concerning the importance of complementarity of knowledge and backgrounds of the members of supervisory boards/boards of commissioners was confirmed as well by an executive director: *"Maar wat het lastige is van de RvT, is dat ze vaak zo ver van de praktijk af staan, dat ze erg in algemeenheden blijven hangen. Dat is lastig. Alleen dus op het gebied van onderwijskwaliteit, waarop een raadslid zit met hele specifieke kennis, is dat echt nuttig qua tips. Dus het maakt erg uit welke profielen er in de raad aanwezig zijn."* (R2) It seems that the complementarity of profiles of the members of the supervisory board is an important stimulating factor for learning.

Mild sanctioning pressure

The second formal stimulus, concerning the presence of a mild sanctioning pressure, has been confirmed as well by external supervision: *"De inspectie bevordert dat [verbetering, SG] dan ook, want dan zeggen ze dat ze na een half jaar of een jaar terugkomen om op dat punt nog andere opleidingen*

te gaan onderzoeken. Dat zorgt voor een prikkel om te verbeteren." (R18) Sanctioning pressure was felt as well from internal supervision: *"Tegelijkertijd is de Raad van Toezicht ook degene die het bestuur benoemd en kan ontslaan. Het is geen dreigende relatie, maar je weet dat ultimo, als je niet voldoende presteert, dat ook consequenties heeft."* (R9) The citations show that the threat of sanctions are experienced as a big stick for improvement and performing well. When the executive directors were asked whether they feel sometimes pushed into a defensive mode by *internal* supervisors, one half answered they did (ROC and the social housing corporation) and the other half answers that they did not feel pushed in a defensive mode (hospital and ZBO). An executive director of the ROC explains: *"Bij de verantwoording naar de Raad van Toezicht gaat het bijvoorbeeld wel eens zo dat er tien dingen mis gaan, dat de bestuurder er zes weet 'weg-te-managen', maar dat er nog vier overblijven. Als de raad dan het vergrootglas legt op die vier, dan heb je het volgens hen gewoon niet goed gedaan. Je wordt dan toch ter verantwoording geroepen en wordt er gevraagd hoe dat toch kan dat het niet is gelukt. Dan hoop je dat er een basis is waarop je kan steunen van de dingen die wel goed zijn gegaan, of dat je van tevoren al hebt aangegeven dat er veel gedoe is en dat je bepaalde zaken pas later kunt regelen. Persoonlijk ervaar ik dat soort situaties als vervelend."* (R9) Being pushed in a defensive mode is considered not a *mild* sanctioning pressure, but a *severe* pressure (see operationalization). This is considered a hindering factor for learning (see e.g. De Bruijn, 2006). Furthermore, when the executive directors were asked whether they feel sometimes pushed into a defensive mode by *external* supervisors the answers vary as well. The board secretary of the social housing corporation tells since the supervision on the corporation had tightened they did: *"Sinds het verscherpte toezicht heeft de manier waarop de externe toezicht acteert wel meer geleid tot een defensieve houding van het bestuur. Het iets willen opsteken van toezicht moet natuurlijk bij de bestuurder wel van binnenuit komen, dus een defensieve houding bevordert dat niet."* (R12) Interestingly, an executive director of the ROC, who felt pushed into a defensive mode by the internal supervisor, does experience this to a lesser degree in her contact with the inspectorate: *"Ik voel me bij de RvT soms in het defensief gedrongen. Bij de inspectie ervaar ik dat minder. Laatst heb ik de inspectie zelfs uitgenodigd om ze te consulteren. Dat hangt ook wel met de relatie die ik met de inspecteur heb samen, die is erg prettig. Desondanks behoudt de inspecteur de gepaste afstand die ze moet hebben."* (R2) The respondent explains that the fact that she does not feel pushed into a defensive mode by the external supervisor is the result of the good relationship she has with the inspector.

However, it appears that internal supervisors, in contrast to external supervisors, tend to never use their sanctioning powers when overall the organization is considered to function well. This seems at least to be the case in the hospital and the ZBO: *"De RvT heeft echter nog nooit echt gedreigd met sancties. De relatie tussen het bestuur en de RvT is daar te goed voor. Wel is het zo dat de RvT soms zegt kijk daar nog eens naar of laat dat nog eens onderzoeken, bijvoorbeeld door een juridisch adviseur.."* (R16) and: *"Verder heb ik nog niet meegemaakt dat de raad van toezicht ergens heeft geprobeerd in te grijpen. Hoogstens heeft de raad geprobeerd een beetje bij te sturen of meer informatie te krijgen. Dat heeft ook te maken dat het gewoon wel goed gaat met het ziekenhuis. Dus de neiging om in te willen grijpen is niet zo groot."* (R8) In the other cases (ROC and the social housing corporation), this tendency of the supervisory board to 'keep the peace' seems less so. In fact, in those cases varying examples were given in which the supervisory board intervened in the actions of the executive board. Interestingly, this division between the cases coincides with the division when was asked whether the executives felt pushed in a defensive mode by the internal supervisors. This means

that internal supervisors which are too harsh on the executive board, may hinder the executive directors willingness to learn.

- *Environmental Stimuli*

Concerning environmental stimuli different stimulating factors were investigated. Firstly, whether the prospect of increased competition would be experienced as stimulating for learning by executive directors. Secondly, whether the pressure for innovation and modernization of the organization would be stimulating. And thirdly, whether (new) regulatory obligations for the organization would be stimulating for learning.

Prospect of increased competition

No confirmation in the data was found that the prospect of increased competition is experienced as stimulating factor by executive directors. Competition was sometimes even experienced as a hindering factor for the improvement of the quality of services. An executive director of the ROC points out: *"Concurrentie in de sector ervaar ik wel, maar dat heeft nauwelijks toegevoegde waarde. (…) Die concurrentie leidt niet tot verbetering van de onderwijskwaliteit, het leidt alleen maar af. Als je de marketing budgets voor andere dingen zou kunnen gebruiken zou dat nog eerder tot verbetering leiden."* (R2) Also, when the executive directors of the other cases were asked whether they would consider increased competition as a drive to improve performances, the answer was negative.

Pressure for innovation and new regulatory obligations

Concerning the pressure for innovation and modernization of the organization it became clear that this factor was to a large extent related to the third factor: new regulatory obligations. Because the four cases all operate in a different sector and field, every case has to deal with different kind of innovations and modernizations to which they must adapt due to new policies and regulations. The ROC has to deal with many new policies in the MBO-sector (Focus of Vakmanschap, Wet doelmatige Leerwegen, 'MBO 2015'), which puts the organization for a great challenge coming years, because it all has to be implemented without harming the educational quality. The hospital faces a new way of financing of medical professionals due to changes in the fiscal legislation ('De medisch specialist 2015'), and from January 2015 on integral tariffs will be settled between hospitals and health insurance companies. Social housing corporations are facing new challenges as well, especially concerning severe cut backs in their financial management. In addition, as a result of the parliamentary inquiry new legislation about their supervision and functioning will be in the making. Lastly, even the ZBO faces new challenges, although seemingly less extensive as in the other cases. E-government and digital services form nonetheless an important reason for innovations and modernizations.

However, instead of providing a stimulus for learning all these changes are experienced as an overload, and hindering in the way they are fired at the organizations. A respondent of the inspectorate of healthcare acknowledges that there are limits to the capacities of executive directors and supervisory boards to deal with changes: *"Dus het is ongelooflijk complex, ook voor een RVT om deze moderne tijd van de zorg. Kijk maar eens naar bestuurders of zij echt wel begrijpen waar het allemaal om gaat. De veranderingen in het financieren van je gebouwen, het omvallen van het bouwbesluit, de nieuwe rol van de zorgverzekeraars, dat beïnvloedt allemaal kwaliteit en veiligheid. Aan het absorptievermogen van al deze nieuwigheid zit een eind."* (R14) Concerning the changes the ROC faces an executive director accuses politics for implementing too many changes and the lack of a coherent vision in it.

Instead of stimulating improvement, the director considers it as a threat for the quality: *"De grote beweging die er in het MBO is ingezet om de lat omhoog te leggen is goed. Dat er eindelijk aandacht is voor de professional voor de klas ook. Maar de frequentie in de maatregelen die worden genomen is te groot. Afgelopen jaren is er één grote transitie bezig geweest. Het wordt vaak ook niet doordacht ingezet en er is weinig aandacht voor de implementatie. Dat is de politiek te verwijten. Tegelijkertijd heeft de sector zelf ook een veel te weinig coherente visie uitgedragen. Dus alle nieuwe maatregelen zijn goed bedoeld, maar in combinatie met de uit te voeren andere maatregelen is het vaak problematisch."* (R2) In contrast, in the ZBO the pressure for innovation as regards digital services seems to cause less harm, and is even considered as a great challenge for the ZBO. *"Er moet een opvolger komen van DigiD, waarvoor een nieuw stelsel ontwikkeld moet worden. Tegelijkertijd willen wij ook onze diensten digitaliseren, waardoor er wel een urgentie bij zit. Wij werden een tijdje geleden door het Ministerie van BZK gevraagd om een DigiD-kaart te ontwikkelen."* (R6) As a result, in December 2013 the ZBO was chosen as best performing governmental organization concerning digital services[77]. In sum, pressure for innovation and modernization and the rapidly changing legislation cannot be considered unanimously as a stimulating factor for learning in these cases.

- *Relational and Personal Stimuli*

Seven different relational and personal stimuli were investigated. Firstly, it was analysed whether if the supervisor takes an advisory role towards the executive directors, this would stimulate learning. Secondly, the influence of the presence of a moderate level of conflict (i.e. debate) between the supervisor and the executive directors was investigated. Thirdly, it was analysed whether a 'constructive culture' in which errors of the executive directors are embraced as opportunity stimulates learning. Fourthly, whether a relevant network of the supervisor has a stimulating role, and fifthly, the role of relevant expertise of the supervisor. And lastly, whether if the executive directors know exactly the opinion of the supervisor on forehand, this would be stimulating.

Advisory role

In general, given advice from internal and external supervisors that was asked for is experienced as useful by executive directors. The advisory role of the supervisor seems to filled in differently by internal and external supervisors. Supervisory boards and boards of commissioners mainly seem to give advice concerning new policies and strategic decisions about: *"En alles wat te maken heeft met visieontwikkeling, naar die toekomst toe, dan kom je meer bij de adviesfunctie van de Raad van Toezicht."* (R4) The inspectorates and the other external supervisors mainly give advice in order to clarify performance indicators, laws and regulations. *"Als inspecteurs om advies wordt gevraagd, bijvoorbeeld als ze door een instelling worden opgebeld, dan is de ruimte daarvoor erg beperkt. De inspecteur zal is toch vooral moeten richten op het verduidelijken van wet- en regelgeving, het toelichten van het toezichtkader van de inspectie en de werkwijze van de inspectie toelichten. Ook kan de inspecteur iemand doorverwijzen naar een ander ROC, waar ze die zaken bijvoorbeeld goed geregeld hebben. Dat is natuurlijk al een tip, een half advies."* (R10) Also, the internal supervisor seems to be able to give advice already during the formation process of policies and decisions, while the inspectorates mostly advices afterwards, when eventual difficulties have appeared. Advice seem to be taken on board when policies are drafted: *"Over het algemeen zijn de visies op strategie en beleidsniveau hetzelfde. Verschillen in visies zitten hem vaker in de manier van uitwerken. Bij het maken*

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[77] Annual report of the ZBO, 2013

van beleid wordt er ook geprobeerd al in een vroeg stadium de visies van de RvC mee te nemen, dus hun klankbordrol al aan het begin van het ontwerpproces vragen, terwijl bij het vaststellen of goedkeuren zij meer in hun toezichtrol zitten." (R12) The Ministry of the ZBO is however an exception, they are relatively early involved in the formation process of policies and plans. For the Ministry this seems quite logical, because they stand much closer to the executive board of the ZBO (due to a larger political responsibility for its functioning) than the inspectorates to the ROC and hospital. *"Maar de grote dingen, zoals taakuitbreiding, beslissingen over de strategie van de organisatie, die bespreken we zowel met de Raad van Toezicht als met het ministerie. Maar wel éérst met de Raad van Toezicht, die proberen we eerst ook voor zo'n idee te winnen en van hen te horen waar zij de accenten leggen. Dan krijg je meer die adviesfunctie van de interne toezichthouder mee."* (R6).

Interesting is the fact that the advisory role of both internal and external supervisors is sometimes experienced as problematic in combination with the supervisory role. This has to do with the fact that the advisory role is difficult to have next to a supervisory role. When a supervisor advices something the risk is that the executive board has no choice but to follow the advice, because otherwise the executive board will be judged on it in the end. In the scientific literature this is also called *collusion* (Luursema, 2003, p. 30). An executive director of the ROC explains: "*Wat betreft het onderscheid tussen klankbordfunctie en controlefunctie slaat het één in de praktijk vaak snel om in het ander. Als het raadslid een advies geeft en je doet dat vervolgens niet of net anders en het resultaat is niet wat was beoogd, dan zegt die achteraf 'Hé, ik had jou toch een advies gegeven? Dan had je dat probleem nu niet gehad!'."* (R9) The problem of collusion is not only the case with internal supervisors, but it also happens with external supervision, although to a lesser extent: *"De inspectie moet daar wel voorzichtig mee zijn, in ieder geval met formeel adviseren, dat kan eigenlijk niet. Want ze zitten altijd op jouw aanbevelingen te wachten, en dat is dan het advies. Het beste advies dat de inspectie kan geven is een scherpe analyse van hoe het ervoor staat. Daar kun je uit afleiden wat er moet gebeuren. Daar zat ook weer een dilemma aan vast: ga je je rapportage standaardiseren of durf je je rapportage toch zodanig diep te maken, dat het eigenlijk ook een advies inhoudt? (dat het er eigenlijk uitrolt, alleen het staat er niet)."* (R10) In sum, collusion can be a hindering factor for supervisors to give advice, and it can also turn the result of the advice into disciplining instead of learning. The advice is simply not completely without obligation.

Moderate level of conflict

In general, an open conversation with both internal and external supervisors instead of focussing on calamities and faults is experienced as stimulating by the executive directors. Examples are the yearly conversation of the healthcare inspectorate with executive boards of hospitals ('jaargesprek') and the meetings between the inspectorate of education and the executive boards of ROC as part of 'De Staat van de Instelling'. *"In het jaargesprek denk ik dat we redelijk open een discussie met elkaar voeren. Daar wordt ook niet echt ingezoomd op allerlei details of calamiteiten of dingen waar men vragen over heeft."* (R4) and: *"Het gesprek met de inspectie in het kader van 'de staat van de instelling', dat de bestuurder samen met de onderwijsspecialist van de RvT heeft gevoerd, duurde bijna driekwart week. Dat is zinvol voor beide partijen. Als het goede professionals zijn en in de open modus zitten, dan zijn dat zeer waardevolle gesprekken met de inspectie. Dat geeft ook een kijk in elkaar keuken. Maar er zijn ook wel verhalen van collega's waarbij een inspecteur op voorhand al zat te denken aan wat hij allemaal zou gaan afkeuren."* (R2) However, an 'open conversation' is not the same as a debate. Concerning debates it seems that these happen more often between internal supervisors and

executive boards than between external supervisors and executive boards: "*De interactie met de inspectie is in die zin anders dat je met hen niet in debat kunt gaan over de normen en wetten waarop zij toezicht moeten houden, ook al is het misschien onzin. Voor hen is dat ook een hogere werkelijkheid. Deze discussie is dus minder beïnvloedbaar dan met de Raad van Toezicht.*" (R9). Although debates with external supervisors are scarce, yet they sometimes occur. Firstly, about findings and interpretations of the supervisor: "*In de procedure die de inspectie hanteert is wel ruimte om te kunnen praten over de bevindingen en eventuele ingrepen die ze aan de hand daarvan zouden willen doen. Als ze een opleiding willen beoordelen als zwak dan geven ze dat van tevoren aan en is er nog ruimte voor het geven van aanvullende informatie. Het verhaal van de bestuurder speelt daarbij ook een rol*. (R9) Secondly, when there is an debate with external supervisors this can be focused on a more 'meta' level than on the level of rules and regulations: "*Bij de vergaderingen tussen het bestuur en de RvT is er vaak sprake van een debat. Met de inspectie is dat niet echt het geval. De laatste keer was er wel een debat, omdat de hoogleraar onderwijskunde erbij was. Toen is er wel even gediscussieerd over de vraag of de inspectie op deze manier de lat zo hoog moet leggen (op het gebied van het criterium van SMART-plannen tot op afdelingsniveau). Maar dat is dus meer op meta-niveau.*" (R2)

Besides, the debates between the internal supervisor and the executive board takes an important place in the different committees of the supervisory boards: "*In de commissies gaat het leren gemakkelijker dan in de reguliere raadsvergaderingen. Daar heb je minder de formele setting. In de verschillende commissies, zoals de audit commissie waar de respondent deel in neemt, heb je meer het open gesprek. Dan kun je wat makkelijker zeggen 'of het misschien niet zinvol is om daar en daar te kijken', of 'dat lijkt ons wel een goede manier', of 'hoe kunnen we een bepaald inzicht realiseren?'. Dat gaat daar gemakkelijker. Je bent natuurlijk ook in een kleiner gezelschap.*" (R8) As a result of the thematic specialization of each committee it enables an in-depth discussion. In addition, the smaller scale of the meetings create more room for an open discussion. In other words, the committees seem to be important stimulators of learning for executive boards. A relevant notion to add here is that financial issues seem lend itself to a lesser extent for discussion or debate than policy issues: "*De Raad van Toezicht is per saldo veel meer betrokken bij de organisatie dan de inspectie. Bij de raad van toezicht zit daar wel een dynamiek in, bij beleidsdiscussies wordt er bijvoorbeeld meer gespard, terwijl er bij de financiële koers het veel meer zwart-wit is: is het wel of niet gelukt om je financiële doelstellingen te halen?*" (R9).

Constructive culture

In some of the cases mistakes are embraced as opportunities instead of failures by supervisors, while in others not. An executive director of the ZBO declares: "*Echte fouten worden wel echt als falen gezien door de toezichthouders. Vooral als het in de kranten komt te staan. Daar is de toezichthouder dan natuurlijk niet blij mee. Voor kleine ongeregeldheden is er door het vertrouwen dat er bestaat wel ruimte om dat met elkaar op te vangen. Maar dat moet je ook niet drie keer achter elkaar doen. Je moet je fouten dan wel openlijk toegeven.*" (R6) In the ROC the directors explain that their internal and external supervisors consider mistakes or irregularities that are not solved as failure as well. "*Onregelmatigheden worden over het algemeen gezien als een uitdaging, tenminste als je ze als bestuurder aanpakt. Als dat niet lukt en je komt bijvoorbeeld onder de signaleringsgrens, dan wordt dat wel gezien als falen.*" (R9). In contrast, in the social housing corporation the relatively new executive directors are reason for considering irregularities as a challenge instead of a failure: "*Ondanks het verscherpte toezicht en de externe druk op de corporatie worden fouten niet gezien als*

een falen maar als een uitdaging. Dit heeft ook te maken dat er pas net een nieuw bestuur is, die de hele situatie vanaf begin af aan al als een uitdaging zagen. Hierdoor wordt er constructief gedacht." (R12)

It is assumed by internal as well as external supervisors that a constructive culture, in which the emphasis is on a form of partnership between the executive board and the supervisor, is an important precondition for effective supervision in terms of learning. This is in line with Greiling (2010), stating that learning is less likely when an actor is approached in a suspicious and controlling manner. The president of the supervisory board of the social housing corporation explains: *"Die werkgeversrol wil je, als voorzitter van de raad van commissarissen, liever wat naar de achtergrond schuiven, want als je die benadrukt dan benadruk je meteen de hiërarchie. Als toezichthouder probeer je juist een vorm van partnership te organiseren, met verschillende rollen, omdat, als je connected met elkaar omgaat, je effectiever naar elkaar bent. Hoe meer je een vertrouwensrelatie hebt, niet te verwarren met een vriendschappelijke relatie, hoe beter je binnenkomt bij de ander."* (R17) The citation also shows that there is a tension between partnership and a friendship, because friendship would threaten the professionalism of the supervision. Lastly, a ministerial supervisor of the ZBO points out that a strategic dialogue was started when there was a time the collaboration between the ZBO and the Ministry was based on misunderstanding and mistrust: *"Er is toen een strategische dialoog met elkaar gestart en dat heeft heel goed geholpen om begrip te krijgen voor elkaar situatie: Zij [bestuurder van het ZBO, SG] voor het toezicht als het gaat om hoe dingen moeten worden verantwoord en hoe het Ministerie ervoor moet zorgen dat er zo efficiënt mogelijk gebruik wordt maakt van haar uitvoeringsorganisaties; het toezicht voor het ZBO als het gaat om wat het voor hen betekent als het Ministerie verzoeken doet, hoe straalt dat uit in de organisatie? Dat heeft toen wel een goed gevoel opgeleverd over welke zaken het ZBO wel en niet zou moeten doen met bijbehorende fte's."* (R13) This citation shows that a relationship based on understanding of each other's interest can be vital for effective supervision.

Relevant expertise and networks

In half of the cases the executive directors consider the external supervisor as an expert, and in the other half of the cases not. The executive directors of the ROC for instance, point out they think the inspectorate of education has much expertise when education is concerned: *"Ik beschouw de RvT niet allemaal als experts, althans niet op onderwijsgebied. De inspectie ervaar ik wel als expert."* (R2) One of the executive directors of the ZBO thinks the opposite about the their external supervisor, the Ministry: *"Maar tegelijkertijd weten de mensen die in deze organisatie werken heel veel van het vakgebied, terwijl ze op het departement daar minder vanaf weten. Dus dan is het ook erg moeilijk om voor hun met oplossingen te komen. Het is dus meer in het proces en in het besluitvormingsproces punten naar elkaar maken. Zodat de minister niet bang hoeft te zijn voor onvoorziene besluiten."* (R6) Furthermore the executive directors of the hospital consider the inspectors of the healthcare inspectorate as experts, while the executive directors of the social housing corporation do not think very highly of their external supervisors. *"De corporatie heeft een hele bijzondere relatie met het centraal fonds. De raad van toezicht en het bestuur vinden dat die geen blijk geven van stabiel en consistent gedrag. Het ene jaar had de corporatie een 'triple A' status en het jaar erop een 'B' status op grond van één project wat, inderdaad, ingewikkeld en slecht lag."* (R17)

When the expertise of internal supervisors is concerned, the experiences of the executive board vary as well. The main argument against the expertise of internal supervisors is that the directors find that

the internal supervisors have to little sector specific, and organization specific, knowledge. This is considered a hindering factor within the supervision relationship. A director of the ROC tells: "*Maar wat het lastige is van de RvT, is dat ze vaak zo ver van de praktijk af staan, dat ze erg in algemeenheden blijven hangen. Dat ervaart de bestuurder als lastig. Alleen dus op het gebied van onderwijskwaliteit, waarop een raadslid zit met hele specifieke kennis, is dat echt nuttig qua tips. Dus het maakt erg uit welke profielen er in de raad aanwezig zijn.*" (R2) This citation also shows that the profile of the member of the supervisory board makes a difference in this matter. Due to the different backgrounds the executive directors acknowledge that the internal supervisors have expertise from other sectors: "*De Raad van Toezicht heeft ander soort kennis dan het bestuur. Ze hebben meer levenservaring, hebben net wat meer gezien, ook vanuit andere sectoren hebben zij referenties.*" (R9) However, the directors of the hospital argue that a better training on forehand could improvement the lack of organization specific knowledge: "*Wat ik wel nog vind is dat het goed zou zijn als toezichthouders niet zomaar plompverloren in een organisatie terechtkomen maar er ook iets van een cursus of een opleiding van een paar weken zou moeten zijn om iets meer te weten te komen van het soort bedrijf waarin je terecht komt. Ik geef direct aan dat we dat zelf ook zouden moeten kunnen doen en ik constateer ook dat dat nauwelijks gebeurt. (…) Maar het zou niet verkeerd zijn voor toezichthouders om eens kennis te maken met de systemen in zo'n ziekenhuis, waardoor je ook een soort beeld hebt voordat je 'ja' hebt gezegd.*" (R4) "*Dat zou de effectiviteit inderdaad wel tegemoet komen.*" (R3)

Concerning the stimulating role of networks of internal and external supervisors only internal supervisors are valued for their networks. What the executive directors find most valuable of the networks of their internal supervisors is that these networks can be of use for promoting the organization in other spheres (i.e. 'ambassadors function'): "*De bestuurder ziet de RvT zeker als potentiele ambassadeur voor het ROC in relevante netwerken.*" (R2), as well as for mediation or lobby purposes: "*Ook als de directie een dreigend conflict heeft met een bepaalde partij wordt de Raad van Toezicht geconsulteerd. Dan vragen ze hoe ze dat zouden kunnen oplossen. Kent de Raad van Toezicht iemand daar? Kunnen ze daar eens in bemiddelen? Kunnen ze een keer een belletje doen? Dat hangt dan ook wel weer van het profiel af van hoe actief en wat voor netwerk ze hebben.*" (R6) and: "*Het is wel zo dat je kunt hebben dat iemand binnen de Raad van Toezicht goed contact heeft met de inspectie en vanuit die achtergrond iets voor je kan betekenen. Maar dan zit je meer in dat lobby-circuit. Dat is toch ook wel een beetje wat je zo nu en dan gebruikt. Maar verder denk ik dat ze elkaar goed aanvullen.*" (R3)

Opinion supervisor is not known on forehand

Accoring to Green, Visser and Tetlock (2002) learning is stimulated when the executive directors do not know exactly what the opinion of the supervisor on a specific matter will be, since they will act more self-critical. It seems that executive directors not know *exactly* what the opinion of the external supervisor will be, although they do know what aspects the external supervisor considers important. An executive director explains that she fears she has overseen some vulnerable aspects in the organization, which the inspectorate may find out: "*Van tevoren weet ik als bestuurder meestal wel wat de RvT van een bepaald onderwerp denkt, al hangt dat soms wel van het onderwerp af. Bij de inspectie is dat wel spannend. Dan weet je het nooit helemaal. Voor het grootste deel weet je zelf wel waar de kwetsbaarheden zitten in de organisatie, maar nooit voor de volle 100%. Ook weet je niet wat de weging is van die kwetsbaarheden in het oordeel van de inspectie.*" (R2) Also, this citation shows that the weighting of vulnerabilities is in the eyes of the executive director difficult to predict. The

board secretary of the social housing corporation explains that the executive board of his corporation considers legislation as guidance for the opinion of the external supervisor: *"Bij de externe toezichthouder kan het bestuur weten wat zij verwachten aan de hand van de wettelijke regelgeving die er is, hoewel door politieke beïnvloeding dat soms wordt beperkt."* (R12) One of the executive directors of the hospital declares he only sometimes knows what the inspectorate will think of the performances of the organization. Lastly, the ZBO seems the most certain of the opinions of the Ministry as a result of the intensive guidelines the Ministry gives to the executive board to avoid surprises: *"Het Ministerie legt tegenwoordig in een jaarbrief vast welke accenten zij legt richting ZBO en waar we rekening mee moeten houden in FMB en bij uitvoering van de plannen. Daarnaast ligt in het toezichtarrangement vast op welke elementen bijvoorbeeld een tariefvoorstel wordt beoordeeld (gematigd tarievenbeleid, kostendekkendheid, gevolgen voor de klant etc.). Daar kun je in de besprekingen en ook de inhoud van de stukken dus rekening mee houden. Als je afwijkt van afspraken of bestaande kaders weet je dat je goed moet motiveren."* (R5)

Concerning internal supervision the situation is different. It seems that as a result of the discussions in the (pre)committees, like the quality committee and the audit committee, executive directors most of the time know the opinion of the supervisory board before the central board meeting starts. In the committees the representatives of the supervisory board takes place as well as at least one executive directors. This makes it possible to become informed about the opinion (at least part) of the supervisory board, before the formal (central) meeting between both the boards takes off. *"Daarnaast wordt soms ook vooraf besproken met de direct betrokkenen. Sommige dingen komen al in de audit commissie aan de orde, voordat het naar de volledige raad gaat. Dan krijg je daar ook wat meer gevoel bij en kun je wat beter inspelen op welke informatie je hoe neerlegt."* (R5) and: *"Bij de RvC is er op basis van de relatie die er is en de richting/strategie die is afgesproken ook veel mogelijkheid om als bestuur te weten wat zij verwachten. Maar het kan zijn dat het bestuur daar dan toch vanaf wijkt. Echter, door de vooroverleggen en de audit commissie is er voor de vergadering meestal wel bekend welke richting de feedback zal zijn.*" (R12) However, after some years of working together, executive directors become more and more familiar with the reference framework of the members of the supervisory board/board of commissioners anyway: *"Op een gegeven moment leer je elkaars referentiekader kennen. Dus 6 van de 10 keer weet het bestuur wel hoe de reactie van de Raad van Toezicht zal zijn.*" (R6) Because new members enter the supervisory board when others have been in the board for some years, new insights and reference frameworks enter, and so the board dynamics can change. This seems to make the opinions of the internal supervisor less predictable for the executive directors: *"Sinds we een hoogleraar interne geneeskunde in de raad hebben zitten geeft dat toch een ander soort discussie dan daarvoor. Daar moet je dan weer op letten, hoe je in de voorbereidingen probeert rekening te houden met wat zo iemand dan in zal brengen. Welke vragen die zal stellen, en dat proberen voor te zijn door het alvast op te schrijven."* (R3)

Personal characteristics of executive directors and supervisors

During the interview a stimulus that was not initially distilled from the scientific literature entered the picture: personal characteristics of both the executive directors and the supervisors play a role in the dynamics of their relationship, and as a consequence in learning processes of the directors as well. This seems of course a rather logical factor, but because it was a recurring point during the interviews, it should be mentioned anyway. There are three categories of personal characteristics that seem to be

of influence on learning processes: personal characteristics of the external supervisors, personal characteristics of internal supervisors, and the board culture.

When the respondents spoke of characteristics of external supervisors, they described this mainly in terms of 'quality' or 'strength' of the individual inspector/supervisor by which a combination of expertise and social skills seems to be meant. An example is this citation of one of the executives of the ZBO: *"Maar dit [soepele samenwerking tussen Ministerie en het bestuur van het ZBO, SG] kan allemaal bij ZBO's heel anders lopen hoor. Niet alleen hoe het met de organisatie gaat, maar ook met de kwaliteit van de mensen met wie je te maken hebt op het ministerie."* (R6) A respondent of the inspectorate of education acknowledges this: *"Dus het ligt ook aan de kracht van een inspecteur om dat boven tafel te krijgen en aan degene die voor de inspecteur zit, is het iemand die echt zelf wil leren?"* (R18). This citation already shows that the attitude of the executive directors also matters. When it concerned the personal characteristics of internal supervisors on the other hand, this was described in terms of 'quality' as well, and whether there was a 'match' by which a kind of 'social chemistry' with the exeuctive directors seems to be meant: *"De verschillen die leden van de RvC op het gebied van leerimpact bewerkstelligen, heeft deels met het thema waarop zij toezien te maken, maar ook met de persoonlijke kwaliteiten van de betreffende commissaris en met de 'match' tussen de bestuurders en de betreffende commissaris. Als de match beter is, wordt er meestal gemakkelijker gespard over dingen."* (R12) Lastly, the culture of the members of the executive board as well as of the supervisory board are considered to have a significant impact on the board room dynamics. *"Mijn ervaring daarmee is, en dat geldt ook voor eerdere Raden van Toezicht waar ik in gezeten heb, dat het grootste risico van Colleges van Bestuur persoonscultuur is. Persoonscultuur tussen bestuursleden is een veel groter risico dan het ontbreken van bepaalde vaardigheden."* (R1) The culture of the executive board gets described in terms of 'willingness' or 'openness' to feedback. A member of the supervisory board of the hospital declares: *"Dat heeft ook iets met ontvankelijkheid te maken, dus op het moment dat er aan de andere kant behoefte is om ook meer advies te krijgen dan wordt het ook makkelijker om het te geven."* (R8) The president of the board of commissioners of the social housing corporation confirms this, and subsequently explains the effects of personal characteristics of executive directors on learning processes as well: *"Tegelijkertijd maak ik in andere organisaties ook mee dat desondanks bestuurders niet open staan voor de adviezen van de RvT of RvC. Een bestuurder staat heel erg op zijn eigen strepen en bijna alles wat van buiten komt wordt wantrouwend bekeken. Dat is erg van invloed op het functioneren van de RvT, want die denken soms 'Dat kunnen we niet zeggen, want dan wordt hij boos', maar je móet het zeggen natuurlijk. Maar als hij boos is, is hij ineffectief, want dan doet hij het juist niet. Het is een wederzijdse wurggreep. Zo'n situatie moet óf bespreekbaar gemaakt worden of er moeten mensen in en uit het bestuur en/of de Raad want een dergelijk antagonisme moet worden opgeheven. Anders ga je niks van elkaar leren."* (R17)

Prospect of rewards

Another stimulus of learning was found during the research, which was not initially found in the literature: the prospect of rewards for the executive board. The 'supervision trick' seems to be to create a balance between (a threat of) sanctioning and rewarding: *"Bij de RvT is deze dynamiek teveel geneigd naar het afstand houden en kritisch zijn. Het bestuur en de RvT hebben daarom ook een lastige periode gehad. Dat moet meer in balans zijn als je echt een effect wil hebben als opvoeder, een balans tussen straffen en belonen. Dat is een delicate balans en dat heeft de bestuurder wel wat gemist."* (R2) Intrinsic rewards can be for example the fact that executive directors want to do their work as good as

possible, and they feel satisfied when they can learn from supervisors as much as possible. That can be explained by the fact that another learning stimulus concerns the presence of a high level expertise of supervisors. Extrinsic rewards can be for example receiving an 'in control' statement, which confirms for executive directors they are doing a good job, or receiving positive judgments and positive performance evaluations from intern and external supervisors respectively. However, the prospect of rewards seems to be only a little exposed element in the investigated supervision relationships. It was not explicitly mentioned by supervisors as being important, nor did the executive directors talk explicitly about it (except for the executive director to whom reference was made above). Still, the empirical data show the importance of motivation for good behaviour and good performances for executive directors. The following part of the interview with the executive directors of the hospital illustrates the importance of external affirmation: *"I: En hebben jullie er als bestuurders zelf ook wat aan om die slag te maken van de informatie die jullie hebben naar het laten zien dat jullie 'in control' zijn aan toezichthouders? R3: Ja dan heb je het gevoel dat je het in de vingers hebt. R4: Het heeft natuurlijk wel een bepaald aggregatieniveau. Je zit dan wat hoger en je kijkt nog eens achter je en je denkt, nou dat hebben we toch aardig geregeld."* Unfortunately, it has not become clear whether all executive directors in all cases experience the prospect of intrinsic and extrinsic rewards as a result of learning to show good behaviour or good performances.

- *Content stimuli*

The content stimuli that were investigated include the focus on reflection during debates with the supervisor, the focus on short-term as well as long-term plans and strategies, and clear and useful judgements or feedback of the supervisor.

<u>Focus on reflection</u>

With focus on reflection is meant that in supervision relationships attention is paid to the question how the organization can be more successful in realizing its objectives in the future. In general, this is experienced as helpful for executive boards. External supervisors mainly reflect on the functioning of the organizations based on the indicators of their supervision framework. So, is in fact a reflection of their scores on these indicators relative to the other organizations in the sector. *"Het beste advies dat de inspectie kan geven is een scherpe analyse van hoe het ervoor staat."* (R10) However, a respondent of the CFV stresses the importance of looking further ahead as well, because most external supervisors look back: *"De kunst zou zijn om niet alleen terug te kijken, maar ook vooruit te kijken naar aankomende risico's. (…) De accountant kijkt vooral terug en het CFV kijkt slechts een paar jaar vooruit aan de hand van plannen van een corporatie. Ook het Ministerie (ILT) kijkt niet zover vooruit, die kijkt vooral naar de plannen van de corporaties en keurt die goed of niet."* (R15)

Internal supervisors on the other hand reflect also on the functioning of the individual executive directors via performance evaluations. A member of the supervisory board of the ZBO tells that these evaluations include different aspects of the director's functioning: *"Die gesprekken gaan over de externe (hoe doe je het in de omgeving) en de interne performance (hoe doe je het naar je eigen mensen) van de bestuurders, de interactie met de raad van toezicht ('no surprise' principe, adequate informatieverstrekking etc.) en de persoonlijke groei van mensen. Loopt dat goed of loopt dat niet goed? Wat zijn de afspraken? Wat zijn de ervaringen?"* (R16) The value of the evaluation of individual directors was also mentioned by the president of the board of commissioners of the social housing corporation. However, she argues the evaluation of skills and behaviour of directors could be done

across the year if necessary: *"Als het gaat om het bijdragen aan vaardigheden van bestuurders, ligt er een belangrijke taak bij de voorzitter van de RvC of RvT. In de halfjaarlijkse gesprekken, of een keer tussendoor (een keer koffiedrinken of lunchen), zou die moeten proberen bespreekbaar te maken wat het effect is van ingewikkeld gedrag of vaardigheden die niet aanwezig zijn bij de bestuurder. Het is met name een rol van de voorzitter om dat op te merken en daar iets aan te doen."* (R17) Furthermore, a member of the supervisory board of the hospital declares that they hold 'yearly meetings' with the executive directors about how things are going, whether objectives are reached, which objectives are set, and what dilemma's they experience: *"In het kader van de werkgeversrol van de raad worden 118ort h jaargesprekken met de bestuurders gevoerd. Dan wordt er met elkaar nagedacht over welke doelstellingen er worden bepaald en wordt er teruggeblikt op wat er is bereikt. Ook wordt er naar punten in de toekomst gekeken waar aandacht aan moet worden besteed. (…) Dan wordt er ook gepraat over hoe je er in zit en worden de dilemma's benoemd."* (R8) Lastly, an internal supervisor of the ROC explains that the boards try to organize evaluations each year to reflect of what went well and what went wrong in the organization: *"Verder proberen wij tenminste één keer per jaar een dag met de Raad van Toezicht en het College van Bestuur te organiseren en dan te praten over ten eerste in een soort evaluatieve zin van hoe loopt het nou eigenlijk? Wat gaat er goed en wat gaat er fout? Maar ook waar zitten de zwakke plekken?"* (R1). This type of evaluation seems to be based more on an organizational level than on an individual level and is considered useful.

Focus on short term ánd long-term plans and strategies

Concerning the focus of the internal supervisor of the four cases it seems that in principle they see things more in perspective than the external supervisor does. The internal supervisor are generally more interested in the continuity of the organization, rather than focusing on a moment in time. What consequences does a situation have for next year? However, due to the recent incidents in the semi-public sector it seems even internal supervisors have the tendency to focus more on short term goals and measures. *"De Raad van Toezicht kijkt meer naar waar je vandaan komt. Ook was er wel de bereidheid om ook naar de langere termijn te kijken, maar door de incidenten in de semipublieke sector is er ook wel meer focus gekomen op stevige bestuurlijke maatregelen op de korte termijn."* (R9) This was confirmed by one of the executive directors of the ROC. She considers the tendency to focus on short term goals as a problem for the attention that is needed for educational and positioning questions: *"Het lange-termijn perspectief wordt door zowel het interne en het externe toezicht onvoldoende aan de kaak gesteld, althans op onderwijsinhoudelijk vlak en op belangrijke positioneringsvragen. De inspectie toetst of de plannen er liggen, en dan heeft de RvT toch de taak om mee te denken welke kant die plannen uit moeten. Maar dat gebeurt dus te weinig. Vragen met strategische importantie."* (R2) The lack of long-term perspective of internal supervision was also acknowledged in the hospital case. A member of the supervisory board of the hospital explains that during the board evaluations the need for an 'awayday' ('hei-dag') had emerged, that would create time for strategic and prospective discussions: *"Uit de evaluaties is nu een aantal keer naar voren gekomen of het bestuur en de Raad van Toezicht een keer per jaar een hei-dag moeten houden rondom bepaalde onderwerpen die relevant zijn. (…) We hebben bijvoorbeeld het thema 'wendbaarheid' benoemd, omdat dat natuurlijk heel belangrijk is bij zo'n groot ziekenhuis. (…) Dan kun je zeggen daar praten we een keer 10 minuten over tijdens de vergadering maar dat werkt niet. Op een hei-dag kun je wat mensen uitnodigen die daar iets over kunnen vertellen en met elkaar daar het gesprek over aangaan. Dan kunnen er vervolgens afspraken worden gemaakt over hoe de raad van toezicht en het bestuur en de organisatie daar vervolgens mee omgaat en daar kun je dan weer mee verder.* (R8)

Interesting to see is that in the social housing corporation the main focus lies with financial management issues as a result of the derivatives problem in de sector, which is at the expense of long-term strategy and plans as it seems: *"Maar je ziet ook wel verschil in de kwaliteiten die op een bepaald moment gevraagd worden uit de raad. Als op een bepaald moment thema X belangrijk is, dan passen daar een aantal commissarissen in en het volgende moment zijn dat de andere commissarissen. Een voorbeeld is de heisa rond de derivaten, dan is de nadruk erg op financiën, de communicatie daarover, en op juridisch gebied. Dan komen een aantal andere aspecten minder aan bod in de klankbordrol, zoals de lange termijn strategie en plannen."* (R12) An exception to this forms the fourth case, the ZBO. It seems that the internal supervisors in this case have enough room for paying attention to long-term aspects. They are not busy with the analysing and preventing severe incidents in their sector, simply because they stand on their own as ZBO in their field. In addition, all respondents even consider the ZBO as quite successful. This seems to relief the pressure to only focus on financial issues, and also discuss the organization's profile: *"Dus toen heeft de RvT gezegd van ja het kán wel, maar toch is er een andere reden om misschien dat niet te doen. Bijvoorbeeld je bedrijfsprofiel dat je op de lange termijn voor ogen hebt."* (R16)

In general the executive directors experience that *external supervisors* do not pay enough attention to long-term strategies goals and plans either, as was already stated above by one of the directors of the ROC. Although multi-annual financial plans do get attention, future plans concerning positioning, quality assurance and the profile of the organizations do not. The board secretary of the social housing corporation explains: *"Het externe toezicht is minder op strategie gericht, maar is meer op het nu gericht als ook op de meerjarenramingen op het gebied van financiën.* (R12) A respondent of the CFV, the external supervisor of the corporation confirms this: *"Er wordt dus op het gebied van financiën ook vooruit gekeken door het CFV. Op andere gebieden, zoals strategie, wordt er niet bemoeid met hoe de corporatie het precies willen gaan doen, behoudens dat ze zich aan de wetgeving blijven houden. Hóe ze verder dingen doen is een zaak van de corporaties zelf, met hun collega's en belangenorganisatie en met hun lokale belanghebbenden."* (R11) The Ministry of Environment and Transport seems to limit its supervision concering the long-term to the approvement of plans: *"Ook het ministerie kijkt niet zover vooruit, die kijkt ook vooral naar de plannen van de corporaties en keurt die goed of niet."* (R15) Strategy seems to be the executive director's private domain. When the hospital is concerned, the external supervisor (i.e. the healthcare inspectorate) seems to pay somewhat more attention to long-term issues according to one of the executive directors. However, it seems that this has to do with the fact that the inspectorate recently got more interest in the underlying processes in the organization: *"We kijken naar grote begrippen en we gaan dus niet alleen maar op die uitkomsten zitten. Waar een heel ziekenhuis door kan verbeteren, is door zijn processen aan te pakken, door het veel groter te zien dan alleen maar die drie uitkomsten die niet goed zijn."* (R14) Although processes are not the same as strategy and positioning questions, one can consider this as a kind of future-oriented perspective. Lastly, again the ZBO seems to be an exception due to its different kind of relationship with its external supervisor, the Ministry. They have a special strategy meeting with one another every year: *"Het departement heeft op zich wel aandacht voor de lange-termijn, want we hebben een keer per jaar strategie-overleg. Dan hebben we het er expliciet met elkaar over."* (R5)

Clear feedback

The last learning stimulus concerns whether the executive directors understand the remarks and feedback they get from supervisors. In other words, do internal and external supervisors express

themselves in a clear and useful way? When the executive directors were asked whether the *internal supervisor* always provides clear feedback, it seemed that in some of the investigated organizations this was not always the case. An explanation for this is the fact that the members of the supervisory boards rarely meet with one another outside of the meetings with the executive board. As a result, they sometimes lack a joint vision: *"De feedback van de Raad van Toezicht is volgens de bestuurder zeker niet altijd eenduidig en helder. Ze zien elkaar maar een paar keer per jaar en ze hebben allemaal een stevige reputatie, dus het is niet gemakkelijk om daar een team van te maken. (…) Bij de inspectie is dat minder, dan is het helderder en eenduidiger wat ze beogen."* (R9) Another respondent explains that in theory there is room for asking the supervisory board to clarify itself, but in practice this seems no quarantee for a clear message: *"Bij het interne toezicht daarentegen is die interactie er wel tijdens de vergaderingen en dan is er ruimte om de duidelijkheid te creëren. Maar dat laat onverlet dat het wel eens gebeurt dat een paar vergaderingen later de bestuurders niet meer weten welke behoefte er onder een bepaald actiepunt op de agenda lag. Dus dat is iets wat wel verder aandacht zou kunnen krijgen."* (R12) A member of the supervisory board of the hospital tells how they have found a promising solution 120ort his problem: *"De raad van toezicht heeft sinds kort een half uur vooroverleg voordat er met het bestuur wordt vergaderd. Dat is erg waardevol. Door het bestuur wordt dat een beetje als iets engs gezien, maar dat helpt erg om het kunnen uitspreken van de gedachten die je hebt en met elkaar te bepalen wat onderwerpen zijn waar de raad aandacht aan zou willen besteden."* (R8) Surprisingly, in the ZBO the executive director considers the feedback of the supervisory board always clear, and when not, they ask the supervisory board for clarification: *"Dat is bij het interne toezicht altijd helder en anders vragen we het aan de Raad van Toezicht."* (R6)

Although the sometimes despised rigidity of *external supervisors* can be seen as a disadvantage, in respect of clarity of feedback it definitely seems to have its advantages as well. The executive directors of both the social housing corporation and the ROC declare: *"Het is niet altijd duidelijk wat de interne toezichthouders bedoelen. Bij de externe toezicht is het een regulier proces waarin de corporatie zich moet verantwoorden, waarop vervolgens een terugkoppeling komt. Daarin is relatief weinig onduidelijkheid, en er is eigenlijk ook weinig interactie met de toezichthouder."* (R12) and: *"Bij de inspectie is dat minder, dan is het helderder en eenduidiger wat ze beogen*." (R9) A director of the ZBO points out that, although it took a while, the intentions of the Ministry are clear now: *"Bij het ministerie weten we inmiddels ook goed wat ze altijd bedoelen."* (R6)

Conclusion

Now that all stimulating factors are discussed per case we will go back to the first hypothesis:

H1: *Not all stimulating and hindering factors will to the same degree contribute to learning of executive directors.*

We have seen that the empirical results have confirmed the effect of most learning stimuli, except for the factors 'prospect of increased competition', 'pressure for innovation and modernization' and 'rapidly changing regulatory obligations' (only for the ZBO it did seem to have an stimulating effect), and lastly, 'access to relevant networks' which only seems to stimulate learning from internal supervisors, not from external supervisors. Also, two factors were added to the selected learning stimuli, namely the personal characteristics of executive directors and supervisors and the prospect of rewards. Furthermore, some relevant differences between the cases and between internal and

external supervisors were found out via the different learning stimuli (see table below). Which learning stimuli are present and which are not differs per case and per type of supervision (internal or external). For instance, the stimuli 'clear feedback' and 'opinion not known on forehand' seem to be present in external supervision, but not in internal supervision. Also, almost half of the investigated stimulating factors are to different degrees (+/-) present in the cases. Still, it is interesting to notice that the stimuli 'advisory role' and 'moderate conflict' generally seem to be more often present in internal supervision, and the stimuli 'opinion of supervisor is not known on forehand' and 'clear feedback' seem generally more present in external supervision. Overall, the hypothesis can only be confirmed: not all factors contribute to learning of executive directors to the same degree. Although the empirical data show that most of the factors stimulate learning from internal and external supervisors, some factors were not confirmed to stimulate learning ('prospect of increased competition', 'pressure for innovation and modernization'/'rapidly changing regulatory obligations') or were only applicable to internal supervision ('access to relevant networks'). This means that the formulated stimulating and hindering factors as found in the literature do not necessarily apply to all situations and different contexts. For instance, when increased competition adversely affects the investment of money and attention in quality, or when pressure for innovation and rapidly changing obligations leads to an incoherent accumulation of policies. Ergo, based on the investigated learning stimulating factors in this study it can be concluded that they are context-related. Each should be judged on its merits in a specific situation first, before they can be used as explanatory theory. Lastly, two additional factors were discovered (personal characteristics and prospect of rewards) which, in this case study, have appeared to be influential for learning as well.

Stimulating factor	Internal supervision	External supervision
Complementary accountability processes	+/- Is not always the case in practice (profiles do not always match with the specific field)	+/- Accountability processes to external supervisors is considered partially useful.
Mild sanctioning pressure	+/- Sometimes almost no sanctioning pressure was felt, sometimes severe pressure was felt.	+/- Sanctioning pressure of external supervisors is always felt, sometimes even severe pressure.
Prospect of increased competition	*This was not experienced as stimulating for learning*	*This was not experienced as stimulating for learning*
Pressure for innovation/rapidly changing obligations	*+ In most cases this was experienced as a hindering factor due to an overload, except for the ZBO*	*+ In most cases this was experienced as a hindering factor due to an overload, except for the ZBO*
Advisory role supervisor	+ Advice mainly concerning formation process of policies, plans and strategies. Potential hindering spin-off is 'collusion'.	+/- Less room for advice, and is focused mainly on clarifying rules and norms. 'Collusion' seems therefore less of a problem.
Moderate level of conflict (debate)	+ Although some topics (e.g. policies) lend themselves better for debates than others (e.g. finances)	+/- Some types of investigations (e.g. staat v.d. instelling) lend themselves better for debates that others (thematic research/mystery guests).
Constructive culture	+/- Different per case. Although when problems are not solved as quickly as possible, this is considered as failure.	- Real mistakes are considered as failure.

Relevant network	+ Stimulating for promotion, mediation, and lobby purposes.	- Network of external supervisor plays no role
Relevant expertise	+/- Sometimes internal supervisors have not enough organization-specific knowledge besides their experiences in other sectors.	+/- Sometimes external supervisors are considered to be inconsequent or have no knowledge of the specific services (ZBO)
Opinion not known on forehand	- Opinion of internal supervisor is often known on forehand	+ Opinion of external supervisor is never known for a full 100%
Personal characteristics	+/- There is not in all cases a good 'match' with the internal supervisor	+/- The quality of external supervisors are not in all cases considered high.
Prospect of rewards	+/- Not all internal supervision relationships offer the prospect of rewards	+/- Not all external supervision relationships offer the prospect of rewards
Focus on reflection	+ Via evaluations of the organization and personal evaluations of the directors.	+ By reflecting whether organizations have scored well on performance indicators.
Focus on short-term and long-term plans and strategies	+/- It differs per case whether also long term strategies are discussed enough, according to directors.	- In general external supervisors are considered to pay not enough attention to long term strategies and plans
Clear feedback	- Regularly internal supervisors have no uniform opinion about a topic, which makes their feedback sometimes confusing.	+ As a result of the clear performance indicators and norms, the feedback is always clear.
Total score:	7 x **+/-** ; 5 x **+** ; 2 x **-**	7 x **+/-** ; 4 x **+** ; 3 x **-**

Table: Are learning stimuli present? Legend: + = yes; - = no; +/- = differs per case

5.4.3. The role of information-asymmetry

As part of the principal-agent theory it was investigated whether information-asymmetry of the supervisor is of influence on the learning impact executive directors experience. The underlying argument here is that when the supervisor is not completely informed it is impossible to assess the situation of the organization adequately let alone create a learning impact on the directors. Information-asymmetry was operationalized in a lack of 'need-to-know' information and a lack of 'nice-to-know' information.

- Lack of 'need-to-know' information

With a lack of 'need-to-know information' is meant, as was explained in the operationalization, that the supervisor is confronted with incomplete fill-in of accountability information formats, information that fails to match the information requirements, or information is supplied too late (De Bruijn, Ten Heuvelhof & Koopmans, 2007, pp. 90-91).

Internal supervision

Most of the internal supervisors claim the information they receive from the executive board is in general sufficient and received in time. One of the members of the supervisory board of the ZBO declares: *"De RvT krijgt dus zeer regelmatig documenten toegezonden. Zeer uitvoerig. Het is echt*

volgens het no surprise principe. Ze houden de RvT op hoogte van alles wat er speelt, zodat je dat niet uit de krant hoeft te lezen. Dus niet alleen in het kader van de vergaderingen, maar ook tussendoor als er iets relevants is vindt er afstemming plaats." (R16) Also, a member of the supervisory board of the ROC explains that he considers himself to be well informed to be able to supervise: *"Wat betreft het op de hoogte zijn van de feiten, de facts and figures, ervaar ik dat ik wel de informatie krijg die nodig is om toezicht te kunnen houden ja."* (R1)

However, a member of the supervisory board of the ROC notes that it is difficult to be sure whether, as a supervisor, you are fully informed: *"Het is moeilijk te zeggen wat 'volledig' op de hoogte gebracht worden betekent. De respondent vindt dat zij redelijk goed op de hoogte gebracht wordt. Er worden veel "facts and figures" aangeleverd en er zijn er ook meer bijgekomen, omdat er veel zaken op orde gebracht moesten worden. Maar misschien zie je als toezichthouder toch dingen niet, maar dat weet je natuurlijk niet, omdat je niet weet wat je niet ziet."* (R7) With this citation the internal supervisor points out a dilemma: how can a supervisor know whether he/she is informed completely and timely? In other words, how can you know what you were not told? Also, the president of one of the supervisory boards points out another dilemma concerning the information disadvantage of (internal) supervisors: how much extra work are you willing to give the organization in order to enable the extensive information supply that is needed to be fully informed? Especially in times of budget cuts and complex (policy) transitions within the sectors this can considered a difficult point. But in the end, the decisions about this influence the information position of the supervisory board: *"Als de RvC meer in detail wil weten hoe het onderhoud wordt aangepakt, omdat er bijvoorbeeld signalen zijn dat dat terug loopt, is het logisch dat het bestuur dan vraagt hoe gedetailleerd de informatie moet en ze dan aangeven hoeveel fte ze dat gaat kosten om die informatie te leveren. Het is ook logisch dat zij dat vinden dat ze die fte's ook voor iets anders hadden kunnen gebruiken. Kortom, het is gerechtvaardigd dat zij dan weerwoord geven : hoever gaan we dan?"* (R17)

The president of the supervisory board of the social housing corporation tells that some time ago the information supply from the executive board was quite confusing. The supervisory board was overwhelmed with information without a clear message in it. *"Bij de informatievoorziening van de RvC door het bestuur heeft de respondent wel eens ervaren dat die verwarrend was. Toen heeft ze ook aangegeven aan het bestuur dat ze er niet wijzer uit werd."* (R17) It seems that for the internal supervisor that, to function effectively (i.e. having a learning impact on directors) accountability information should not only be complete and supplied in time, but it should also be clear what the goal or message is, and what risks the executive board identifies and why. *"De discipline van een goede voorlegger/oplegger bij vergaderstukken is erg belangrijk. Je moet niets voorleggen waaruit niet duidelijk spreekt wat er wordt bedoeld te zeggen, waar de Raad op moet letten, en wat het bestuur als risico's ziet. Echt bewust informatie mistig maken is nooit gebeurd, maar soms zag de raad door de bomen het bos niet meer. De voorlegger moet niet alleen duidelijk maken waar de risico's liggen, maar ook kunnen laten zien aan de RvC waaróm het een risico is en waaruit dat blijkt. Bij elk agendapunt moet de bestuurder ook aangeven wat hij met dat punt wil (is het ter besluit, discussie of advies, of is het een probleem voorleggen etc.?)."* (R17) A member of the supervisory board of the hospital also mentions the importance of the way information is supplied in order to contribute to the effectiveness of the internal supervision. However, she points out that how internal supervisors want to become informed by the executive board is a *learning process in itself*: *"Als het gaat om leren van de raad van bestuur, maar misschien is het ook wel over-en-weer leren, dan denk ik meer aan hoe de raad van toezicht meer zicht zou kunnen krijgen op bepaalde dingen, en hoe de raad bepaalde dingen*

gepresenteerd wil krijgen. Een voorbeeld is dat zolang de respondent al in de raad van toezicht zit, er al wordt gevraagd om een 'dashboard' met strategische indicatoren. Na heel veel gesprekken is er nu een staatje ontstaan met een aantal indicatoren, niet alleen financiële, maar ook kwalitatieve, en zaken die met de organisatie te maken hebben. Dat wil de Raad van Toezicht nu ieder kwartaal zien." (R8) Ergo, the process of becoming well informed as internal supervisor can be useful learning process for the executive board as well. It is a way of finding out useful administrative information, which can be used to manage the organization.

On the other hand, negative experiences with a lack of 'need-to-know' information were mentioned as well. For instance, an internal supervisor of the ZBO points at the time it takes to become familiar with the organization when you have just entered a supervisory board. Logically, the period it takes to understand and get insight in the organization should be as short as possible in order to be effective as a supervisor. Because members of supervisory board are not allowed to fulfil this function within one organization for more than eight years in a row (four years per term) the entry of new members to supervisory boards happens on a relatively regular basis. *"Als toezichthouder heb ik wel een tijdje moeten doen voordat ik goed doorhad hoe het ZBO in elkaar zat, hoe het werkt en welke aspecten daarbij spelen. Kortom, inzichten die nodig zijn om goed hoofd- en bijzaken te kunnen onderscheiden in alle informatie."*(R16) This experience was mentioned by the executive directors of the hospital as well, who experience the 'becoming-familiar-period' to have a negative impact on the effectiveness of the supervisory board: *"Wat ik wel nog vindt is dat het goed zou zijn als toezichthouders niet zomaar plompverloren in een organisatie terechtkomen maar er ook iets van een cursus of een opleiding van een paar weken zou moeten zijn om iets meer te weten te komen van het soort bedrijf waarin je terecht komt."* (R4) *"…Dat zou de effectiviteit inderdaad wel tegemoet komen. Je zit maar een beperkt aantal jaren als toezichthouder en dan is het ook wel handig om zo snel mogelijk full swing te kunnen starten. Ze krijgen wel een soort programmaatje aan het begin, maar dat zou wel wat steviger kunnen."* (R3) Ergo, the executive directors underline the importance of a solid training program that would accelerate the process.

External supervision

Based on an indicator profile external supervisors ask organizations for delivering accountability information. This enables 'risk based supervision': based on the scores of the indicator profiles the external supervisors judge whether there organizations should be investigated more thoroughly (e.g. by a visit). Indicator profiles can be considered as standardized 'formats' which are for every type of organization the same, and requires specific accountability information. It seems logical that this only shows a selective part of the total amount of information concerning the functioning of the organization, namely that fits in the format. An executive director of the ROC summarizes this as follows: *"De inspectie doet dat niet [heel 'diep de organisatie in gaan', SG] en kijkt alleen naar harde cijfers en alles wat verantwoord moet worden. Dat levert overigens ook wel wat op, het is geen onzin, alleen het is de helft waarop je stuurt."* (R9) However, inspectorates ask for the supply of additional documents of the organizations as well (annual reports etc.). *"De inspectie vraagt verder informatie op van de instellingen zelf, niet via formats."* (R18) (Also, physical inspection visits are done, but this is considered as 'nice-to-know' information and will be discussed in the next section.) In other words, external supervision based on standardized accountability formats and documents of organizations runs the risk of offering a biased view on the organization's functioning, because mainly 'measurable' aspects are included. This limits not only the view of the external supervisor, but also the domains in

which informative feedback and advice is given to executive directors: "*Dat is heel lastig, want de inspectie wil toch een soort objectieve, feitelijke informatie. De harde targets zijn maar de helft van het verhaal. Studententevredenheid, medewerkerstevredenheid, hoe je zit met je accreditatie… Het belangrijkste is toch: hoe ga je er mee om? Thema's als uitdagende didactiek, een omgeving die de studenten prikkelt, daar kan je niet op 'targetten'. Daar moet je het gesprek over voeren, waarin naar voren komt hoe je als bestuurder stappen zet om dat naar een hoger niveau te krijgen. Voor een inspectie is dat moeilijk.*" (R9)

Furthermore, the honesty with which accountability information is supplied by the organization is considered a dilemma, something the inspectorate is dependent of: "*Over het algemeen worden de belangrijkste dingen wel gemeld door instellingen, al zal er weleens iets niet gemeld worden. Dus het ligt ook aan de kracht van een inspecteur om dat boven tafel te krijgen en aan degene die voor de inspecteur zit, is het iemand die echt zelf wil leren?*" (R18) But still, even when important things *are* reported, it should be critically judged on its credibility: "*Voor een deel moet je altijd denken of een stuk voor de inspectie is gemaakt of niet (komt het uit de 'inspectiekast'?).*" (R18) The fact that inspectorates only have a selection of all information of the organizations should be considered as a limitation for their risk analysis. However, this seems to be something external supervisors are aware of: "*Aan de voorkant, bij het maken van de risico-analyse (waar staat deze school op de normale verdeling), staat de inspectie altijd voor een dilemma. Er moet worden nagegaan over welke informatie zij beschikken om te kunnen bepalen of er risico's zijn of niet.*" (R10)

Besides, the information that is supplied to the external supervisor is considered to be of a higher aggregation level and of a different kind than the information that is supplied to the internal supervisor: "*Het aggregatieniveau bij het ministerie is wat groter. Bij de Raad van Toezicht gaat het meer in detail over bedrijfsvoering-achtige zaken, zoals percentage gevoerde functioneringsgesprekken.*" (R6) In the other cases this was the case as well, internal supervisors receive a more extensive amount of information especially concerning operational management issues. This seems to be in the advantage of the information position of internal supervisors. Lastly, in contrast to the specialized inspectorates and the CFV, the Ministry of the ZBO has the additional disadvantage that their knowledge concerning their domain of supervision, the work field of the ZBO, is limited. This information position can be problematic for the supervision on the internal processes and output quality: "*Dat zie je bijvoorbeeld terug in de manier waarop ze [het ZBO, SG] omgaan met ICT. Daarin lopen ze erg voor ten opzichte van andere uitvoeringsorganisaties. (…) Het lastige voor het ministerie daarbij is dat het bijna niet meer inzichtelijk te krijgen is wat de kosten zijn die met die verschillende delen samenhangen. Dat is erg complex. Daardoor kun je informatie moeilijker beoordelen.*" (R13) Inspectorates on the other hand are specialized in the quality of services of the organizations they supervise and do not have this problem, even as the CFV, which is specialized in its domain of supervision as well.

- Lack of 'nice-to-know' information

With a lack of 'nice-to-know' information is meant that the supervisor has no access to other information sources than the formal formats and reports they receive about the organization. The value of having 'nice-to-know' information is that it enables you to estimate the meaning and reliability of the formally supplied information (De Bruijn, Ten Heuvelhof & Koopmans, 2007, pp. 90-91).

Internal supervision

All internal supervisors seem to be inclined to search for additional information about the functioning of the organisation beyond the executive board. The information they get from the executive board is considered as only a part of the existing relevant information to be able to supervise properly. Additional information is searched for by working visits, meetings with workings and client councils, news media, branche organizations, stakeholders, experts from within the organization and in the field, external supervisors and certification organizations. In some organizations the internal control department also has the possibility to directly report to the supervisory board, beyond the executive board's knowing, when a problem escalates, as the board secretary of the social housing corporation declares: *"Naast dat er een functie is die direct toegang heeft tot de RvC heeft de RvC ook een werkprogramma, waarbij overleg plaatsvindt met de MT's en directies van regiobedrijven en vakbedrijven."* (R12) Furthermore, two members of supervisory boards explain why specifically working visits are of valuable for estimating the meaning and reliability of the regularly supplied accountability information by the executive board: "*Wij houden ook werkbezoeken in de organisatie zonder het college van bestuur. Dan praten we met afdelingsmanagers, docenten en studenten. Daar trekken we een dikke halve dag vooruit, zodat we niet volledig afhankelijk zijn van het bestuur. Daarnaast krijg je ook meer gevoel bij de organisatie, meer dan alleen van de cijfers zeg maar."* (R1) and: *"Naast het bestuur doet de RvC bedrijfsbezoeken, die heel informatief zijn. Daarbij kun je nagaan of wat de bestuurder vertelt ook op de werkvloer zo wordt ervaren."* (R17) The result of these working visits can result in valuable insights for the internal supervisor, something executive directors and managers may indirectly benefit as well in terms of learning: "*En worden er ook werkbezoeken gehouden in de organisatie (bij de verschillende colleges). Dat is geen audit, maar meer een kijk- en luisterbezoek. Tenslotte, om de feedbackloop groter te maken worden er ook besprekingen gehouden met de verschillende collegedirecteuren*." (R7)

Interestingly, it seems that both external supervisors and executive boards do not take these attempts of the supervisory boards to search for additional information serious yet. The reason why external supervisors do not take the extra information sources of the internal supervisors seriously is that generally the executive board accompanies them during their working visits and meetings. According to a respondent of the healthcare inspectorate this makes the extra information still 'biased': *"Het is nog steeds met schroom dat de RvT's de organisatie ingaan of vragen om contacten. Soms zijn er reguliere contacten, maar een van de grote problemen is dat de bestuurders altijd aanwezig zijn om geen valse verwachtingen bij het veld, het ziekenhuis en de mensen zelf daar neer te leggen. Aan de andere kant ook om steeds de besturen ook te betrekken in de informatie verzameling. Maar dat betekent wel dat er een bias in de informatie zit."* (R14) Executive directors criticize the lack of systematic contact with the organization's stakeholders: *"Ook gesprekken met de ondernemingsraad en in het eigen netwerk, maar dat laatste is lastig om te institutionaliseren. Je komt eens iemand tegen, maar echt systematisch met de belangrijke stakeholders van de organisatie doorpraten dat deed de Raad van Toezicht niet."* (R9) Meanwhile, at least meetings with workings and client councils are often done on a structural basis in all cases.

Moreover, executive directors do not seem to appreciate the 'behind the executive board's back' part of it. One of the executive directors of the ROC shows in the way she tells about the working visits of the supervisory board her struggle with the initiative: "*Sinds vorig jaar heeft de RvT bedacht dat zij ook zelf in een delegatie van twee personen bij de verschillende scholen op bezoek gaat en zelf gaat kijken hoe het in de praktijk ervoor staat. De secretaris van het bestuur assisteert hen daarbij. Ze houden dan gesprekken met directeuren, afdelingsmanagers en docenten van scholen. Dus eigenlijk bijna een*

parallel toezicht aan de inspectie. Dat gaat ook wel redelijk ver. Aan de ene kant snap ik als bestuurder deze actie wel van de RvT, want hun taak om toezicht te houden op zo'n complexe organisatie is erg lastig. Het is al moeilijk om er kennis van te hebben, laat staan er toezicht op te houden. Bovendien is het lastig om te kunnen bepalen waar het papier stopt en de werkelijkheid begint. Maar het gaat behoorlijk ver om de organisatie ook nog zelf in te gaan." (R2) This citation shows that the executive director has a problem with the fact that the internal supervisor in fact does the same supervision as the inspection already does.

However, overall it seems that members of supervisory board consider the additional information, although not always systematically gathered, as valuable for their supervision work and even executive directors cannot deny all increased insights of the internal supervisor are welcome: "*Maar ook actief informeren, je wilt als toezichthouder altijd veel meer dan je kan doen. Om van enige regelmaat met alle delen van de organisatie te kunnen horen wat er speelt is gewoon niet reëel, maar 2 of 3 keer per jaar de organisatie in leverde wel veel op."* (R9)

External supervision

The external supervisors all use physical inspections and visits (sometimes without warning) to gather 'soft' information in addition to the formal accountability information they receive on paper. A respondent of the healthcare inspectorate explains that during these visits inspectors talk to people in different levels of the organization to do a so-called 'reality check'. Furthermore, the respondent points out that some inspectors have years and years of experience, which makes it relatively easy for them to know the state of affairs on the working floor. "*De reden dat de inspectie wel aan zachte informatie komt heeft te maken met dat zij veel met alle lagen in de organisatie spreken. Van de schoonmaker tot de laborant, verpleegkundige, zuster, specialisten en de bestuurders. De inspectie creëert allerlei mogelijkheden om die contacten te bouwen en reality checks te doen op de vloer. Is de missie en de visie die het bestuur verkondigt ook te zien en te voelen op de werkvloer? Ik heb natuurlijk 30 jaar op die vloer gelopen. Ik hoef maar rond te lopen en ik zie meteen of mensen in de weerstand zitten of niet. Dat is informatie waar je echt feeling voor moet krijgen."* (R14) The external supervisor of the ZBO sometimes pays a visit to see how things are going on the working floor as well: "*Daarnaast reis ik regelmatig naar het ZBO om eens even te kijken hoe het er intern aan toegaat, niet alleen om de activiteiten te zien maar ook om de mensen te zien en te weten wat er speelt.*" (R13) A respondent of the CFV tells that when they feel they need some additional information about an executive director, they sometimes go and talk to different people in the organization or start a thematic research: "*En soms heb je als toezichthouder een beeld van iemand en dan ga je eens met iemand anders in de organisatie praten, de financiële man bijvoorbeeld, of je gaat een thema-onderzoek doen. Dan haal je de RvC aan tafel, de treasurer, de controller en de bestuurder en dan ga je die interviewen. Dat is een mogelijke methode.*" (R15)

Interestingly, not all executive directors seem to take the visits of external supervisors to their organization serious: "*Je kunt wel in de klas gaan zitten en je kunt wel wat vinden van een docent en hoe die dat doet, maar de inspectie zoekt toch naar harde feiten. Het best zou zijn als er aandacht zou zijn voor de softe kant, maar dat is niet te doen voor de inspectie, want die zou dan heel diep de organisatie in moeten. De accreditatiecommissie van het HBO doet dat overigens wel, die gaat heel diep de organisatie in en gaat ook met docententeams praten enzo."* (R9) This citation shows that again the search for 'hard'/measurable facts is considered to be leading in the information gathering, and is

seen as a limited scope to reality. Another point is that external supervisors often weigh the explanation of the executive board concerning the findings heavily in the end, which can put the credibility of the findings the inspectors gathered themselves into question: *"De inspectie werkt dus met de signaleringsgrens en qua kwaliteit hing toch ook wel veel af van het gesprek met het bestuur. Er was altijd een vast iemand van het bestuur die met de inspectie sprak, en als je maar een goed verhaal hebt, dan kom je wel een heel eind. Dus kennelijk is hun informatiebron ook het verhaal en de houding van de bestuurder."* (R9) In sum, the information position of the external supervisor is not always considered as good by the executive directors as the external supervisors are inclined to think themselves.

Conclusion

Now that the role of information asymmetry is discussed for internal and external supervisors, we go back to the hypothesis (based on the principal-agent theory) that predicted a negative influence of information asymmetry for learning of executive directors:

H2: If the supervisor is not able to get full information about the agent, then learning is less likely to occur (Information-asymmetry).

It seems that in general internal and external supervisors are quite positive about their information position, and the supply of this information (completeness and timeliness). This does not mean that supervisors do not experience dilemma's concerning acquiring a good information position, because they certainly do, but they try to improve it gradually and meanwhile seem to 'cope' with their information position as it is. Remarkably, executive directors seem to be quite critical about the information position of both internal and external supervisors. They consider that *internal supervisors* lack institutionalized and systematic ways of gathering information coming from other sources than the executive board itself. In addition, they consider the period in which new supervisory board members have to get to know the organizations/become familiar with the organization as relatively hindering and ineffective. Lastly, executive directors criticize the often existing lack of sector specific and organization specific knowledge of internal supervisors, which results in too abstract feedback to be useful for the directors. Furthermore, the executive directors consider *external supervisors* to use only half of the important information in their judgment, because external supervisors mainly focus on measurable/'hard' information. While organizations are also about e.g. stimulating, didactic spheres and other 'soft' aspects. In the section above it became clear that these information disadvantages were often experienced as hindering factors for effective supervision, and for learning in particular (because it, for instance, results in too abstract feedback, or feedback on only one domain of the organization). On the other hand, also examples were given in which the search for a proper/useful information supply to the internal supervisor resulted in a learning process. Therefore, the hypothesis can again only be partially confirmed based on the empirical data.

> IN GENERAL INTERNAL AND EXTERNAL SUPERVISORS ARE QUITE POSITIVE ABOUT THEIR INFORMATION POSITION. REMARKABLY, EXECUTIVE DIRECTORS SEEM TO BE CRITICAL ABOUT THE INFORMATION POSITION OF BOTH INTERNAL AND EXTERNAL SUPERVISORS.

5.4.4. The role of strategic behaviour

In this section the role of opportunism, or in other words, strategic behaviour of executive directors in their relationship with internal and external supervisors is analysed. Moreover, the influence on the learning impact of the executive directors is explored. Initially, three types of strategic behaviour were operationalizes: 1) 'taking a lot, giving a little', including executive directors' urging for compromises and emphasizing the positive aspects of their own behaviour; 2) Discontinuing the process, including the aim for restarting the process each time it takes an unwelcome turn (e.g. threat of a sanction); and 3) Frustrating the process, including causing confusion among inspectors/supervisors, creating a false positive image of one's own behaviour, and deception/lies/or even fraud.

- 'Taking a lot, giving a little'

<u>Urging for compromises</u>

When internal supervision is concerned urging for compromises by executive directors happens in all cases. Starting with urging for compromises, it seems that making compromises is a regular way of how the internal supervisor and the executive board come to decisions and plans. The formation process of policies for instance, can be seen as a compromise, because the executive board takes the opinion of the internal supervisor already into account in proposals: *"Dat is een subtiel spel, dus daar zit wel wat in dat iets weg heeft van een compromis, omdat je én meebeweegt én soms daarin toch je eigen koers pakt. Het zit hem niet zozeer in het onderhandelen als het stuk (beleid) al klaar is, maar meer in de datgene dat je voorstelt aan de Raad van Toezicht. Daar zit al ingecalculeerd hoe zij zullen reageren en dan heb je voorstellen, die misschien wat minder scherp zijn dan je zelf zou willen, maar in termen van haalbaarheid veel reëler zijn. Maar ultimo, als je echt een heel andere inhoudelijke koers wil, dan ga je toch je eigen gang als bestuur, want wij hebben de verantwoordelijkheid voor de organisatie."* (R9) Only when the executive board really takes another direction, there is of course no compromise. In addition, the president of one of the supervisory boards explains that the urge for compromises is a natural way of how the interaction between the internal supervisor and the executive board should go. Executive directors must be allowed to express their opinion as well as the internal supervisors: *"Ik herken de situatie waarin het bestuur welwillend overkomt, maar tegelijkertijd compromissen probeert te sluiten over de feedback of adviezen die ze krijgen. Dat moet een bestuur ook wel gegund zijn en dat moet ook kunnen. De Raad moet niet zomaar binnen marcheren en de boel gaan dirigeren. Het bestuur moet ook terugpraten, ook zitten er mensen met een grote reputatie in de Raad."* (R17) So, this way discussions and debates are stimulated, because both the boards have their own point of view. Ultimately, this will have a positive influence on the learning impact on the executive directors, instead of a negative influence. It seems that only when the internal supervisor acts within its role as the executive board's employer, for instance via an intervention, there is less or even no room for compromises. A financial member of the supervisory board of the ROC tells that their intervention to improve the financial management and reports let the executive board resist in vain: *"Dus dat systeem loopt en dat geeft veel rust. Al roept het college wel van 'Moet dat nou elke maand, kan dat niet per kwartaal?!'."* (R1) Logically, this will have a disciplining effect instead of resulting into learning.

External supervisors also have to deal with executive directors urging for compromises. The ministerial supervisor of the ZBO points out that negotiations are always part of their interaction with the executive board: *"In de interactie met de directie zit altijd een onderhandelingselement. En er wordt*

ook altijd goed gekeken naar de gezichtsuitdrukking om te zien hoe serieus iets is. Hebben we daar een deal…of?" (R13) This way of communicating with each other can be explained by the fact that the Ministry has in fact a double role: they are supervisor and principal at the same time. The ZBO functions relatively autonomous from the Ministry, but still needs its approval concerning general policies in the end. Seemingly, this will result in these kind of negotiations, in which the ZBO will try to search for the limits of their 'freedom'. One could argue that in this process of exploring the boundaries of the Ministerial responsibility on the one hand and the reach of the ZBO's autonomy on the other hand contributes to learning of the executive directors. This way they get a better understanding of legal norms and standards. Furthermore, a respondent of the inspectorate of education tells about his experiences with executive directors urge for compromises. He explains that when the inspectorate has made a report about functioning of an organization based on their findings, executive directors regularly tend to negotiate about the outcomes and the eventual sanctions. The respondent declares he is not impressed by these attempts himself and do not have the result that was wished for: *"Wanneer de inspectie haar oordeel over een instelling velt zijn bestuurders wel geneigd om compromissen te sluiten over de uitkomst of de sanctie, maar proberen te onderhandelen valt dat bij mij in ieder geval niet in goede aarde, al helemaal niet over sancties."* (R18) In this case, the interaction with the external supervisor does not seem to result in learning of the executive directors. The executive directors seem to defend themselves against the judgement.

Emphasizing good will

When it comes to emphasizing the positive aspects of the behaviour by the executive directors, this also occurs in the interaction with internal supervisors. Executive directors are expected to be able to show to supervisors they are 'in control' nowadays. This is considered an important criterion in the judgment of internal as well as external supervisors: *"Het gaat er eigenlijk altijd om dat je kunt laten zien dat je 'in control' bent als organisatie. Dat je de zaken beheerst en beheert. Als welke toezichthouder dan ook daarvan overtuigd is dan heb je als bestuurder al een heel groot deel van de buit binnen. Maar dat blijft voor een bestuurder wel een uitdaging, je moet het wel iedere keer weer opnieuw aantonen."* (R4) Showing that you are 'in control' is experienced as quite a challenge as this citation shows. However, earlier on (in the section about the information asymmetry of external supervisors), the dependence on the 'story' of the executive boards for the 'in control' statement was criticized, and reaching the 'in control' status was considered 'manageable' for executive directors. Therefore, it is considered as strategic behaviour here. When I asked the executive directors whether the process towards being able to show supervisors they are 'in control' was actually a useful activity for themselves as well, they responded that this was the case to some extent: "*Ja dan heb je het gevoel dat je het in de vingers hebt…"* (R3) *"…Het heeft natuurlijk wel een bepaald aggregatieniveau. Je zit dan wat hoger en je kijkt nog eens achter je en je denkt, nou dat hebben we toch aardig geregeld. En toch weet je dat er altijd nog dingen zijn die je daar nog gewoon niet bij hebt en wat misschien ooit nog wel eens een keer op je af komt. Maar op het moment dat je dat constateert weet je wat je weet en je weet wat je overziet."* (R4) These citations of the executive directors of the hospital show that it can be argued that the 'in control' status can function as a confirmation of their management capabilities and skills, whilst realizing the supervisor has a limited scope.

Furthermore, one of the executive directors of the hospital explains that emphasizing a positive attitude is part of the way they approach the internal supervisors in general: *"Het is moeilijk om dat allemaal in woorden te pakken. Je zit daar natuurlijk met elkaar. En als je daar zelf met de insteek zit*

van *"Ojee, het is mis gegaan. Nu krijg ik op mijn donder", dan is dat totaal anders dan dat je daar zit met de vraag wat het advies zou zijn om het volgende keer te verbeteren. En dat laatste gevoel heb ik in dit huis vooral."* (R3) So, according to the respondent the attitude of the executive directors is of influence on the way the interaction with the supervisory board goes, and can therefore be strategically used. However, no examples were found in which this attitude had a negative influence on the learning impact. It can even be argued that such an attitude can contribute to a more constructive culture, in which errors are embraced as opportunities. Because a constructive culture is a stimulus for learning (see paragraph 5.4.2.), it may increase the learning impact for the executive directors themselves. Besides, emphasizing positive aspects and good will does not automatically mean reality is concealed.

Also, external supervisors are confronted with executive boards who show their goodwill especially when they have done research and come to report the board about their findings. When these findings contain negative parts, executive directors often explain they are already busy fixing it: *"Enfin, die bestuurder is toen aangesproken en die zei meteen 'Nee, maar ik ben al bezig om te verbeteren en ik heb al dit, dit en dit in gang gezet.' Dus dan zeg je als toezichthouder 'Ja, dat zal wel. Maar je hebt dit bij ons ingediend en dat vind ik ervan.'"* (R15) This way of showing goodwill to the external supervisor, considering the late phase of the supervision process (judgment phase) makes learning not plausible.

- Discontinuing the process

<u>Aiming for restarting the process</u>

Aiming for restarting the process seems to happen when executive directors have not managed to solve all issues or problems before the meeting with the internal supervisor. The executive directors are placed in a position in which they have to explain why some problems haven't been solved and will try to play for time, preventing interventions or sanctions from the internal supervisor. An executive director of the hospital explains: *"Dan blijven er nog wel eens dingen over waarvan je zegt dat moeten we nog verder uitzoeken of dat weten we niet precies maar we hebben wel een vermoeden. Of, het is nu een keer gebeurd maar we hebben echt het gevoel dat het de laatste keer geweest is, of we hebben het nog niet in de hand, maar we zitten er wel vlakbij en dan moet je volgende keer daar weer over rapporteren."* (R3) A member of the supervisory board of the hospital recognizes this situation and explains that when a deadline has not been met by the executive board, they supervisory board usually says something about it. When the executive directors subsequently explain that they are busy achieving it, a compromise is made about how much extra time is acceptable (at least when the problem escalates): *"Wat wel eens gebeurt is dus dat het volgens de raad niet snel genoeg gebeurt, als de deadline niet gehaald wordt, dan wordt daar wel wat van gezegd. De bestuurders antwoorden dan met 'wij zijn wel bezig op een manier waarmee we er uiteindelijk gaan komen.' Dus dat is wel een soort onderhandeling. Tot waar vind je het acceptabel? Het is altijd een beetje geven en nemen, behalve wanneer iets echt fout gaat. Dan zeg je echt 'ik wil het volgende keer op die en die manier hebben'. Maar dat is dus bij het ziekenhuis nog niet gebeurd."* (R8) So, aiming to restart the process can actually end in a compromise about extra time. A member of the supervisory board of the ZBO recognizes this way of postponing difficult issues as well, when executive directors ask for more time: *"Als de RvT dreigt in te grijpen, dan zullen de bestuurders altijd eerst voorstellen om er eerst nog eens flink de schouders onder te zetten. Zo zitten zij wel in elkaar. (…) Wat we wel een enkele keer doen is nog eens temporiseren. Zo van 'nou, die kant moeten we op, maar we kijken nog even aan hoe het gaat en*

probeer we dat en dat nog eens.' Dan kijken we daarna nog eens wat de temperatuur dan is." (R16) It seems that this kind of strategic behaviour towards the internal supervisor can result in new debates about how the problems can be solved after all, and thus into new feedback. In this case, it can stimulate learning by the executive directors in the end.

When the relationship with external supervisors is concerned, executive board's attempts to restart the process are also experienced. A supervisor from the CFV tells that their supervision letters sometimes make executive directors react by asking for more time: *"De bestuurder wil liever niet zo'n vervelende toezichtsbrief. Het is iets dat in de openbaarheid komt en bovendien gaat er een afschrift naar de RvC, die hun werkgever is. Ze vragen ook wel eens om meer tijd. Bij grote corporatie zitten niet de minste bestuurders, dus zij hebben ook zoiets van wie ben jij dan wel om mij te komen vertellen dat ik het niet goed doe."* (R15) A comparable reaction of executive boards was mentioned by a supervisor of the inspectorate of education: *"Ik herken de situatie waarin bestuurders eerst voorstellen om er nog eens flink de schouders onder te zetten, voordat de inspectie tot sancties over gaat. Dat komt bijvoorbeeld wel voor wanneer de inspectie een bepaalde tijd terugkomt om te kijken of naar aanleiding van hun waarschuwing verbetering heeft plaatsgevonden. Soms is die verbetering dan nog niet volbracht, en geven ze aan dat ze er hard mee bezig zijn. Maar dan is het echt jammer voor ze, want ze hebben dan al vaak iets meer ruimte gekregen dan officieel afgesproken."* (R18) It seems that the external supervisor is not always inclined to pardon the executive directors for the lack of improvement. Especially, when the executive board already had got the time to improve the situation after a warning. This way the strategic behaviour of the executive board seems to 'activate' the disciplining role of the external supervisor, instead of stimulating learning.

- Frustrating the process

<u>Causing confusion</u>

It varies between the cases whether internal supervisor has experienced that the executive directors have tried to cause confusion by the way they supply information to them. In the ROC this was experienced by different members of the supervisory board. For the supervisory board it was reason enough to dismiss the executive director: *"Tenslotte, als het gaat om het met opzet verwarring zaaien door het verstrekken van onduidelijke en soms tegenstrijdige informatie door bestuurders, herken ik dat wel. De bestuurder in kwestie gaat echter niet voor niets vertrekken. Daarover zijn meerdere gesprekken gevoerd."* (R7) Another member of the supervisory board of the ROC gives an example of how this occurred: *"Jazeker, er wordt wel eens geprobeerd verwarring te zaaien door het bestuur. Je moet niet voor de poes zijn. Bijvoorbeeld, onze financiële man is nogal eigenzinnig. Die zegt wel eens: De vergadering hoeft niet door te gaan, want er zijn geen nieuwe feiten. Dus dan zeggen wij 'Eh, hallo?'."* (R1) Also in the social housing corporation the supervisory board has experienced confusion by the information the executive board supplied. However, the member of the supervisory board stresses that this confusion was not caused on purpose: *"Bij de informatievoorziening van de RvC door het bestuur heb ik wel eens ervaren dat die verwarrend was. Toen heb ik ook aangegeven aan het bestuur dat ik er niet wijzer uit werd. (…) Echt bewust informatie mistig maken is nooit gebeurd, maar soms zag de Raad door de bomen het bos niet meer."* (R17) So, it seems that causing confusion with the information supply does not automatically mean this was used strategically by the executive board. In the other cases (i.e. the ZBO and the hospital) the internal supervisors declare they have never experienced anything like this. According to a member of the supervisory board of the hospital this has

to do with the good understanding between the boards: *"Ik ervaar geen verwarrende informatievoorzieningsmanieren. De verstandhouding is goed met het bestuur. Er wordt niet om de hete brei heen gedraaid of spelletjes gespeeld."* (R8) In sum, the internal supervisors who have experienced a confusing information supply did not appreciate it and took action to prevent it in the future. So, it seems that causing confusion on purpose only stimulates the disciplining role of the internal supervisor and does not contribute to the executive director's learning.

When external supervision is concerned examples of creating confusion by executive directors were given mainly by the external supervisor of social housing corporations, the CFV. A respondent of the CFV tells that in conversations and via documents it is sometimes tried to cause confusion to the supervisor: *"Je zit soms tegenover 5 man. Ga dan maar eens in discussie over wat je wel of niet hebt gezegd. Dan proberen ze je gewoon onderuit te schoffelen. In oorlog is alles geoorloofd."* (R15) The confusion caused by documents is considered not always done on purpose, as was also experienced by the internal supervisor. Rather, the confusion is often created because of a misunderstanding: *"Wat je verder ziet is dat dat inderdaad wel eens verwarring wordt geprobeerd te zaaien bij de toezichthouder, door bijvoorbeeld die 160 pagina's en drie verschillende documenten op te sturen. Het CFV gaat dan twijfelen aan de kwaliteit en de deskundigheid van het bestuur en dan wordt daarover ook het gesprek gevoerd. Het blijkt dan vaak door misverstanden te komen."* (R15) In addition, a respondent of the Ministry of Interior Affairs tells that they once received misleading information about a big project one of the social housing corporations was up to: *"Door de corporaties wordt wel eens geprobeerd verwarring te zaaien door de manier waarop zij informatie verstrekken. Een voorbeeld is Vestia. Vestia ging een gezondheidscentrum bouwen, dat aanvankelijk werd gepresenteerd als een huisartsenpost. Een huisartsenpost is toegestaan binnen bepaalde condities. Maar via een andere bron hoorden we ineens dat het een zorgboulevard werd. Toen kreeg het ministerie argwaan en zijn ze eens gaan navragen hoe dat zat. Er werd toen opnieuw gepretendeerd dat het iets kleins zou zijn. Uiteindelijk is er iemand in de trein gestapt om eens naar de bouw te gaan kijken en dat bleek een enorm blok in de straat te zijn. Ze hadden dus met opzet een vals beeld gegeven wat ze van plan waren."* (R11) Actually, this example would also fit in both the 'creating a false image' and the 'deception and lies' categories below. In sum, in the case executive directors cause confusion among the external supervisors this seems to have a negative impact on learning. It would rather waste the executive directors' time, because they could have done other things instead (of which they might have learned something). In contrast, in the cases the confusion was caused due to a misunderstanding, it can result into useful feedback from the external supervisor about the way accountability information should be reported.

Creating a false positive image

No examples were given by internal supervisors of situations in which executive boards created a false positive image.

External supervisors did have examples of situations in which a false positive image was created of the organization. For instance, a respondent of the inspectorate of education tells that sometimes executive board withhold things, or they do not want the inspectorate to make their findings public, afraid of a negative effect on their image. *"We hebben ook wel eens bestuurders gehad die niet wilden dat we dingen naar buiten brachten. De inspectie is verplicht om alles openbaar te maken dus dat wordt toch wel gebruikt en ja, dat kan dan leiden tot lagere studentenaantallen, maar dat is hun probleem."*

(R18) As the citation shows, the external supervisor does not listen to the demand to not make things public. In addition, positive images are also sometimes created by organizations drawing up all kinds of documents, like statutes, integrity codes, governance codes and internal supervision frameworks, but that this does not necessarily mean they are *adhered to: "Het papier is er vaak wel, maar gedraagt men zich er ook naar? Dat is interessant om na te gaan bij zo'n corporatie."* (R15) The external supervisor should thus be critical about these documents and try to find out whether they are really implemented. So, both examples show that the critical capacities of the supervisors are put to the test when the executive board tries to create a false positive image. Considering the perspective of the executive directors who would use this type of strategic behaviour no reason was found why it would stimulate their learning. On the contrary, it would be more obvious if it would hinder the executive directors to learn, because it withholds them from other useful things they could have learned in the meantime.

<u>Deception, lies or fraud</u>

In this last way of frustrating the supervision process only example were given by external supervisors as well. Starting with the CFV, as external supervisor of social housing corporations, a respondent experienced misleading and false information supply, and withholding information during meetings with executive directors: *"Maar je hebt ook corporaties die het CFV echt bewust misleiden door foute productieopgaven te sturen, ook in gesprekken informatie achterhouden. Dat gebeurt dus ook. Dat heb je niet altijd door, daar ga je soms jaren in mee wat zo'n bestuurder vertelt. En dan gaat het ook fout uiteindelijk. Daar heeft het CFV wel echt 'lessons learned' aan over gehouden."* (R15) The citation shows that it can be very difficult for a supervisor to discover such deceptions, lies or fraud. A respondent of the inspectorate of education has heard that organizations sometimes use actors to prepare inspection visits. *"Ik heb ook wel eens gehoord dat een instelling met acteurs werkte, om van tevoren het inspectiebezoek voor te bereiden (wat mag er wel en wat niet gezegd worden…). Omdat er met veel verschillende mensen wordt gepraat kan dat eruit worden gefilterd."* (R17) This citation shows that the inspectorate of education stresses that for discovering such fraudulent behaviour it is helpful to speak with a variety of people in the organization. This way there is a great chance to find a 'leak'. However, from the perspective of the executive directors who commit the fraud/lies or deceive the supervisor, it appears to me that again this only wastes their time. Time that they could have used to learn something else.

Conclusion

Now that all types of strategic behaviour that were found in the empirical data are analysed it is time to look back at the hypothesis concerning this part of the principal-agent theory:

H3: If the agent shows strategic behaviour in the supervision relationship, then learning is less likely to occur (opportunism).

It seems that, surprisingly, some types of strategic behaviour actually can have a positive effect on learning by executive directors if we take a look at the analysis above. For instance, 'urging for compromises' can work stimulating instead of hindering for learning by testing the limits of norms and legislation (which are used by the supervisor), and the relation of the organization in respect of these limits. In addition, emphasizing positive aspects of behaviour by trying to get an 'in control' statement can function as a confirmation for executive directors which particular things go well. Also, having a

positive attitude towards internal supervisors can stimulate learning as well, when it causes a constructive culture in which irregularities are seen as a challenge instead of failure. Lastly, even aiming for restarting the process when there is a threat of sanctions can have a positive influence on learning when it, besides resulting in a compromise about more time, also generates new feedback from supervisors.

However, there are also ways in which these types of strategic behaviour have a negative influence on learning. For instance, urging for compromises does not seem to stimulate learning, when external supervisors report their findings and realize the executive directors tries to get away with the bad results. Also, showing goodwill after the external supervisor has given his judgment has no positive influence on learning and seems more a defence rather than an effort to learn. Discontinuing the process and frustrating the process on purpose seem to activate the more disciplining role of supervisors instead of giving feedback and advice to learn from. In sum, the hypothesis can be only partially confirmed as a result of the empirical evidence of this study. The more strategic behaviour is used to conceal mistakes, the less the chance that the strategic behaviour results in a learning process. At the same time, the more strategic behaviour is used to explore the limits of legislation, to create a sphere in which irregularities are seen as challenges, or to get more feedback about how issues should be dealt with, the more learning is likely to occur.

5.4.5. The role of independence

In this section is analysed what role institutional (i.e. towards politics, media and the object of supervision) and operational independence (i.e. autonomy) of supervisors have on their learning impact on executive directors.

- Institutional independence

Internal supervision

Concerning the structural independence of *internal* supervisors it can be concluded that they are not totally independent in respect of their object of supervision, politics and the media. Concerning the internal supervisors' independence of the supervision objects (the executive boards), it seems that this is (at least partially) undermined by the informal contacts between them. The intensity of the informal contacts that are maintained differ per supervisory board. Most internal supervisors however, do have informal contacts with executive boards, like dinners and receptions. In addition, the presidents of the boards are also used to keep contact outside of the formal meetings in order to catch up about things that happen in the meantime. One of the members of the supervisory board of the ROC, who has been a member of other supervisory boards in the past, explains that this for a part depends on the president of the supervisory board. *"Met deze raad niet, maar de raad waarin ik hiervoor zat bijvoorbeeld wel. Die had een hele verschillende inkleuring en dat ligt heel erg aan de voorzitter. Wij hadden tot nu toe een wat formele voorzitter van de raad, dus die hield daar eigenlijk niet van. Die hield het strikt zakelijk."* (R1) However, all supervisory boards of the investigated cases have informal meetings with the executive board every now and then: *"Er zijn verder geen samenwerkingsprojecten waarin zowel bestuurders als leden van de raad van toezicht in deelnemen buiten het ziekenhuis om. Wel zijn er wel eens informele momenten waarop bestuurders en leden van de raad van toezicht elkaar tegenkomen, zoals de nieuwjaarsloop. Daarentegen is er nog geen gezamenlijk diner geweest tussen het bestuur en de raad, wat volgens de respondent toch wel jammer is, omdat je elkaar dan meer kan leren kennen."*

(R8) This citation as well shows that outside of the supervision relationship there are no cooperations in which both executive directors and members of the supervisory board take place. This applies to all four cases investigated. The question rises what influence this informal contacts have on the executive director's possibilities to learn from the supervisory board. The answer seems to be that this depends on the nature of the informal contact. The board secretary of the social housing corporation explains that once a year they organize an informal meeting between the boards, and after the central meetings there is informal contact. These are moments in which issues that were not on the agenda can be discussed. This way informal contacts seem to form an additional information source: *"De RvC en het bestuur komen elkaar wel eens tegen buiten de corporatie om. Ook is er minimaal één keer per jaar een informele bijeenkomst met het bestuur. Na de vergaderingen is er ook altijd een moment van informeel samenzijn. Dan kunnen er bijvoorbeeld ook onderwerpen ter sprake komen die niet op de agenda staan."* (R12) In such a way, informal contacts can contribute to the learning impact on the executive board. However, the there is also a downside of informal contacts, which was explained by one of the directors of the ROC: "*Wat je niet wil is dat er eilandjes zijn in de raad van toezicht. Dat het lid dat zich bezighoudt met het onderwijs een lijntje heeft met de bestuurder die gaat over het onderwijs. Daar worden bondjes gemaakt en die komen dan weer terug in de Raad van Toezicht en als je het via het college van bestuur niet redt, dan doe je het via de Raad van Toezicht. Dan heb je dus geen goede sfeer. Informele contacten zijn goed, maar hebben daarin dus wel een grens.*" (R9) This citation shows the risk of 'islands' between the members of the supervisory board and the executive board. This might be a threat for the board climate, which can be dysfunctional for learning (see also the results paragraph about learning stimuli). Another disadvantage is that close social ties are a threat for the critical attitude of the internal supervisor: "*Eigenlijk zie je dat Raden van Toezicht vaak bewonderend kijken naar de bestuurder in plaats van andersom. Raad van Toezicht kunnen zijn van woningcorporaties vergt een hoog inzicht gehalte, het is een ingewikkelde sector, net als de zorgsector. Het vergt nogal wat om dan de vinger te kunnen leggen op de gevoeligheden en de risico's van zo'n corporatie. Ze moeten natuurlijk kunnen bewaken dat de onderneming goed blijft draaien en aan zijn doelstellingen voldoet. Dat lukt niet altijd, en soms komt dat omdat de raden van toezicht te dicht op de bestuurders zitten. Contacten van amicale aard zijn niet wenselijk.*" (R11) Also, an external supervisor of the ROC criticizes the lack of independence of internal supervisors as a result of their protective approach towards the organization's interests: *"Zwart-wit gezien is de onafhankelijkheid van raden van toezicht altijd begrensd, omdat zij uiteindelijk ook het instellingsbelang meewegen in hun toezicht. De inspectie weegt het studenten- en het maatschappelijk belang primair. De raad van toezicht kan op een gegeven moment bang zijn voor publiciteit, waar de inspectie juist denkt dat publiciteit helpt om de instelling scherp te krijgen."* (R10)

The fact that the internal supervisors are not totally independent of media and societal stakeholders in the field, seems to be generally considered as an added value by the executive boards. The board secretary of the social housing corporation explains: *"De RvC is niet helemaal onafhankelijk en dat is ook niet gewenst. Er moet wel geacteerd worden op signalen uit de media e.d. Dat is juist de toegevoegde waarde, zij vangen signalen weer op een andere manier op dan vanuit de corporatieblik van de bestuurders."* (R12) One of the members of the supervisory board of the ROC agrees with this statement: *"De Raad van Toezicht is in principe onafhankelijk, maar dat wil niet zeggen dat je niet luistert naar anderen. De Raad houdt in de gaten wat zich allemaal in de media voor doet en er zijn geregeld werkbezoeken van politici aan het ROC. Je staat als organisatie dus goed in de 'picture' en dat neem je wel mee als toezichthouder; het zijn immers relevante stakeholders. Maar inmenging van*

derden vindt verder niet plaats." (R7) So, the added value lies in the fact that this way internal supervisors can keep an eye on the external legitimacy of the organization. "*Maar als het gaat om het meedenken en het verstrekken van externe informatie, dan is dat alleen maar goed voor het in de gaten houden van legitimatie.*"(R9) This way executive directors can learn from the knowledge of the internal supervisor about the external environment of the organization. But when would this lack of independence of the internal supervisor towards media and stakeholders become a problem? One of the directors of the ROC explains that when the internal supervisor would start to tell the executive board with who they should do business with, it would become a problem. The internal supervisor would than 'take a seat at the executive directors' chair': "*Je mag van een toezichthouder verwachten dat die in een wereld actief is. Dan is het ook logisch dat die wat met die signalen doet. Maar als het echt een belangenconflict wordt en de Raad van Toezicht zou zeggen met wie het bestuur zaken moet doen, dan zou dat wel een probleem zijn, want dan zit de toezichthouder op de stoel van de bestuurder.*" (R9) Obviously, in the situation the internal supervisor would give such specific directions towards the executive directors this would rather have a disciplining impact than a learning impact. However, in none of the cases a conflict of interest seemed to be the case resulting of the societal network of the internal supervisors. A member of the supervisory board of the ZBO confirms this: "*Wat wel zo is, is dat een van de leden van de RvT in een circuit zit van belanghebbenden. Maar hem kennende staat hij toch zo ver boven de partijen dat je ook echt onafhankelijk kan werken. Ook al zal hij wel eens horen van duw daar eens of duw daar eens.*" (R16)

External supervision

Concerning the external supervisors' independence of the supervision objects (the executive boards), it seems that this varies between the cases. The inspectorate of education and executive boards sometimes meet during informative meetings, but the representatives of the inspectorate are managers or directors, never inspectors themselves. "*De inspectie komt bestuurders wel eens op andere gelegenheden tegen, maar niet de inspecteurs zelf. De respondent komt zelf bijvoorbeeld wel eens bestuurders tegen op andere gelegenheden, bijvoorbeeld op de ledenvergadering van de MBO-raad, congressen en symposia. Dan wordt er wel eens over de werkwijze van de inspectie gesproken of over nieuwe beleidsregels gediscussieerd. De feedback die dan wordt gegeven kan dan weer aan het inspectieteam worden teruggekoppeld. (R18)* Furthermore, the external supervisor of the ZBO does not meet informally with the executive board, although the secretary-general of the Ministry sometimes does: "*De unit toezicht komt de directie niet in andere situaties tegen dan in hun rol als ZBO en toezichthouder. Wel hoort de unit toezicht hoe andere departementen de directie ervaren in andere settings, maar dat is dus indirect. Zo nu en dan komt de SG de directie wel eens in informele settings tegen.*" (R13) A respondent of the Ministry of Interior Affairs explains that they sometimes meet informally with the executive directors to get feedback about new policies and regulations. In this role the executive directors' opinions are asked because of their knowledge and experience in the sector: "*Informele contacten zijn er zeker. Sommige bestuurders hebben veel kennis en ervaring over het runnen van een corporatie en kunnen de toezichthouder meegeven wat qua regels en beleid handig is. Dan zit je op een andere manier met elkaar in gesprek, en wordt er door de corporatie meer meegedacht vanuit de samenleving. Maar dat zou elke sector doen. (R11)* Such a cooperative way to discuss the norms and regulations between external supervisor and the executive boards was also seen in the way the healthcare inspectorate draws up quality indicators. However, it seems that the external supervisor of the Ministry of Interior Affairs experiences this double role as a difficult one, because roles should be hold separate: "*Verder is het soms moeilijk om aan de ene kant bestuurders op allerlei*

gelegenheden tegen te komen, en dan toch de hardheid te kunnen hebben als toezichthouder. Het is belangrijk dat je als toezichthouder helder bent over de rollen die je hebt te vervullen naar de corporatie. Wat hebben ze wel aan je en wat niet. Als je dat namelijk niet doet, neemt zo'n bestuurder je niet serieus." (R11) Also, it sometimes happens that the inspectors of the CFV meet executive directors of social housing corporations informally during informative meetings about new policies and regulations themselves.

In some cases, like the ROC and the hospital, the external supervisors (inspectorates) have taken measures to guarantee the independence as much as possible. A respondent of the inspectorate of education explains that a distinction is made between the contact inspector (the 'account manager'), who is in charge for a maximum of four years, and the inspector that leads the investigation of the organization. In addition to this, they work with investigation teams, existing of more than one person: *"Ten aanzien van de instellingen wordt de onafhankelijkheid zoveel mogelijk geborgd door de verdeling in taken van de contactinspecteur en de onderzoeksleider. De contactinspecteur is de 'relatiemanager' voor de instelling en die doet dat bijvoorbeeld voor een termijn van 4 jaar. Een onderzoeksleider kan iedere keer een ander zijn. Verder wordt er met teams gewerkt, bijvoorbeeld voor de staat van de instelling. Daar zitten 4 inspecteurs in, dat is er nooit één. Daardoor zitten er checks and balances in waardoor het risico van teveel betrokkenheid wordt ingedamd."* (R18) The healthcare inspectorate has taken comparable measures to guarantee the inspectors independence towards the organization: *"Er komen ook andere mensen die, afhankelijk van het thema, thema-inspecteurs, ergens op worden gezet. Die zijn dan nog nooit hier naar binnen geweest."* (R3) It seems that both the executive board of the ROC and the hospital consider their external supervisor as independent. The director of the ROC explains: *"De bestuurder ziet de RvT zeker als potentiele ambassadeur voor het ROC in relevante netwerken. De inspectie niet, die is toch erg onafhankelijk."* (R2) At the same time, these inspectorates can still be approached for questions by executive directors independently of the inspectorate's investigations and visits: *"Maar we hebben dus ook onze eigen inspecteur, die kun je bellen. En dan kun je zeggen van 'nou, we zitten met een probleem'. En dan is de inspectie ook gewoon bereid en beschikbaar om daarover mee te denken. Dat is een tegenhanger van zo'n andere situatie."* (R4)

Furthermore, the external supervisors in all cases lack an institutional independence of politics, and indirectly of media as well. One of the executive directors of the educational sector explains: *"De inspectie heeft een opdrachtgever en dat is de Minister. En die heeft de Kamer van zich af te houden als die vragen stelt over dingen die in de krant staan. Daar zit een grondtoon in om de Minister tevreden te houden en te zorgen dat de manager geen problemen veroorzaakt."* (R9) So, because the external supervisors want to keep the Minister 'satisfied', it should be prevented that irregularities are reported by the news media at all times. In case an incident reaches the news media after all, this can lead to new directives for the supervisor: *"Verder heeft het incident rond Amarantis er wel toe geleid dat de inspectie haar financieel toezicht anders heeft ingericht, dus dat heeft wel effect gehad, maar dat is los van de Minister. Dat had te maken met het effectiever maken van het toezicht."* (R18) A respondent of the healthcare inspectorate emphasizes the increased dependence on the Minister's policies, partly because of the fact the inspectorate was placed directly under the Minister: *"De IGZ is niet meer erg onafhankelijk en autonoom. Ze zijn afhankelijk van beleid, van VWS, geworden. De IGZ valt onder VWS en de bestuurder van de IGZ valt direct onder de Minister. Invloed van beleid wordt steeds groter, evenals het aantal personen dat zich met beleid bezig houdt."* (R14) One of the respondents of the CFV points out that their work has been affected by the agendas of the different Ministers during the last decades: *"Wat betreft de onafhankelijk van het CFV vertelt de toezichthouder dat ze altijd wel voor het*

merk hebben gestaan. Maar iedere minister of staatssecretaris heeft zijn eigen agenda (…) Dat zet de corporaties in beweging en het toezicht komt daar achteraan." (R15) However, it seems that the separation of the policy arm and the supervision arm of the Ministry of Interior Affair has contributed to the intitutional independence of the external supervision by the inspectorate of environment and transport: *"Het toezicht op corporatie is nu afgesplitst van de beleidspoot. Dat zat eerst bij elkaar. Dat had ook goede kanten, want de toezichts-kant had hierdoor direct contact met de beleidsmakers en konden zo feedback geven over wat er beter kon. (…) De scheiding tussen beleid en toezicht heeft wel bijgedragen aan het verduidelijken van die rollen. De inspectie zegt: het is zwart of het is wit. Terwijl toen het nog allemaal op één afdeling zat het over grijstinten ging."* (R11)

- *Operational independence*

When it comes to the operational independence of *internal* supervisors in general they consider themselves to have a moderate to high rate of autonomy. A member of the supervisory board of the ZBO points out: *"Als toezichthouder voel ik me in staat om onafhankelijk en autonoom te handelen."* (R16) A member of the supervisory board of the hospital experiences the same: *"Ik ervaar dat ik in mijn toezichtrol dat zij onafhankelijk kan zijn in de manier waarop ze die uitvoert en ook autonoom kan functioneren."* (R8) Also, the board secretary of the social housing corporation explains: *"De RvC is verder wel autonoom in hun handelen. Dat zie je terug in het feit dat er ook stukken worden aangehouden en ze de verantwoordelijkheid op zich nemen."* (R12) However, a member of the supervisory board of the ROC notes that they are autonomous, but within the frameworks of the Ministry of education concerning the functioning of supervisory boards: *Binnen de kaders die het ministerie stelt kan de Raad van Toezicht verder autonoom handelen."* (R7). One of the executive directors of the ROC explains that the role of the internal supervisor has changed in recent years due to the series of incidents in the semi-public sector. It has become a job with serious responsibilities: *"Wat de impact is geweest van InHolland en Amarantis op de verscherping van de rol van de toezichthouder, en de vraag 'wat is toezicht en wat is bestuur?', is actueel en belangrijk, want deze verhouding is veranderd. De afgelopen tien jaar is de rol van de toezichthouder van notabel, op afstand, een leuke bijbaan waar je er nog tien van had, veranderd in dat er ook echt wat gedaan moet worden."* (R9)

It can be concluded that *external* supervisors are considered to have a quite low rate of autonomy in all cases. This has to do with the increased influence of politics on their work strategies. Also, in the educational sector the political influence is accused of making the inspectorate of education supervise and monitor more and more, at the expense of a coherent policy vision: *"Verder op het gebied van de detaillering, door een gebrek aan een sterke visie van de politiek gaat de inspectie alleen maar meer monitoren. Het MBO is een lappendeken aan het worden."* (R2) Furthermore, a member of the board of commissioners of the social housing corporation points out that due to the political sensitivity of the sector, they have been influenced in their strategies: *"Het toezicht vanuit het Ministerie is ook erg onstabiel geweest afgelopen jaren. Maar dat komt ook door de politieke gevoeligheid, zoals je dat ook in de zorg hebt. Je hebt er het meeste aan als je als corporatie een harde kern hebt, een stabiele bedrijfsvoering voor je core business, en daaromheen een flexibele (financiële) schil die je ofwel kunt besteden aan volkshuisvestelijke doeleinden (meer huizen bouwen) of maatschappelijke doeleinden (projecten in de sociale omgeving). De politiek pleegt nog wel eens van focus hierin te veranderen."* (R17) Lastly, the increased influence of politics on the external supervision is also experienced by the 'Unit Toezicht' of the Ministry, the external supervisor of the ZBO. *"Ten opzichte van de politiek en van*

derden kan de Unit Toezicht redelijk autonoom toezichthouden. Wel zie je dat steeds meer wensen vanuit de politiek en andere departementen komen ten aanzien van informatie over de bedrijfsvoering van de zbo's." (R13)

In sum, the operational independence of internal and external supervisors seems to be under pressure as a result of an increased political interference. Not only the functioning of supervisory board and boards of commissioners are increasingly specified in frameworks and legislation, but also the autonomy of external supervisors is declined due to more political interference. How does this development affect the supervisors learning role towards the executive boards? From the interviews with the executive directors it seems that on the one hand the consequence of the increased political interference, e.g. the fact that the 'Unit Toezicht' now also has to supervise the efficiency of the operational management of the ZBO, is resistance. Especially against external supervisors. For instance, the relationship between the external supervisor of the ZBO and the executive board was put to the test, because the Unit Toezicht was commanded to supervise their operational management as well: *"Er is wel discussie geweest over of er ook iemand van het ministerie bij de audit committee zou moeten zitten, maar dat is nu van de baan. Dat men vanuit het Rijk dat wilde komt waarschijnlijk een beetje voort uit de verantwoordelijkheid van de vakminister voor de rechtmatigheid en doelmatigheid van de organisatie. Dat zijn toch twee kernzaken die in de audit committee aan de orde komen. Maar qua rollenscheiding en verantwoordelijkhedenscheiding is dat natuurlijk niet erg gelukkig om een departementaal iemand aan tafel te hebben. (…) Voor het ZBO is het ook prettig om eerst het zelf intern op orde te hebben voordat dat naar de minister gaat. Gelukkig is dat weer van de baan."* (R5) In contrast, the increased political influence on internal supervisors, which also contains requirements and norms about their functioning, creates positive reactions from executive boards. For instance, executive directors of the hospital and the ROC experience that the supervisory board has professionalized in recent years: *"Maar dat is ook echt wel een verandering. Dat was nog niet eens zo lang geleden nog, dat inderdaad de envelop pas werd open gemaakt tijdens de vergadering. Mensen hadden geen idee waar het over ging en er was ook geen structuur of missie of wat dan ook. Dat soort dingen zijn beter en strakker geworden."* (R4) and: *"De afgelopen tien jaar is de rol van de toezichthouder van notabel, op afstand, een leuke bijbaan waar je er nog tien van had, veranderd in dat er ook echt wat gedaan moet worden. (…) Op zich is die professionalisering van het toezicht een goede zaak."*(R9)

Conclusion

Now that the institutional and operational independence have been empirically discussed, again we will go back to the hypothesis that was drafted based on the 'new separation of powers'-theory:

H4: If the supervisor is independent, then learning is more likely to occur (new separation of powers).

After writing down all the empirical data with its nuances about the effects of different types of independence, it seems quite difficult to decide whether the hypothesis was confirmed or not. From the empirical data it can be concluded that internal supervisors are neither entirely independent from their objects of supervision (executive boards) nor from media and stakeholders in the field. Although this could have negative influences when the social ties become too close, it is generally considered to have positive influences on the supervision relation. Firstly, because informal contacts can improve the information position of internal supervisors. Secondly, because taking account of relevant information from media and stakeholders in the field is considered to be useful for monitoring the organization's

legitimacy. Furthermore, internal supervisors seem to have a high operational independence, although the urge for professionalizing from government in recent years has had influence on their way of supervising (i.e. new regulations). But this has had nothing but a positive effect on their functioning according to executive directors. On the other hand, external supervisors are considered to be relatively independent of their object of supervision in most cases as a result of the separation of the functions of account managers and inspectors and the lack of informal contacts (in most cases). However, external supervisors are certainly not independent from politics and indirectly neither from media. Also, external supervisors seems to be limited in their operational independence due to the influence of politics. This can be frustrating for executive boards, because this can cause a supervision overload (e.g. after incidents) as well as a lack of a coherent vision behind policies and rules.

In sum, institutional and operational independence, do, in case of internal supervision, not have to mean that learning by executive directors is more likely to occur. In case of external supervision a lack of institutional and operational independence however, seems to be more problematic for learning by executive directors.

5.4.6. Conclusion: The value of the rival explanations for explaining the learning impact on executive directors

The first hypothesis concerning stimulating factors for learning was confirmed by the findings in the four cases. We have seen that not all learning stimulating conditions that were derived from literature contributed equally to learning of executive directors in the different cases. In addition, some factors were only stimulating for internal supervision and not for external supervision. However, the stimuli that were actually considered stimulating for learning contributed to the explanation for why learning does or does not happen.

The second hypothesis concerned the influence of information-asymmetry on learning, of which was predicted that this influence would be negative. Although indeed much empirical data seemed to confirm this hypothesis, also some examples were given in which an information disadvantage of the supervisor resulted in a learning process as well (mainly concerning internal supervision). Therefore, this hypotheses was only partially confirmed by the empirical data.

The third hypothesis predicted a negative effect of strategic behaviour of executive boards on their learning in supervision relationships. Remarkably, even this hypothesis could not (entirely) be confirmed, because some mild forms of strategic behaviour seemed to result in learning of the executive board sometimes.

The fourth hypothesis, that predicted the positive influence of independence of supervisors on the learning of executive boards could not be totally confirmed either. It seemed that informal contacts, that conflicts with independence, sometimes result in useful conversations between supervisors and executive boards. For example about topics that did not fit the agenda of the central board meetings in case of internal supervision, or about topics executive directors have questions about outside of the external supervisor's investigations. This way the information disadvantage of the supervisor can be reduced (see also De Bruijn et al., 2007), which increases the chance of learning by executive directors. In addition, a lack of independence of media and stakeholders in the field seemed to be considered a useful characteristic of internal supervisors. This way the internal supervisors can be the eyes and the ears of the executive board, and keep a watchful eye on the organization's legitimacy in society.

Advantages of a relatively large distance between supervisor and executive boards	Disadvantages of a relatively large distance between supervisor and executive boards
Credibility/legitimacy	Information-asymmetry
No problems with collusion (supervisory vs. advisory role)	Risk of severe (fraudulent) types of strategic behaviour
Information-asymmetry *can* result in a learning process about what's relevant information about the organization and what is not	
Mild strategic behaviour of executives can contribute to learning	
Large distance towards politics: can prevent inconsistant supervision policy/approach	

Advantages of a relatively small distance between supervisor and executive boards	Disadvantages of a relatively small distance between supervisor and executive boards
Information-asymmetry appears to be less of a problem (more informal contact)	Problems with credibility/legitimacy
Severe (fraudulent) types strategic behaviour appears to be less of a problem, because it is harder for executive boards to lie to a better informed supervisor	Problems with collusion (how to supervise practices you discussed/advised yourself as a supervisor?)
Small distance towards media: possible relevant information concerning the (societal) legitimacy of the organization can be overlooked.	

Ergo, it can be concluded that hypotheses 5 and 6 should both be rejected, because the reality seems to be more nuanced.

H5: If the relative distance between supervisor and agent is small, then learning is more likely to occur

H6: If the relative distance between supervisor and agent is large, then learning is more likely to occur

In order to positively influence learning of executive boards, supervisors must 'play' with the dynamic of keeping distance and seeking involvement at the same time. This is in line with the argument of Stoopendaal (2008): it is a dynamic process of distancing oneself. This dynamic will be further explained in the next paragraph.

5.4.7. A dynamic of keeping distance and seeking involvement
The empirical results show that creating a learning impact starts with a good relationship between the supervisor and the executive board (see also the learning stimulus 'personal characteristics'). With a 'good relationship' a relationship seems to be meant in which there is some form of a *professional partnership*. There is a mutual respect, but in a strictly professional sphere. This opens doors for the supervisor as well as for the executive boards. For supervisors it creates room for being critical (institutional independence) without pushing the directors in a defensive mode (learning stimulus), and receiving (more) information (reducing information-asymmetry). For executive boards it creates room for asking questions, having open conversations about issues they deal with, and even for having discussions about norms and interpretations (learning stimulus). They can find out which expertise supervisors can offer them (learning stimulus). Also, it will decrease the tendency to conceal mistakes (strategic behaviour). In other words, for the executive boards a form of professional partnership with

supervisors opens ways to learn. Some citations from both internal and external supervisors that support this argument:

- *"Het is belangrijk dat je op basis van een goede onderlinge relatie scherp durft te zijn. Als een ZBO niet bang hoeft te zijn dat bij kritiek meteen alles aan de grote klok wordt gehangen, voelt het veiliger om kritisch te kunnen zijn. Dat vindt het ZBO ook prettig, want dan kunnen zij daarop reageren. Maar het is wel een kunst om scherp te zijn. Je moet het niet erg vinden dat iemand bij wijze van spreken tegen je zegt 'Ja maar dan moet ik dus alles opnieuw doen.'. Ja dat is dan zo. Dat wordt dan veelal wel geaccepteerd."* (R13)
- *"Dat is de spagaat die je in evenwicht moet hebben: de relatie met de corporaties aan de ene kant en het toezicht en de andere kant. Zonder relatie is er geen toezicht. Als je met gestrekt been naar binnen valt zal je nooit de informatie krijgen. Wat je wel eens ziet is dat er een kentering ontstaat, waarbij zo'n corporatie erachter komt dat je als toezichthouder toch wel verstand van zaken hebt. Dan bedenken ze dat het toch wel handig is om ze proactief te informeren over de ontwikkelingen."* (R15)
- *"Vooropgesteld is het zo dat als je een goede relatie met het bestuur hebt haar ontvankelijkheid groter is. Daarnaast is het een subtiel spel. Je ziet dat sommige bestuurders als ze grote beslissingen nemen iets prikkelbaarder zijn als je daar iets over zegt als RvC, omdat dat hun wezen raakt. Het ligt ook aan het onderwerp en hoe dicht het bij de bestuurder staat hoe 'leerbaar' diegene daarin is."* (R17)

In order to safeguard institutional independence at the same time, external supervisors can choose to make separate functions for account managers, who maintain the good relationship and can give advice, and inspectors, who carry out investigations to judge whether the organization functions adequately. This is in line with what De Bruijn et al., 2007 suggest as was described in the theoretical framework. Such a division of functions can also be done by internal supervisors, but then on a smaller scale. Certain contact moments and points on the agenda of board meeting can be labelled as moments for advice, while other moment can be labelled as moments for supervision. However, the distinction is less clear, because both roles are carried out by the same people. Another advantage of separating roles that ask for a large distance and roles that ask for a small distance is that collusion is less likely to occur. At the same time, a critical remark must be made about enabling the advisory role of supervisors this way. The fact is that supervisors are ultimately responsible for a adequate execution of their *supervisory role*. They have to assess the functioning of executive directors and ensure the achievement of the organization's goals. This is why their sanctioning power is so important, to have the ability to comply to this responsibility. We have seen that supervisors often find it tempting to adopt an advisory role, but this forms a risk for the supervisory role they have to fulfil. It should be the other way around: the advisory role of the supervisor should be considered a valuable product of the supervisory role. The feedback as a result of the assessment or judgment of the supervisors should function as a 'mirror', which already contains an useful advice in itself. The following citations of both internal and external supervisors support this argument:

- *"Je ziet ook dat raden van toezicht daar vormen voor ontwikkelen, bijvoorbeeld een voorzitter van de raad die vooroverleg heeft met het bestuur en daar meer die informele adviserende rol pakt, terwijl in de raad van toezichtvergadering meer de formele toezichthoudende rol wordt ingenomen. De inspectie moet daar wel voorzichtig mee zijn, in ieder geval met formeel adviseren, dat kan eigenlijk niet. Want ze zitten altijd op jouw aanbevelingen te wachten, en*

dat is dan het advies. Het beste advies dat de inspectie kan geven is een scherpe analyse van hoe het ervoor staat." (R10)

- *"Uiteindelijk heeft de RvT natuurlijk statutair de verantwoordelijkheid om toezichthouder te zijn. Dus als je dat niet heel duidelijk markeert ten opzichte van een adviesfunctie of een klankbordfunctie die je hebt dan gaat dat natuurlijk niet goed. Dus het moet altijd wel helder zijn in wat voor hoedanigheid je met elkaar moet spreken."* (R3)

- *"De relatie tussen de toezichthoudende rol en de adviseursrol is een soort haaientand. Die scherpe scheidslijn van puur toezichthouder zijn heb je wel eens met een jaardocument, maar normaal gesproken loopt het wat meer door elkaar heen. Soms wat meer van het één en soms wat meer van het ander. De verleiding is groot om lekker comfortabel in die adviseursrol te gaan zitten, maar toch moet je echt tóezichthouder te zijn. Een stimulerende toezichthouder weliswaar, maar met die adviseursrol moet je toch prudent omgaan."* (R17)

Executive boards' perspective:
Finding it difficult to show vulnerability, motivated by rewards

Apart from the perspective of supervisors, also executive directors take part in the dynamic of the distance towards supervisors. It is also in their interest that the relationship with supervisors is good. In the eyes of executive directors a good relationship reduces the chance of sanctions. In addition, this increases the chance of being *rewarded*, e.g. by getting an 'in control' statement, by receiving a positive report, or by a positive performance evaluation (in case internal supervisors). To contribute to this relationship executive directors have to supply all relevant information in time, and can show the supervisor they are 'in control' in the meantime. However, being transparent and open towards supervisors is sometimes experienced as threatening for executive directors. They do not like to show their vulnerability, when some things they undertake do not work out. With all supervisors watching, with the media nearby, they seem to be afraid to fail. Therefore, executive directors value supervisors who put eventual irregularities into perspective to all other aspects, problems, and issues that occur all day in their organization. On other words, supervisors who see irregularities or problems that have to be solved as a challenge, not failure.

- *"Goed toezicht moet je elkaar gunnen. Je moet de toezichthouder in een positie brengen dat hij toezicht kan houden. Dat betekent dat je geen informatie moet achterhouden. Je moet je als bestuurder behoorlijk kwetsbaar opstellen en snel met je probleem komen. Dat wekt vertrouwen bij de toezichthouder. Dat geldt zowel voor de Raad van Toezicht als voor het externe toezicht. Dat is de basis. En de bestuurssecretaris helpt bij het tijdig brengen van de informatie, zij zegt soms tegen ons als bestuurders dat we dingen echt moeten gaan melden. Als bestuurders vinden wij het soms moeilijk om ons zo kwetsbaar op te stellen."* (R6)

- *"Bij de RvT is deze dynamiek teveel geneigd naar het afstand houden en kritisch zijn. Het bestuur en de RvT hebben daarom ook een lastige periode gehad. Dat moet meer in balans zijn als je echt een effect wil hebben als opvoeder, een balans tussen straffen en belonen. Dat is een delicate balans en dat heeft de bestuurder wel wat gemist. Die verkrampte houding komt natuurlijk ook deels door die financiële problematiek waar dit ROC een paar jaar geleden nog middenin zat."* (R2)

- *"…En dat betekent dus dat je niet op alle details ingaat. En het betekent ook dat je niet op alle slakken zout legt. Dat je vertrouwen uitstraalt, dat de raad van bestuur met een oplossing zal komen. Daar moet je dan ook wel weer over rapporteren. Maar je moet intellectueel gezien afstand houden, erboven staan. Je moet blijven nadenken en niet je laten leiden door je emoties."* (R4)

From the perspective of the executive directors there seems to be a missing link in the theories discussed. It seems that only the theoretical concept of strategic behaviour fails to fully consider their motivation in supervision relationship. Strategic behaviour implies that as a result of the distance between the executive directors and the supervisor, executive directors will try to misuse their autonomy in order to make the supervisor think they are functioning well, while in fact they are not. The theory assumes that executive directors have no other motivation in their relationship with supervisors that to sabotage the system, when they get the chance. So, why would they want to learn from supervisors? Why would a 'good' relationship with their internal and external supervisors be of advantage for them as well? During the interviews I conducted for this study it has become clear to me that executive directors can be motivated and can also be stimulated to learn from supervision by (internal and external) rewards. On other words, similar to the findings of Breaux et al. (2002), Lehn (2008) this means that the principal-agent model is only partially applicable to relationships between supervisors and executive directors, since these executive directors also seem to have relational goals which are difficult to accommodate in the strongly performance-oriented agency theory (Bovens et al., 2014, p. 14). This is where the *social contingency model* (which was also introduced in the theoretical framework) has added value, although this theory was not central to this study. *"As people seek approval, as choices are often based on the logic of appropriateness* (see Olsen, 2014)*, they will adjust their actions and decisions to societal norms and expectations of appropriate conduct"* (Bovens et al., 2014, p. 15). Decisions of executive directors seem to be also influenced by approval and support from important 'social constituencies'. This part of the social contingency theory of accountability reflects the factor of 'prospect of rewards'. Also, the theory offers an explanation for the fact that the empirical results show that the 'personal characteristics' of both supervisors and executive directors are influential for the learning process of the latter. The social contingency theory presumes a strong influence of intra-personal cognitive processes between individuals and their 'external constituency' (Bovens et al., 2014, p. 14).

6 Conclusion and Discussion

In this chapter the answer to the central research question will be formulated as well as the implications of the study. The central research question was: *(How) do internal and external supervision contribute to the learning of semi-public organizations? And why?*

In the first theoretical sub question that was answered 'how can learning in supervision relationships be defined?'. Along with the existing literature about about workplace learning and literature that discusses the cybernetic aspects of supervision the following definition was formulated, partially based on Berings (2006) and Smulders (2012): 'Learning implies implicit or explicit mental and/or overt activities and processes, performed in the context of a supervision process, leading to relatively permanent changes in knowledge, skills, opinions, improvement of policies and procedures, and the prevention of mistakes.'

The second sub question 'how internal and external supervisors keep oversight on the quality of services, the financial management, and risk management of (semi) public organizations', the way of supervising was explored in these specific domains. The results show there are points of complementarity, resemblance, opposition and gaps. The nature of these points differ per case, due to the fact that the cases have to deal with different internal and external supervisors. However, most aspects of internal and external supervision are complementary or show resemblance. Oppositions and gaps in supervision occur to a lesser extent. Striking is for instance the 'communication gap' between internal and external supervision, especially concerning regular contact. Now, they only communicate with one another in case there are serious risks discovered by external supervisors. Another gap that was found in half of the cases was that both internal and external supervisors hardly pay attention to long-term strategic positioning questions.

The second sub question concerned whether, and if yes, what learning impact internal and external supervision have on executive directors. Theoretical expectations ('soll') were compared with the empirical findings ('ist'). From the empirical data the conclusion can be drawn that internal and external supervision certainly do have a learning impact, albeit both in different ways. This seems to be not only the result of the scope of the supervision framework or the way the supervision is organized, but also as a result of the knowledge and interests of the different supervisors. In general internal supervisors contribute to a broad understanding of administrative issues, and their mutual relationships, while external supervision contributes to knowledge and insight in specific domains (in-depth), namely in norms for quality and in case of the CFV in norms for financial stability. In addition, internal supervisors often contribute to understanding of operational and management issues compared to other sectors, while external supervisors contribute to the understanding of the (quality) performances of the organization relative to other organizations in the same sector. Concerning the contribution to skills external supervision hardly contributes on purpose, but more as a result of using a set of indicators that can be used as an administrative instrument by executive directors. Internal supervision on the other hand contributes purposefully to a broader spectrum of skills, like skills to manage (stakeholder) relations, skills to improve documents and reports (e.g. financial reports and business cases), and to personal management skills as far as their relationship with the executive board lets it. Remarkably, skills concerning the contribution to strategic SWOT-analysis are scarce. This is therefore also considered a 'gap' between internal and external supervision. Concerning the

contribution to opinions and views it seems that both internal and external supervisors discuss their views and opinions on risks. However, the internal supervisors also exchange their views on operational management issues (such as housing, workforce, financial management). Also, the view of internal supervisors is considered internalised in the proposals for policies, plans and strategies of the executive board. Then, concerning the improvement of policies and procedures, it is interesting to notice that internal supervisors are more concerned with the formation process of policies and procedures, while the external supervisors are concerned with the evaluations of existing policies and procedures and the way they are implemented (although the ministry of the ZBO forms an exception at this point). Furthermore, it appears that overall the focus of external supervisors lies in policies and procedures concerning quality (except for the CFV), while internal supervisors mainly pay attention to financial policies and procedures. Lastly, concerning the prevention of mistakes and irregularities the most important difference between the contribution of internal and external supervision is that internal supervision forms a forum to which executive boards are hold to account (almost) continuously, and forms a point of reference for decision making. In contrast, most external supervisors are only once a year in the picture. Besides, external supervisors are more focused on identifying mistakes and calamities, and if they do, make the executive board aware of it and make them do something about it within a given time period. While internal supervision, on the other hand, not only has a signalling function as well, but is also especially focused on which steps should be taken to control and solve the problem.

After having explored the first two sub-questions, it seems that the relationship between internal and external supervision does influence the extent to which executive boards are able to learn from them. In the first place, internal and external supervisors have different tasks and responsibilities, which results a.g. in different supervision frameworks and influences the interactions with the executive boards. Indirectly, this also seems to influence the learning process of the executive boards. Secondly, the fact that there is only contact between internal and external supervision when organizations are in trouble (i.e. serious risks are present) makes e.g. cooperation and learning from one another difficult. Also, how can internal and external supervisors keep each other sharp and alert if they hardly ever look each other in the eye? Sharing information, reflection on findings and exchanging views is expected to improve the quality and effectiveness of internal and external supervision, and in that way contribute to the learning impact on executive boards.

Lastly, we arrive at the third sub question: why does learning as a result of internal and external supervision occur, given the theoretical framework that was used? The reason, as was concluded from the empirical data of this study, includes a combination of some of the (environmental, formal, personal, and content related) stimulating factors, in combination with dynamics of distance between the supervisor and the executive directors as explained by the principal-agent theory and the new separation of powers theory. More specifically the stimulating factors concern complementary accountability processes, mild sanctioning pressure, advisory role of the supervisor, a moderate level of conflict (debate), a constructive culture, supervisor has a relevant network (for internal supervision), supervisor has relevant expertise, the opinion of the supervisor is not known on forehand, personal characteristics, prospect of rewards, focus on reflection, focus on short-term and long-term plans and strategies, and clear feedback. However, not all factors contribute to an equal degree to learning, as the cases have showed. The factors are context specific, and should be judged on their (explanatory) value in different situations.

The dynamic of keeping distance and seeking involvement can be explained as follows. Although the principal-agent theory and the new separation of powers theory have a different view on the influence of distance in supervision relationship, elements of both theories are useful for explaining learning by executive boards in supervision relationships. Starting with the principal-agent theory, it seems that in general internal and external supervisors are quite positive about their information position, although they experience dilemma's concerning acquiring a good information position as is explained by the concept of information-asymmetry. Remarkably, executive directors seem to be quite critical about the information position of both internal and external supervisors. They consider the *internal supervisors* lack institutionalized and systematic ways of gathering information coming from other sources than the executive board itself. In addition, they consider the period in which new supervisory board members have to get to know the organizations/become familiar with the organization as relatively hindering and ineffective. Executive directors criticize the often existing lack of sector specific and organization specific knowledge of internal supervisors, which results in too abstract feedback to be useful for the directors. Furthermore, the executive directors consider *external supervisors* to use only half of the important information in their judgment, because external supervisors mainly focus on measurable/'hard' information (while organizations are also about e.g. stimulating, didactic spheres and other 'soft' aspects). These information disadvantages were often experienced as hindering factors for effective supervision, and for learning by executive directors in particular. On the other hand, also examples were given in which the search for a proper information supply to the supervisor resulted in a learning process, because it stimulates discussions about which information is relevant to be able to have a good understanding of the organization's functioning. Furthermore, concerning the other part of the principal-agent theory, that assumes strategic behaviour of agents, it also seemed to have a negative influence as well as a positive on learning. It seems that the more strategic behaviour is used to conceal mistakes, the less the chance that the strategic behaviour results in a learning process. At the same time, the more strategic behaviour is used to explore the limits of legislation, to create a sphere in which irregularities are seen as challenges, or to get more feedback about how issues should be dealt with successfully, the more learning is likely to occur. Secondly, the new separation of powers theory assuming effective supervision is the result of independence of the supervisor was judged on it explanatory value. From the empirical data it can be concluded that *internal supervisors* lack a strict institutional independence (i.e. independence from their objects of supervision (executive boards) and from media and stakeholders). Although the new separation of powers theory considers this problematic, the respondents generally consider it to have positive influences on the supervision relation. Firstly, because informal contacts can improve the information position of internal supervisors. Secondly, because taking account of relevant information from media and stakeholders in the field is considered to be useful for monitoring the organization's legitimacy. However, the value of independence is at the same time acknowledged: independence towards the object of supervision is strived for as much as possible, e.g. by a division between a relation manager and an inspector). Furthermore, internal supervisors generally seem to have a high operational independence. Although the urge for professionalizing in recent years has had influence on their way of supervising this has had nothing but a positive effect on their functioning according to executive directors. *External supervisors*, on the other hand, are considered to be relatively independent of their object of supervision, but certainly not independent from politics and indirectly neither from media. In other words, external supervisors also lack a strict institutional independence. This makes external supervision politically loaded, which can result in a lack of a coherence and consistency behind policies and rules over time. This way learning is considered to be hindered and executive board become frustrated.

Although the empirical results show that, according to most respondents, creating a learning impact starts with a good relationship between the supervisor and the executive board. This way, it is considered that doors are opened for both a ciritical attitude of the supervisors as well as a more open attitude of the executive board towards these supervisors. But still, the fact is that supervisors are ultimately responsible for a adequate execution of their supervisory role. They have to assess the functioning of executive directors and ensure the achievement of the organization's goals. Keeping the relationship with the executive board 'good' can at some point be at the expense of the supervisory role and independence. Therefore, this study would recommend supervisors to keep more distance and use another perspective. I would recommend them to consider themselves a *mirror*: their role is to make a sharp and informative analysis of the situation the organization is in. That is, not only *what* the situation is, but also *why* the situation is good or bad. That seems to be the best advice a supervisor can give, and the best recipe for independence.

Limitations

These conclusions have of course a limited basis as they are drawn from just four cases from different sectors in one country. Therefore, it is not possible to generalize the results beyond these cases. This is why in the future it would be valuable if more large scale research will be done on the subject of learning in supervision relationships, so more generalizable conclusions can be drawn. In addition, whereas this study has selected heterogenous cases from the broad field of (semi) public organizations, future research that is focused on more homogenous cases would contribute to insights in learning processes in supervision relationships. Secondly, the approach of 'learning' and the explanations for learning has been biased, as we did not systematically look at *all* possible learning aspects (outside of the five criteria that were distinguished) nor did we systematically look at *all* possible factors that influence learning, such as the influence of different backgrounds of internal and external supervisors. In addition, due to the limited scope of the study a selection of internal and external supervisors was made, as well as a selection of supervision topics –quality of services, financial management, and risk management- which also limits the reach of the study. However, this study has contributed to the exploration of the relationship between internal and external supervision and their learning impact on executive board. Also, explanatory theories were used and judged on their value within the research topic of effectiveness of supervision, although only literal replication was reached for most of the findings, which means that most findings were consistent across the cases (Yin, 2003). However no theoretical replication could be reached, which means that there was no evidence that when certain conditions in a case were absent, no learning would occur. The robustness of the conclusions about the explanatory value of the distilled learning stimulating factors from learning theories, the principal-agent theory and the new separation of powers theory are therefore also limited. Hence, the findings do not allow us to really suggest for amendments in the theories used. Generally, the findings of (multiple) *case-study designs* are difficult to generalize to other situations and contexts. In this study, the responsibilities and tasks of the internal and external supervisors could not be held equal in this study (i.e. they varied), so this factor could not be excluded as being influential for the learning impact (the outcome) as well. In other words, the different tasks and responsibilities of the supervisors partially explained the learning impact. Although during the interviews this factor was taken into account, and it was tried to search for reasons/factors that contribute to learning *beyond* these structural differences, it could not be entirely excluded. Further research should be done, with greater external validity, in order to draw generalizable conclusions. Still, the discrepancies that were found between the theory and the empirical results (see next paragraph) may be used as

inspiration for future research. This study has also shown that it could be intersting to further investigate the role of distance in learning processes between supervisors and executive boards (or other 'agents'). Lastly, the relative weight of the investigated learning stimulating factors in influencing the learning impact of supervisors could be interesting to measure more in depth.

Implications

Theoretical implications of this case-study concern the fact that for understanding learning processes in supervision relationship the principal-agent theory and the separation of powers theory seem both useful. Their assumptions about the consequences of distance are contradictory –for the PA theory distance is considered a problem and for the principle of independence (derived from the new separation of powers theory) distance is considered an important prerequisite for supervision. In this study it has appeared that as the PA theory assumes, information-asymmetry and strategic behaviour can be problematic for learning of executive directors. However, at the same time both information-asymmetry and strategic behaviour can be stimulating for learning as well. That is, it has appeared that the process of sorting out what information is relevant to gather and exchange between executive directors and supervisors can stimulate learning, because it stimulates discussions about which information is relevant for a good understanding of the organization's functioning. Also, mild strategic behaviour (i.e. urging for compromises, emphasizing positive aspects of behaviour and showing good will, and aiming for restarting the supervision process each time it takes an unwelcome turn) can positively influence learning, when it is used to explore the limits of legislation, to create a sphere in which irregularities are seen as challenges, or to get more feedback about how complex issues should be dealt with successfully. At this point the empirical results do not meet the expectations of the principal-agent theory fully. The same is the case with the principle of independence. Although a lack of independence can negatively influence the extent to which executive directors learn from supervison, also examples were found in which a lack of independence had a positive influence on learning. Since both theories are not originally created for explaining learning impacts, but rather reflect more general principles of supervision and supervision relationships, it would not be justifyable to suggest to amend the theories as a consequence of the findings in the context of this study. However, when it comes to their specific usefulness for explaining learning of agents in supervision relationships, they it has appeared that there are limitations to these theoretical approaches. The principal-agent theory does not leave room for the stimulating influence on learning processes of supervisors and executive directors figuring out together what information about the functioning of an organization is relevant. Also, the PA-theory does not leave room for the learning-stimulating role of mild types of strategic behaviour of executive directors, which can lead to negotiations and, ultimo, can lead to additional feedback of supervisors. Concerning the principle of independence appears to be limited in explaining the effectiveness of supervision in terms of producing a learning impact, it should leave room for the positive effects a lack of (complete) independence. Firstly, a lack of complete independence towards the executive directors can increase the information position of the superivor, which often seems to contribute to better and more concrete feedback. Secondly, a lack of complete independence of the supervisors towards the media is often considered valuable, because that way the supervisor can monitor (eventual risks that can damage) the organization's legitimacy in society.

The empirical results also had theoretical implications for the learning stimuli that were distinguished in scientific literature about supervision and accountability relationship. It can be stated that the influence of all factors is context related. It seemed for instance that the presence of a relevant network of the supervisors only has a stimulating role for learning when *internal* supervision is

concerned. In addition, the expected stimulating role of the prospect of increased competition and rapidly changing regulatory obligations appeared to be the opposite: they were experienced as hindering factors in the present context of the investigated sectors. Furthermore, personal characteristics of both the supervisors and the supervised actors turned out to play a role in the learning processes of the agents. The quality of supervisors are for instance mentioned as important factors, and the fact whether there is a match between the supervisor and the agent. Also, an additional factor that should be distinguished as stimulating for learning is the presence of rewards for the agent. These observations are in line with the social contingency theory (see Bovens et al., 2014). As regards rewards in a substantial body of (HRM) theory and research provides insight into motivation in organizations (Rainey, 2010), in which the concept of 'reward' considered a stimulating factor. Rewards are considered to contribute to an increase in feelings of accomplishment, growth, and self-esteem through work well done. Intrinsic rewards are those that are mediated within the worker – psychological rewards derived directly from the work itself. Extrinsic rewards are externally mediated, for instance by salary, promotion, and other rewards that come from the environment or are given by others (Rainey, 2010, p. 250). The role of rewards would be an interesting element for future research on the effectiveness of supervision as well.

However, in this discussion we will point to some observations from these cases that seem worthy to be explored in the future as well. The first observation is that internal and external supervisors have the tendency to broaden their scope. External supervisors want to be informed about financial management and in some cases even operational management as well besides quality issues, and internal supervisors are more and more interested in quality and public policy issues besides the operational management and organizational continuity. This is in line with the findings of Schillemans (2010) about vertical and horizontal supervision. This development seems to have the consequence that the relationship between management and supervision changes: This broadening tendency could be explained in different ways. Firstly, the similarity between these different approaches of supervision is likely to be enhanced by the fact that all cases are autonomous functioning organizations, but are still under political control somehow. This partial autonomy can be an important drive for increased controls that should be executed by supervisors (Schillemans, 2010, p. 329). (Semi) public organization mainly experience the influence of politics in case of incidents, because the ministries are still held responsible by parliament for anything that goes wrong in the (semi) public sector, especially in case of ZBO's (see Flinders, 2001). We therefore see the most resemblance (overlap) between internal and external supervision in the ZBO case. Secondly, supervisors are generally considered to have problems with 'holding back with requests for information' (Behn, 2001). "*As specific issues usually overlap with other issues, accountability forums will be easily tempted to expand their range of oversight*" (Schillemans, 2010, p. 330). In other words, when society or politics call for broader supervision, because they think that is the supervisor's task, this is usually heard (Ibid). However, there seem to be positive sides of the broadening scope of supervisors. Although often the downside of multiple supervision relationships is noted (see e.g. terms of 'regulatory burden', 'accountability overload', 'inefficiency' as was also described in the introduction) it may improve the reliability of the supervision system (Schillemans, 2010). Reason for this is that the chance increases that unwanted behaviour will be discovered by one of the seemingly redundant supervision mechanisms. Secondly, as can be concluded from this study, the supervisors create different type of learning impacts for each of these 'redundant topics'. They emphasize different aspects and have different knowledge to offer. Thirdly, redundancy allows the supervision system to incorporate multiple legitimate and important but

sometimes contradictory values (Schillemans, 2010, p. 300). We have seen that internal and external supervisors safeguard different interests. Whereas internal supervisors are mainly focused on the continuity of the organization, the external supervisors is more interested in certain quality level and the organizations' compliance to legislation.

In addition, in the introduction of this study it was already explained that there are currently discussion about the relationship between internal and external supervision. The idea is that internal supervision should function as the fundament, while external supervision should be complementary to that (Janssens, 2005, p. 23; SER, 2005; WRR, 2005). This study has shown that partially a complementary relationship is already the case. For instance, concerning the supervision on the quality of services and financial management internal and external supervision often fulfil different roles and pay attention to different aspects. However, as was noted in the former section, there are also aspects in which internal and external supervision show resemblance (overlap) as a result of the fact that internal supervision and external supervision increasingly broaden their scope. However, besides the fact that both types of supervisors have different sorts of knowledge and lay different accents, a 'double check' by both internal and external supervisors can also be useful (because of an increase of the reliability of the findings), given the fact that supervision on, for example, quality in these large organizations is very complex and time consuming. The supervision on financial stability this has proved to be complex either, when we take a look at the series of incidents caused by derivatives. Ergo, on this aspect a 'double check' may be no luxury either. On the contrary, the empirical data of this study show that both internal and external supervision pay almost no attention to long-term strategic positioning questions. Although the supervisors look some years ahead now, based on multi-annual plans, these are often focused on financial issues instead of strategic issues, and are still not *really* long-term. So, this means that on this point improvements can be made in the relationship between internal and external supervision.

What was also concluded concerning the relationship between internal and external supervision is that they hardly communicate with one another, unless organizations are in trouble. The contact between internal and external supervision is part of the escalation ladder and does generally not occur in regular situations. This way of doing things seems to be an obstacle for improved cooperation between internal and external supervision in the future. In fact, the communication between internal and external supervision could be divided into three functions[78]: 1) supervision on supervision (control function), 2) information exchange and coordination, and 3) stimulation of improvement, reflection and learning. The exchange of views and information would not only be a positive thing for the information position of the supervisors concerning the functioning of the organization, but also has the advantage that e.g. coordination can be improved. This might enhance the effectiveness of the system of supervision. These three functions of communication between internal and external supervision would be interesting to pay attention to in future research. That way they could be developed further and their usefulness could be assessed.

The learning impact of supervision should of course be considered in relation to other factors that cause learning, like the role branch organizations and collegial consultation play in the contribution to e.g. the knowledge and understanding of organizations. Still, this multiple case study has showed that

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[78] These functions of the communication between internal and external supervisors were discussed during the meeting of the Scientific Council for Government Policy in cooperation with Vide, the trade association of supervisors and evaluators on 30-09-2014.

seemingly internal and external supervision can be considered effective arrangements from a cybernetic perspective. Both internal and external supervision contribute to the functioning and performances of (semi) public organizations, a question that was already posed by Van Montfort (2010). This conclusion is relevant in these times where the effectiveness of supervision is regularly questioned.

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Appendices

I. Code tree NVivo

II. Topic lists