Governance matters –

Some thoughts about Volkswagen, the Star Alliance and Horizon 2020

When describing and analysing Horizon 2020, little attention is paid to issues of governance. This is somewhat surprising, given both the importance of the programme and its unique character. This paper is intended to illustrate by some examples that Horizon 2020 governance issues might actually deserve greater attention, as they touch on essential aspects of the programme.

0. Intro

"Governance" is one of the buzz-words of recent years, and its somewhat fuzzy concept might explain the publication of articles essentially presenting cheap talk on how to create a better world. On the other hand, governance in the sense of the way the rules, norms and actions are produced, sustained, regulated and held accountable in a given entity or organisation, is a far too important question to just treat it with benign neglect.

Analysts tend to agree that the recent scandal which hit Volkswagen had its roots and origins in a weird and misled governance structure and governance culture. Although these problems were well known for years to the insiders and even to the wider public, the company was apparently unable to fix these problems until now, when the discovery of the manipulated engines forced them to a major reorganization and change in management culture.

There are no manipulated engines in Horizon 2020, but the case of Volkswagen illustrates the danger of neglecting and ignoring governance issues for too long. To avoid an awkward "blaming and shaming" after things went wrong, it might be preferable to allow for a frank debate in due time. The following chapters present just three examples of governance issues in Horizon 2020 which could deserve a broader analysis and debate.

1. The missing Horizon 2020 organigram

Someone new to Horizon 2020, who wants to understand how it works, might at some point search in Google for a Horizon 2020 organigram, and he or she might be somewhat surprised not to find one.

In fact, there is none. What is presented to the public as a homogeneous and coherent bundle of targeted activities is in reality managed by several Directorates-General of the Commission and different types of agencies or offices. There are important activities which are harmonised or even uniform (like the Participant Portal or the PIC codes), but the operational responsibility is spread over a wide range of departments and legal bodies.

When trying to find an analogy to this, the best match could be the major networks in the airline industry, such as One World, Sky Team or Star Alliance: As a passenger you fly on one ticket, but the planes are actually managed by United, Lufthansa or SAS. The network itself has extremely lean structures, as all the real decisions are taken at the level of the individual airline. And while all companies are partners in one network, they are still competitors with a primary accountability towards their respective shareholders.

The same holds in a sense for Horizon 2020: Both the European Commissioner for Research and the Director-General for Research and Innovation are very often regarded as the personalities in charge of Horizon 2020, but in reality they are just accountable for a major part of it, but not for the entire programme. To come back to the analogy, they are not in charge of Star Alliance, they do represent the largest airline in the network, which is actually "United". (Sorry for the joke, but please remember the motto of the European Union: "United in diversity"…).

It is fair to say that in the airline industry the networking approach for governing global cooperation seems to work well. Yet, it is another question whether the management of Horizon 2020 activities requires such a rather exotic governance approach. And it also seems obvious that if one would have to design Horizon 2020 governance from scratch – so without taking into account the path dependencies of the internal Commission arrangements – one would come up with a much simpler and more streamlined structure than the situation we find today.

In light of this one might face here a dilemma between a lean and clear governance structure, which would require a radical makeover of the established structures within the organisation, or a further muddling through within the boundaries of the established practices, knowing that these might be inadequate.

2. Joint Technology Initiatives – good governance in business and in public administration

Over recent years, a number of initiatives were taken to create closer links between research and innovation within the Framework Programmes. The most important novelty in FP7 was the creation of Joint Technology Initiatives, which are Public-Private-Partnerships to fund research activities in a given area with the support from both the EU and the industry. This can be described at first glance as a win-win situation, as this arrangement increases from a Commission perspective the impact of the funding from the Horizon 2020 budget via the matching funds from industry. For the companies involved, their investment in cash (and in kind…) allows them to ring-fence major parts of the Horizon 2020 budget for activities in their specific fields of interest.

Companies and public administrations share certain interests, but they also operate in rather different governance structures and governance cultures. It is perfectly legitimate for a private company to aim at an adequate return on investment, and to stay in control of the activities financed. But it is also absolutely legitimate for a public administration to insist on a fair and open process to define the activities funded and to ensure a rigorous independent quality control.

In terms of governance the Joint Technology Initiatives are thus not necessarily a "win-win" situation, but rather an arrangement confronting different cultures and interests. And although there is a need to compromise in order to get results in such situations, it might be sometimes tempting for the public administration to compromise too much and too quickly when the issue is to trade additional money against fundamental principles.

In light of this it could be a starting point to establish a (non exhaustive) list of "key essentials" for Horizon 2020 activities, to make it clear that across the entire programme the same basic standards apply for the definition of calls, the choice of evaluators and the evaluation and selection process.

3. European Research Council – the merits of a clear definition of roles

The European Research Council (ERC) is another relative "novelty" in the context of Framework Programmes. The very reason for its creation was to establish specific governance structures outside the standard Commission context in order to ensure an optimal support for excellent research in Europe.

The ERC website provides a very short and concise description of the ERC governance structure:

"*The European Research Council consists of a Scientific Council and an Executive Agency. The Scientific Council is the decision making body of the ERC and sets the ERC's scientific funding strategy. The ERC Executive Agency implements the ERC strategy as set by the Scientific Council, and is in charge of the day to day grant administration. The ERC operates with autonomy and integrity guaranteed by the European Commission, to which it is accountable.*"

If one takes the courage of neglecting the scientific dimension of this activity (for which no adequate governance role model might be available), and puts the focus solely on the management dimension, one could notice an important difference to the governance arrangements in roughly comparable settings: Companies usually have something like an "executive board" (in German *Vorstand*), which is responsible for taking management decisions, and hence roughly comparable to the Scientific Council of the ERC. But corporate governance usually includes also a distinct "supervisory board" (in German *Aufsichtsrat*) which is in charge of controlling the decisions taken by the executive board. This creates a system of "checks and balances", which is in one way or another good practice world-wide. In contrast, it is not obvious who actually controls the Scientific Council of the ERC.

In light of this, the independence of the ERC might be strengthened through additional efforts to establish a governance structure which defines more clearly the distinct tasks of taking decisions and supervising the overall activities.

4. Who cares?

Governance issues seem to be secondary questions for as long as things go well. But inappropriate governance arrangement may cause major problems in the longer run, and in times of crisis they prevent an organisation to take quick and adequate decisions.

The Volkswagen case is also a good example that these questions are not necessarily always addressed from within an organisation, but that it also need external stimulus to tackle the problems.

Everyone involved in Horizon 2020 shares an interest in adequate governance structures, to make sure this programme is implemented in the best way possible. Addressing these questions is not about blaming anyone or creating a scandal, it is about getting things right. And for this, public management needs public support.

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