

1 Introduction

With the current globalized outlook, intergovernmental organizations (IGOs) have become fundamental to solving complex policy problems across the world. These organizations, established by member states to promote international cooperation, are used to manage the delivery of global public goods (Federo and Saz-Carranza 2018). Research has long underscored the importance of IGOs in governing and shaping the institutional environments in which firms, national governments, public entities, and nonprofit organizations operate (e.g., Bach and Newman 2014; Shaffer 2015). However, most studies have focused on the political aspects of cooperation, in particular, how and why various member states interact, and the outcomes associated with cooperation. Although IGOs are “organizations,” operating within the same bureaucratic system that underpins business, public agencies, and nonprofit entities, few studies have offered a holistic understanding of the way in which IGOs function and operate, particularly accounting for their differences in leadership and governance structures. This Element addresses such a gap in the literature and investigates what happens to IGOs after they are created. It does so by delving deeply into two important areas: the management and governance of IGOs. It provides scholars and managers with a detailed description of the differences in IGOs and their inner workings, while offering practical guidance on how to manage and govern them effectively.

To explain how IGOs are managed and governed, this study builds on a four-year research program that collected three different types of data and produced several academic papers. Data related to the performance and governance of international development IGOs make it possible to identify governance structures that characterize high-performing IGOs (see Federo and Saz-Carranza 2018, 2020). A second dataset, detailing the organizational and governance characteristics of all global IGOs (sixty-nine in total), reveals which organizational characteristics are linked to particular governance structures in IGOs. Finally, qualitative data on the chief executives of IGO secretariats show how they set strategies and interact with members and boards (see Saz-Carranza 2015). This Element identifies and explores the leadership and governance structures and practices that lead to agreements between members and chief executives, enabling IGOs to create and implement strategies.

The succeeding parts of the Element are divided into four sections. Section 2 uses a “borrowing approach” to explain how various management theories, drawn from the for-profit, public, and nonprofit literature, can be used to understand IGOs (Federo 2017). Section 3 discusses the management of IGOs

by examining how IGO leaders shape and direct their respective organizations (Saz-Carranza 2015) and theorizing how IGOs can use strategy as a tool to craft organizational goals and objectives, which could be a way of orienting organizations (Federo and Saz-Carranza 2017). Section 4 investigates the governance of IGOs, particularly focusing on how IGO chief executives are chosen (Saz-Carranza et al. 2018) and how IGO boards participate in strategy making (Federo and Saz-Carranza, 2018) and perform their monitoring function (Federo and Saz-Carranza, 2020). The final section concludes with this Element's theoretical implications that can inform future research, while offering practitioners valuable managerial insights to improve IGO outcomes.

2 IGOs as Organizations

The first section uses a “borrowing approach” to show how various management theories related to for-profit, public, and nonprofit organizations can be used to analyze and understand IGOs. Traditional approaches within the international relations (IR) literature straddle the functionalist-constructivist divide. The functionalist approach assumes that IGOs are independent entities, established by interdependently integrated state actors. These actors promote cooperation in order to pursue collective interests; they are capable of influencing global policies, as well as state preferences and behavior (Mitrany 1948). In its central premise, the functionalist approach focuses on incentives that prompt actors to solve cooperation problems efficiently, explaining why, when, and how state actors delegate specific tasks to IGOs (Simmons 2008). By contrast, the constructivist approach aims to understand the goals and intentions of state actors that create IGOs (Ruggie 1982). State actors interact with other actors in the international arena. They create socially constructed realities by defining meanings, norms of good behavior, the nature of social actors, and legitimate forms of social action (e.g., Barnett and Finnemore 1999, 2004; Hawkins and Jacoby 2006). The constructivist approach highlights the importance of international legitimacy, driven by political and social purposes (Simmons 2008). The functionalist and constructivist approaches have both primarily explained the organizational design of IGOs. Neither approach has explored the organizational-performance implications of IGO organizational design (Federo 2017).

As Ness and Brechin (1988) have noted, IGOs are characterized by self-sufficient bureaucratic structures that allow them to function at will. This Element moves beyond traditional IR approaches, drawing on organization theories from the management literature to understand how IGO organizational performance can be strengthened through good management and governance.

In doing so, it highlights a range of theories, including agency, resource dependence, stakeholder, and institutional theory.

As IGOs become autonomous organizational actors, able to participate in international forums, influence state behavior, and initiate collective actions, they also become goal-directed entities structured to operate, choose their own direction, and survive. However, their autonomy is restricted by the vested mandate and delegated authority of the member states that established them. Increasingly, scholars have begun to draw on agency theory to explain an agency problem that arises when IGOs exploit their autonomy and deviate from the expectations of member states (e.g., Hawkins et al. 2006; Nielson and Tierney 2003). Agency problems occur when agents are incentivized and guided by self-interest and managerial opportunism to make decisions or to pursue goals that do not align with those of principals, adversely affecting them (Eisenhardt 1989; Jensen and Meckling 1976). In common with agency theory, this Element assumes that boards of directors (e.g., John and Senbet 1998) and approaches designed to align the strategies of agents and principals (e.g., Westphal and Fredrickson 2001) can act as efficient mechanisms to reduce IGO agency problems.

Alongside the incentive logic assumed in agency theory, the logic of abilities proposed in resource dependence theory (RDT) provides another important way of understanding organizations. A resource dependence approach assumes that organizations are open systems influenced by contingencies related to the external environment (Pfeffer and Salancik 1978). The main tenet of RDT involves minimizing external dependencies to reduce the uncertainty and transaction costs associated with external contingencies. As IGOs, by their nature, depend on the external environment, RDT can help to explain how they manage external contingencies that influence their goals and inner workings. For instance, IGO executives and boards of directors can provide resources to promote strategy making. Thus, integrating the logics of incentives (agency theory) and abilities (RDT) offers a holistic view of organizational designs, structures, behaviors, and outcomes (e.g., Hillman and Dalziel 2003; Boivie et al. 2016).

It is another prominent feature of IGOs that their activities are influenced by the multiple, and often conflicting, needs and expectations of a wide array of stakeholders. Stakeholders are individuals or organizations that affect, or are affected by, the actions of an organization (Freeman 1984). In addition to the member states that establish IGOs and the staff members who make them function, stakeholders include other IGOs, nongovernmental organizations (NGOs), the business sector, and the general public across transnational borders. Some stakeholders are not relevant to an IGO's activities. This Element

proposes building on stakeholder theory to identify salient stakeholders who can influence an IGO's activities and functioning.

In a context characterized by the expectations of multiple stakeholders, legitimacy becomes an important consideration. Intergovernmental organizations do not operate within an overarching national jurisdiction or a formalized institutional framework; their legitimacy transcends any formalized structure. In effect, it rises above the member states, anchored by various forces in the internal and external environment. In the management literature, institutional theory has taken the lead in explaining how organizations survive when their operations conform to prescribed, socially legitimate behaviors (Meyer and Rowan 1977). To understand the association between such behaviors and a range of IGO design-related and strategic choices, institutional theory is used to explore how legitimacy works in IGOs, in line with a growing IR literature (e.g., Coicaud and Heiskanen 2001; Tallberg and Zurn 2019).

In recent years, the organization theories that dominate management research have increasingly complemented existing IR approaches, resulting in a fuller understanding of IGOs. Many scholars now use agency theory to understand IGO delegation, resource dependence theory to explore IGO resourcing, stakeholder theory to identify actors who influence IGOs, and institutional theory to investigate IGO legitimacy. This Element combines all of these theories to achieve a holistic understanding of the ways in which IGOs can be managed and governed strategically to improve organizational outcomes.

3 Management of IGOs

This section explores how IGOs are managed, particularly focusing on how the top leadership in IGOs shape and direct their respective organizations. In the first part of the section, we focus on IGO chief executives, considering the nature of effective leadership and how executives are selected by their respective organizations. This study uses the terms “IGO leader” and “IGO chief/top executive” as synonyms. In the latter part of the section, we shift our focus to how IGO strategies are made, which indicate the direction of the organizations.

3.1 Approaches to Understanding IGO Leadership

Understanding executive leadership in multilateral organizations is crucial if the global governance system is to function adequately. The way an IGO functions depends in part on how its chief executive behaves, especially vis-à-vis the member states that established it; it also depends on the practices adopted by its top executive. Few studies have attempted to understand how such leadership figures act (the related literature includes historical, biographical works by

a few former chief executives of renowned UN and Bretton Woods institutions (Boughton 2001; Kille 2006; Kraske et al. 1996). Although there are scholarly studies of heads of states and their IGO-related foreign policies (e.g., Nye 2013), little is known about the individual behavior of IGO top executives, beyond a few biographical studies of UN Secretary Generals and World Bank Presidents. This Element therefore examines the behavior of IGO chief executives. At this level of analysis, we follow Northouse (2010) in defining leadership as “a process whereby an individual influences a group of individuals to achieve a common goal” (p. 3).

3.1.1 Agency Problems with IGO Executives

To understand the roles and functions of IGO executives, agency theory has been frequently used to conceptualize the relationship between IGO chief executives and member states (Hawkins et al. 2006). Agency theory assumes that principals (i.e., members) have clear and ranked preferences, while agents (i.e., executive leaders) are strategic actors who try to substitute their own preferences for those of the principals. The principals must balance the trade-off between the cost of monitoring and aligning agents and the cost associated with strategic gaming by agents. Traditionally, agency theory conceptualizes the principal-agent relationship as conflictive.

However, bounded rationality (common to all organizational actors) combined with the assumption that IGO principals (multiple sovereign member states engaging in politics) are collective in nature, calls for a relaxation of the premise that the preferences of principals are clear and ordered. This combination, compounded by the argument that agents do not necessarily nor solely behave strategically and narrowly to advance their own self-interest, requires a better conceptualization and understanding of executive leadership.

As Hawkins et al. (2006) have noted, an agency approach to IGO delegation assumes that agents enjoy autonomy and discretion. It is precisely the question of how agents use their discretion and autonomy that interests researchers investigating IGO leadership. Agency theory has been applied to corporate governance for several decades (Fama and Jensen 1983) and to the member state/IGO relationship more recently (Hawkins et al. 2006). Agency theory assumes that principal and agent are both self-interested, bringing their goals partially into conflict (Eisenhardt 1989). The contract that binds the agent and principal together is thus the central focus. However, it is impossible to design complete contracts under conditions of bounded rationality and uncertainty (Simon 1948; Williamson 1979). In particular, it is difficult to monitor performance in the policy fields in which IGOs operate because the agent’s

specialization exacerbates the information asymmetry between principal and agent (Hawkins et al. 2006; Kiewiet and McCubbins 1991).

As IGO principals are collective in nature, traditional agency theory is more challenging for IGOs, given the diverse and often conflicting preferences and goals of member states. Moreover, complex principals only increase the autonomy of agents, who can play one member state against another (Lyne et al. 2006). Unanimous-decision rules, which are common in IGOs, give agents more autonomy, as principals struggle to agree on detailed and binding monitoring mechanisms produced by IGO chief executives (Hawkins et al. 2006). This Element explores the specific leadership practices adopted by IGO chief executives.

3.1.2 IGO Executives as Goal-Directed Network Leaders

An alternative approach to understanding IGO leadership draws on the literature on goal-directed networks, which include IGOs. We argue that these interorganizational collaborative contexts imply a diffuse and varying concept of the leader-follower relationship, in which there is no clear hierarchical authority between the leader and the follower. In such circumstances, leadership behaviors tend to be categorized as relational behaviors. We refer to this literature because the nonhierarchical relationship between an IGO chief executive and member states is similar to that of a network broker (i.e., leader) and organization members. The received knowledge on network leadership may provide a useful starting point for exploring the behavior of IGO leaders in relation to member-state representatives.

The term “network” is not used as a metaphor (opposed to hierarchy or market) or as a sociological model (as in “social-network analysis”), but rather to define a goal-directed interorganizational phenomenon (Isett et al. 2011; Saz-Carranza et al. 2020). Following Provan and Kenis (2008), we define goal-directed networks as “groups of three or more legally autonomous organizations that work together to achieve not only their own goals but also a collective goal.” Like network members, IGO member states are simultaneously resource-interdependent and legally sovereign, making the network perspective intuitively useful.

Precisely because leadership behaviors are contingent on the amount of power held by a leader (French and Raven 1959; Northouse 2010) who lacks authority over IGO members, the goal-directed network leadership model may fit IGO leadership. Leaders of IGOs have little (if any) formal authority over member states. Goal-directed network brokers, similarly, have no formal authority over network members. This study uses the terms “network leader” and “network broker” as synonyms.

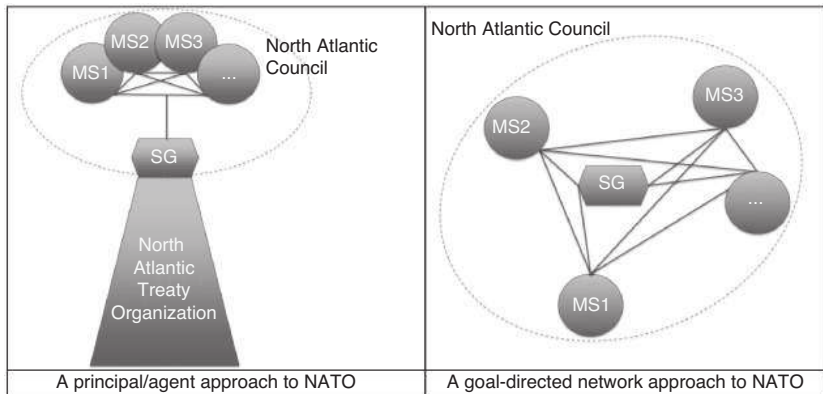


Figure 1 Two approaches to the relationship between secretary general and member states in NATO

Source: Saz-Carranza (2015).

We argue that a network-leadership approach to IGO leadership complements – rather than contradicts – the relaxed principal/agent characterization of the IGO member states/executive leadership relationship. Figure 1 illustrates how the NATO Council can be seen as a network.

3.2 IGO Network-Leadership Practices

In exploring the topic of IGO leadership practices, two historically relevant cases illustrate the way in which IGO chief executives and their personal teams have directed the leadership practices of first, NATO, as the Secretary General during the organization's first post-Cold War enlargement process in the east, and second, the European Union, while serving as the EU High Representative during the institutional creation of the European Union's Common Foreign and Security Policy (EU-CFSP). Although the two cases involve clearly distinct contexts, both are considered successful cases of IGO leadership.

In the first case, the Secretary General of NATO successfully led the eastward expansion of IGOs, which took place between 1995 and 1999. The expansion involved two central issues that had to be resolved. First, members had to agree on which countries would join NATO during the first post-Cold War expansion. There were five candidates: the Czech Republic, Poland, Hungary, Romania, and Slovenia. The second major issue was how NATO should proceed in relation to Russia, which has never wanted NATO too close to its borders (as the ongoing Ukraine crisis reminds us). In relation to both issues, the Secretary General had to promote unity and support among member states, helping them choose new member states while simultaneously signing a partnership

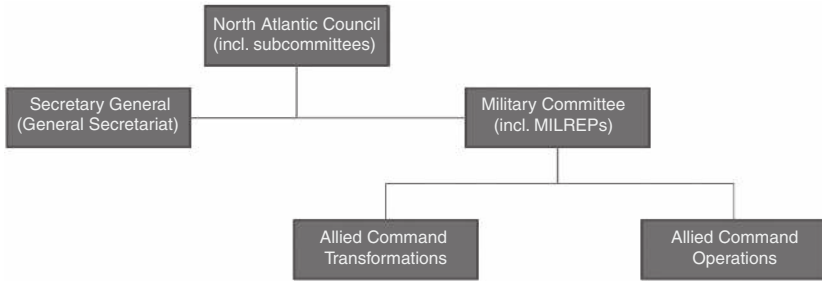


Figure 2 Structure of NATO

Source: Saz-Carranza (2015).

agreement with Russia. His major achievements were as follows: (1) NATO and Russia signed the Founding Act in May 1997; and (2) the Czech Republic, Hungary, and Poland formally joined NATO in March 1999. Figure 2 shows how NATO is structured.

The second case explores how the High Representative/Vice President (HR/VP) of the EU-CFSP institutionally developed an intergovernmental initiative between 1999 and 2009. Here, the issue revolved around how to create a supranational institutional framework from scratch in a sector considered crucial to state sovereignty, at a moment when support for transnational institutions was beginning to stall. Given this context, the High Representative had to be capable of collectively engaging with members and persuading member states to support specific courses of action within the new collective endeavor, as well as establishing the necessary institutional structure. As the European Union began to incorporate a foreign policy, the High Representative was actively involved in designing and implementing a military structure within an IGO (the European Union) that had pacifism coded into its DNA. Figure 3 shows how the EU-CFSP is structured.

Although network leadership is similar to traditional intra-organizational leadership, it tends to focus on people-oriented behavior – creating a common vision to generate sufficient buy-in and secure resources – rather than task-related behaviors. When Silvia and McGuire (2010) surveyed 417 network leaders, they found that network leadership overlapped with intra-organizational leadership, but involved more people-oriented behavior. Although network leadership produces the same types of behavior as intra-organizational leadership, it relies more heavily on people-oriented behaviors (Silvia and McGuire 2010; Northouse 2010) and soft power (Nye 2013) to achieve collective goals. Over the past decade, network-leadership research has identified a consistent set of practices implemented by network leaders

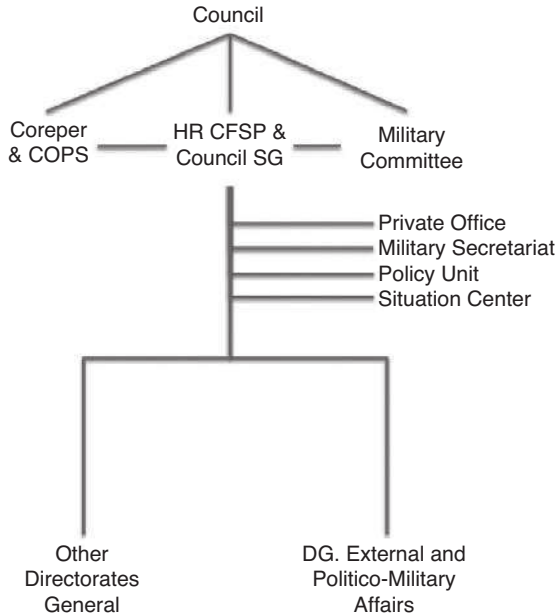


Figure 3 Structure of the EU-CFSP in 2002

Source: Saz-Carranza (2015).

(Agranoff and McGuire 2001; Huxham and Vangen 2005; Kickert et al. 1997).

3.2.1 Framing: Agent, Broker, or Both?

Framing is a key network-leadership practice aimed at generating a common vision and shared goals (Agranoff and McGuire 2001; Huxham and Vangen 2005; Kickert et al. 1997; Müller-Seitz 2012; Ospina and Saz-Carranza 2010). Networks bring together members with different frames of reference, rendering formalized and rational decision-making rules less effective (Salancik and Pfeffer 1974). The WTO, for example, has proved incapable of reaching new trade agreements, due to conflicting interests and principles, such as whether developing member states can subsidize rural farmers. Actors in a network have distinct mental frames of reference. To make joint decisions and solve social problems, they must find ways of mutually adjusting their perceptions. Framing is thus an important unifying practice.

As our qualitative data reveal, an IGO executive and members must engage in an interactive and dynamic process to define specific courses of action, goals, and strategies. The data reveal a blurry and fuzzy distinction between the agent and principal (the member states collectively) in setting courses of action. At times, the

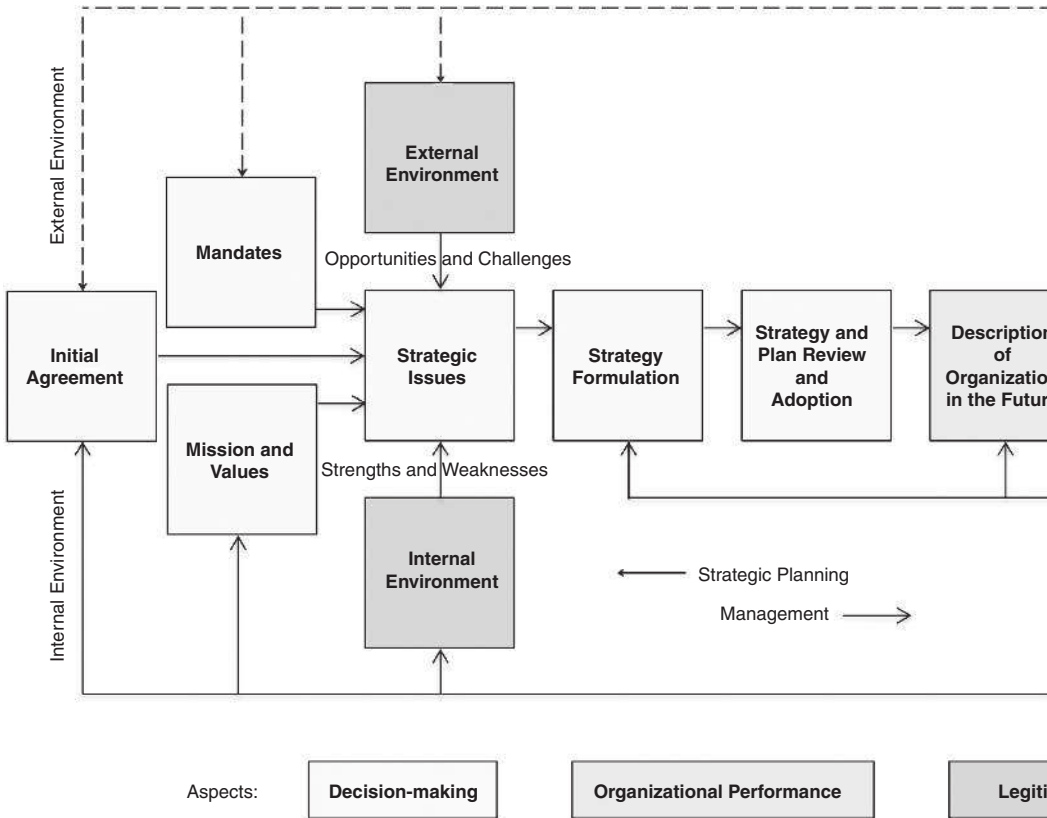


Figure 4 Strategy change cycle

Source: Federo and Saz-Carranza (2017), adapted from Bryson (2011).