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# Changing forms of organising in regional intergovernmental cooperative network: the Asia Pacific economic cooperation

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## Abstract

The organizational theory literature suggests that organisations should adapt to highly competitive business environments by strategically replacing or transforming the traditional with more innovative forms of organising. These innovative and more flexible forms of organizing are often portrayed as dichotomous and antithetical. Recent research by Pettigrew, Fenton, Palmer, DiMaggio and others discovered that one of the emergent themes in contemporary firms is that they engage in apparently contradictory practice, where the 'old' and the 'new' changes are practiced simultaneously. The Asia Pacific Economic Cooperation (APEC), one of the major regional intergovernmental cooperative networks in the Asia Pacific region is investigated as such a case. This paper concludes with a reflection on further directions for research in organizational dualism in cooperative networks.

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# CHANGING FORMS OF ORGANISING IN REGIONAL INTERGOVERNMENTAL COOPERATIVE NETWORK: THE ASIA PACIFIC ECONOMIC COOPERATION

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*Abstract*

The organizational theory literature suggests that organisations should adapt to highly competitive business environments by strategically replacing or transforming the traditional with more innovative forms of organising. These innovative and more flexible forms of organizing are often portrayed as dichotomous and antithetical. Recent research by Pettigrew, Fenton, Palmer, DiMaggio and others discovered that one of the emergent themes in contemporary firms is that they engage in apparently contradictory practice, where the 'old' and the 'new' changes are practiced simultaneously. The Asia Pacific Economic Cooperation (APEC), one of the major regional intergovernmental cooperative networks in the Asia Pacific region is investigated as such a case. This paper concludes with a reflection on further directions for research in organizational dualism in cooperative networks.

**Keywords**: changing, organising, innovative, network, Asia-Pacific

## INTRODUCTION

The current organization theory literature argues that organizations, in the context of a highly competitive and fast changing business environment, should respond by replacing the traditional ways of organising with new, more innovative practices (Palmer et al: 2001:191). The current period has been described as 'discontinuous' (Nadler et al, 1995), 'post bureaucratic '(Thompson, 1993) 'chaotic' (Jenner, 1994) and 'post-modern' (Clegg, 1994), implying that a new global environment may require more innovative forms of organizing to cope, manage and grow.

The concept of changing forms of organising, dualities and competing tendencies is not new. Dualities, contradictions or dilemmas refers to the apparently inconsistent practices of simultaneously being caught in the horns of deciding if an organization should adopt a strategy to replicate or adapt, to compete or cooperate, and emphasise organizational capacities or leadership (Racine, 2003: 309). It also refers to organizations simultaneously building "hierarchies and networks, seeking greater accountability upwards and more horizontal integration sideways and centralizing strategies and decentralize operations" in the one network or organization. (Sanchez-Runde and Pettigrew: 2003:243). Fenton and Pettigrew (2000) found that these dualities may be both competing and complimentary for organizations. These tendencies imply that the dualities

maybe planned and deliberate in intent and adopted as a 'pragmatic' strategy to meet complex, diverse and competing demands of the environment

This paper explores the concept of changing forms of organizing by investigating the Asia Pacific Economic Cooperation (APEC), a network held together by the political commitments of its members. The issue is how and what innovative ways or organising does a major non-profit, regional intergovernmental cooperative network develops to achieve its ambitious goals of creating an economic cooperative community with a heterogeneous and diverse group of stakeholders but with limited managerial, financial and intellectual resources to actualise and implement agreements. The author identifies three major 'horns' of contradictions the form, character and process of APEC during its formative years, 1989 to 1999 and reflects on their implications for organizational theory, APEC and its constituents.

## LITERATURE ON CHANGING AND INNOVATIVE FORMS OF    ORGANISING

The structure of an organization is widely regarded by scholars and practioners as a critical strategic mechanism to respond to the contemporary highly competitive environment. These environments demand that organizations act quickly, flexibly, innovatively, "boundary less' and integrated, reminiscent of the 'new technologies' industries (Ashkenas et al., 1995, Fulk and DeSantis, 1995). New forms of organising include disaggregation, empowerment, flexible works groups, temporary staffing, reducing internal and external boundaries, outsourcing and collaboration (Palmer and Dunford, 1997).

Palmer et al (2001:191) in their review of the literature on structural forms agreed with Bartlett and Ghoshal (1993) who argued that the traditional combination of 'strategy-structure-systems' is becoming irrelevant in the post-modern environment. In this change, the managerial authority of the bosses is being replaced by new forms of leadership (quoted in Palmer et al 2001: 191; the networked organisations are incompatible with the hierarchical and functional models of organising, and precise duty statements are being replaced by "fluid, ambiguous and deliberately ill defined tasks and roles (

Dess et al, 1995:7). An important issue is if these innovative forms of organising are a transformation or an evolution of a 'new' way of structuring organisations.

Fenton and Pettigrew (2000) also found similar shifts occurring in organization structure, design and practice of management in the sample of 18 innovating firms and their networks in Japan, Europe and USA. DiMaggio (2001:7) and others argued that the concept and image of innovating firms centered around three emphases from the practice-based literature: (1) flexibility and permeability of the organizational boundary (2) cooperative relations and alliances within and between organizations (3) flattening of the traditional hierarchal structure of organizations. Fenton and Pettigrew (2000:7) extended the literature review beyond the practice-based research and identified three major themes. These are the: (1) Globalizing firm and its changing boundaries (Fenton and Pettigrew: 2000). (2) Knowledge firm in the knowledge economy:  this theme refers to a more inclusive orientation to incorporate mature and older firms in the knowledge creation and learning to remain competitive. Further, new and older firms acknowledge the need to connect and collect knowledge from within and without the traditional organizational boundaries of the firm to innovate (Fenton and Pettigrew: 2000:9). (3) Networks and the socially embedded firm: this theme locates interorganizational relations and network formation at the centre of organizational agenda. It focuses organizing on the character and patterns of interorganizational relations and exchange occurring in intra-firm and inter –firm alliances and other cooperative networks. The assumption in this theme is that relational and network relations form the context in which learning, the transfer of knowledge and ideas take place thus increasing the responsiveness and creativity of the firm.  As Fenton and Pettigrew (2000:8) noted, the firm adds value by forming relationships thus requiring greater interdependence between the actors to create, share and transfer knowledge within the wider context or environment in which the firm is embedded.

To summarise, according to Pettigrew and Fenton (2001), DiMaggio (2001), Palmer at al (2001) innovative forms of organising and the notion of dualism in organizations suggest that these shape the responses to the intensely competitive organizational environment and the consequent shifts in

form, character and process to adapt and survive as viable entities. The successful organizations in these new environments tend to adopt innovative forms of organising such as building networks which are embedded in social relationships, flexible boundaries, knowledge and learning orientation, flatter hierarchy and more cooperative cultures. However, Pettigrew, Fenton (2001) argues that these dualistic forms of organising complement rather than contradict or generate dilemmas for the organisations. Palmer et al (2001) support the Pettigrew argument. Their study of collaborative technologies in the film production industry indicated that managers were similarly using the 'old' and 'new' practices simultaneously rather than replacing or transforming them.

The intriguing issue is if these dualistic and apparently contradictory forms of organising are found in commercial enterprises; what are the dualistic activities engaged by other forms of organisation such as a regional intergovernmental cooperative network, how do they respond to their environment and if they differ substantially to commercial enterprises? The next section investigates a regional intergovernmental trade network, the Asia Pacific Economic Cooperation as a case.

**APEC**

One of the major political development in the late 1980's and 1990's in the Asia Pacific region was the establishment of the Asia Pacific Economic Cooperation (APEC) as a regional intergovernment trade network for trade and investment facilitation, liberalization at the policy level and economic and technical cooperation at the practical level (Australian Senate, 1997). APEC is essentially an intergovernmental network based on political commitment and will of its current 21 diverse and heterogeneous members. It aims to create an "open and free' multilateral trading region, meaning an absence of individual trade protectionism, foreshadowed, in a sense by the WTO. It now has 21 members including the 'Three Chinas', the People's Republic of China, Hong Kong and Chinese Taipei (Taiwan). The region collectively is inhabited by approximately 3 billion people and responsible for one third of the world's trade. APEC's membership includes the 3 largest economies of the world (USA, China and Japan). It was constructed innovatively to meet political and

economic aspirations of governments in the Asia Pacific region at the time and filled a vacuum for a vehicle in the region for intergovernmental cooperation (Ravenhill: 2001). APEC was built on innovative principles, form and processes. It coordinates a myriad of meetings, sub-networks, networks and committees of diverse interests and concerns of member governments and agencies. As a cooperative network it consults, participates voluntarily, discusses and agrees by consensus on major trade and investment policies at various levels of Government. In addition, APEC is also advised by business representatives and two friendly non-Government organizations. Other APEC priorities include the broad areas of developing human resources, creating a stable capital market infrastructure, removing barriers to trade and harnessing new technologies for the region (Australian Senate, 1997:88).

## CHANGING FORMS OF PRGANISING IN APEC

In November 1989 in Canberra, APEC agreed on its ambitious goals and aims of establishing a regional trade and investment community to sustain economic growth of its diverse and heterogeneous economies in the Asia Pacific and the world economy. Initially, APEC consisted of twelve members, however, in 1993 and 1998 membership were extended to twenty one. Simultaneously, APEC established a command structure to control the decision-making processes of the network. In addition in 1992, APEC established a human resource structure, forms of organizing and processes that are inadequate, inherently unstable, too complex, and create rules that paralysed decision-making in the network (Feinberg, 2003:1, Soesastro, 2003:30).

### *The APEC Form*

In the formation of APEC, the ASEAN members were insistent that the innovative network was to be built on principles of organizing enshrined in the first meeting in November 1989. The then Australian Foreign Minister, Gareth Evans, issued a statement defining the meaning of cooperation in APEC. These were, that economic and technical cooperation in APEC should be based on informal or 'non-formal' consultation, commitment to open dialogue and consensus, based on

economic areas of mutual benefit, interdependence and complementary to the work of ASEAN and PECC. In addition to these organising principles, ASEAN members insisted and others agreed that a constitution for its foundation is unnecessary. These organizing principles are in sharp contrast to the European models of organising in the WTO, OECD and ILO which are rule-based, formal and legalistic and large organisations (Australian Senate, 1997:1965, Soesastro, 2003:33, Ravenhill, 2000, Woolcott, 2003:261).

The organizing form and principles of APEC reflected a degree of ambivalence in the decision-making processes and distrust amongst members. This is particularly the case in the early stage of development of APEC and although the ambivalence may still exist between member economies, individual delegates tend to be more trusting. For instance, the consensus principle has been interpreted by members to mean that all must agree on every statement, policy and activity of APEC. This has considerable consequences for the speed and content of decision-making involving 21 politicians, member governments, bureaucracies and their constituents (Feinberg, 2003).

Feinberg (2003) in coordinating the first review of APEC described APEC as an institution with a particular mix of 'idealism and realism'. While APEC has ambitious aims it required a transformation in attitudes of the membership to expect historical rivals and former enemies to work together and form a community. With these ambitious aims, APEC proceeded to construct a labyrinth of committees, working groups and sub-networks to discuss, investigate and reporting on issues of priorities, with no executive board or decision-making powers to manage the planning, control and take policy initiatives. This lack of decision-making power to manage effectively and reflects the organisational tension between the secretariat and the senior official's meeting (SOM), consisting of senior Foreign Affairs officials. This tension is the outcome of conscious design by the founding economies of APEC. In its realism, APEC members refused to delegate decision-making powers to a young collective agency, the secretariat. This organisational tension leads APEC to be described as an 'edifice' built on 'soft sand' but as Feinberg remarked, the 'soft institutionalism' that APEC built in its infancy may be appropriate and sensible in the context of the region and the

membership in the late 1990's. However, the issue an institutional transformation may now be necessary for APEC contemplates the new challenges of the next decade and beyond. (Feinberg, 2001:11).

**THE APEC PROCESS**

The APEC Secretariat is led by an Executive Director (ED), seconded from a member economy hosting the annual APEC process, a political statement of leaders who agreed to cooperate on key economic and technical issues necessary for economic growth. The Deputy ED is similarly seconded from the economy hosting the APEC process the subsequent year. The Deputy 'learns the ropes' before taking on the Chair the following year his (or her) economy hosts APEC (Gooding, 2003:68). Each hosting economy has the role of influencing the direction and development of APEC for a year and injects fresh ideas and broadening the agenda or consolidates and em hazing the core values of the network.

Approximately twenty-three Foreign Affairs and Trade officials, usually "managers" or 'generalists' are seconded from member economies on two to three year posting as 'Program Directors' and assigned to provide technical assistance to the 'Lead Sheperd' or Chair of a committee, working group or fora. Other seconded officers are seconded to manage corporate services as finance, public information, evaluation and research. The same number of administrative support staff is employed locally in the secretariat located in Singapore. Similarly, the rotation and cyclic nature of the middle managers in APEC poses a systemic organisational problem when continuity and retention of the institutional memory and antecedence of issues, policies, projects and activities are 'thin' and 'shallow' (Feinberg, 2003).

In a network attempting to address specific policy areas as diverse as energy, science and technology, human resources development, telecommunications, fisheries, small business enterprises and transportation, there is an absence of specialist knowledge and expertise in APEC. While the secretariat attempted to recruit specialists and from member economies, its has not been a satisfactory experience for a number of reasons not least is the less than commercial rate of

consultant fees and the cumbersome process of financial reimbursement process (Goodings, 2003: 69). As a consequence of this deficit in knowledge and experience, APEC has been inadequate in addressing organizational issues such as project evaluation, outreaching to civil and NGOs stakeholders in the process of economic development and growth (Goodings, 2003: 69).

The process of reimbursement and financial accountability in the APEC is astonishing. Economies which receive APEC funding to undertake approved projects must defray the cost first, before reimbursement can be processed by the Secretariat. APEC specifies categories of expenditure which are acceptable. Any cost expended outside these guidelines are considered non refundable. The set of APEC financial rules are euphemistically referred to as 'guidelines' governing financial accountability of APEC projects and financial transactions are applied as immutable rules by the financial directors and the Budget and Finance Committee (BAC) These 'financial guidelines' are based on Singaporean finance and auditing legislation. Similar strict rules apply to the use of APEC logo; publicity of APEC funded activities and others. These rules governing the activities of APEC are formal, rigid, restrictive and a disincentive to the organising of APEC projects (Feinberg, 2001).

The APEC process is in summary, cumbersome, inefficient, rigid, unstable and formal, and restrictive, contrary to the principles of effective organising and the desires of the founding economies for a flexible, informal, and open system, acceptable in most contemporary organisations or networks. In spite of these negative features, APEC remains the only major forum for regional consultation, discussion and contact for leaders, senior officials, information is shared and a network of individual relationships are developed, and sustain through meetings across APEC network.

**CHANGING CHARACTER OF APEC**

The character of APEC is naturally shaped by the persons who manage it, the organizational culture, the stakeholders and the economic and political environment in which it is embedded. The membership of APEC similarly influenced its character most profoundly. The 1999 membership of APEC is economically heterogenous and culturally diverse consisting of nations states and countries surrounding one of the largest, the Pacific Ocean. It has USA, China and Japan, the world's largest three economies and most populous on one end of the continuum and at the other, Papua New Guinea, with the lowest GDP and demographically the smallest, in the world. The political and economic power and hence bargaining positions, persuasion and interests of all members are difficult to reconcile and balance. However, politically and theoretically, each member has an 'equal power and right' in participating and adopting non-binding agreements.

The heterogeneity and diversity in APEC is further complicated by cross membership of other international multilateral trade networks. For instance, 16 of the 21 members of APEC belong to WTO, the primary global multilateral trade organization. Consequently, it would be expected that WTO members in APEC would ensure that all agreements on trade in the Asia Pacific are 'WTO consistent'. The seven ASEAN members are another major group and APEC recognised this by ensuring that agreements are consistent with ASEAN agenda on trade.  Mexico, Canada and United States of America, members of North American Free Trade Association (NAFTA) are in APEC. These cross membership of other multilateral networks imply that multiple trade agendas are at play in APEC.  It is almost as if the 'APEC agenda has agendas within agendas'. This implies that decisions and commitments in APEC have significance beyond its membership to other multilateral networks. The other apparent contradiction in APEC concerns the bilateral agreements economy's like Australia has with Thailand, Singapore and the United States of America. Australia is currently negotiating a trade agreement with The Republic of China. The issue is if such bilateral trade agreements conflict with the multilateral agreements reached in APEC? Australia does not believe that it does.

The other changing form of organizing in the character of APEC concerns the duality of bilateral agreements between individual members within a multilateral trading network. On the surface this duality maybe perceived as a 'two-way bet' on trade and maybe construed as unethical behaviour. However, Australia has pursued this approach to trading agreements having completed 3 bilateral agreements with its APEC co-members. APEC has yet to raise nay objections to these bilateral trade agreements.

**CONCLUSION**

It is argued that changing forms of organising such as dualities, apparent contradictions and dilemmas are features developed in response to new intensely competitive environment. These changing and innovative forms of organising are also found in contemporary regional intergovernmental cooperative network such as APEC and are present in the network structure, character and process in response to the its complex membership. These network responses reflect the 'pragmatic' decisions and actions complex networks are required to take to survive. In APEC, the changing and innovative forms of organising is an attempt to achieve its ambitious goal of developing a free and open multilateral trading system with historical enemies and rivals, heterogenous economies and culturally diverse members with a structure that has no decision making board, a secretariat without a mandate to initiate, and a meagre human, intellectual and financial resources to achieve goals, seems rather contradictory. In spite of these network dualities and contradictions, APEC continues to be receiving the commitment of political leaders in the Asia Pacific region.

However, further research on APEC is necessary to unravel and explain how these forms and dualities affect the cooperative relationships and their outcomes. This will contribute to finding answers to the challenging future of APEC.

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