**Why Perceived Size Matters for Agency Termination**

*[T]he single most important reason why bureaus so rarely die is that they are large, and all large organizations have high survival rates . . . size . . . is the number one determinant of survival.*

Anthony Downs (1967, p. 23)

The question of whether, how and under what circumstances public organizations die has troubled administrative scholars for more than half a century (Boin, Kuipers, & Steenbergen, 2010). Early scholarship assumed government organizations were effectively immortal, on the grounds that government agencies are large, and large organizations do not die (Downs, 1967; Simon, 1950). This view stoked fears of inevitable and untrammelled bureaucratic growth (Lowi 1969), and underpinned political campaigns against big government, which found their expression in the new public management (NPM) and its programs of termination and/or privatisation of large and inefficient government operations (Hood, 1991). These belt-tightening efforts have continued into the so-called “post-NPM era”, with austerity programs spurring new efforts to downsize, merge and terminate public sector organizations (Flinders, Dommett, & Tonkiss, 2014; Flinders & Skelcher, 2012; Howard 2015; Wood 2015; Lodge and Hood 2012). Throughout this period scholars have undertaken increasingly sophisticated empirical studies to determine the conditions that increase the probability of agency termination. The objective size of an agency, defined in relation to its budget, is sometimes included as a variable in these studies, with most finding size has a very small positive effect on survival (Berry, Burden, & Howell, 2010; Boin et al., 2010; Carpenter & Lewis, 2004; Lewis, 2002).

The modest size effect suggests the traditional assumption that big agencies do not die should be revaluated. In particular, we need a better understanding of the mechanisms through which agency size affects survival chances. In this article we unpack these mechanisms by investigating the trajectory of one agency - the Australian Agency for International Development (AusAID) - over four decades. The case is significant because this agency faced a succession of abolition attempts, including a partial termination in 1976, followed by re-establishment and consolidation throughout the 1990s and 2000s, before being fully terminated in 2013. To do so we adopt Kaufman’s (1976: 28) definition of organizational death in the public sector. For Kaufman, an organization is defined as a group of public officials surrounded by an ‘uninterruptedly maintained’ boundary, which distinguishes insiders from outsiders. Termination occurs when this boundary is no longer perceptible. Crucially, in our empirical case each attempt at termination was justified on the grounds that the agency had grown *too large*. By investigating the multiple lives and deaths of one agency over time we are able to show that in addition to *objective size* (budget, number of staff etc.), *perceived size* (the meanings and beliefs of external stakeholders in relation to the size of the agency) also matters when explaining termination. In short, the meaning of “size” is locally and temporally contingent, susceptible to both synchronic and diachronic reinterpretation (cf. Elston, 2014; Papanastasiou 2016; Smullen 2010). In substantiating these claims this article makes three contributions:

1. *Theoretically*: it problematizes one of public administration’s longest standing assumptions – the bigger the agency the lower the risk of termination – by developing the concept of *perceived size*. In doing so we also add to recent work on the importance of organizational adaptation (e.g. Boin et al., 2010) and reputation (Boon and Verhoest 2014; Carpenter 2001, 2014; Maor 2011);
2. *Methodologically:* it extends the small but growing body of interpretive scholarship on agencies (e.g. Smullen 2010; Elston 2014). These studies address how discursive, historical and geo-spatial contexts shape stakeholders’ attitudes towards agencies. We add an explicit focus on how beliefs about organizational size influence termination; and
3. *Empirically:* to show how perceived size has affected termination risk over time, we provide an in-depth historical case study that draws on more than 50 interviews with ministers and senior officials, as well as archival and public source material.

To substantiate these claims we first review existing work on organizational termination, paying particular attention to the impact of agency size, to both situate our argument and highlight the importance of our case. Then we introduce recent interpretive work on agencies to demonstrate what this approach adds to the study of agency termination. Third, we provide a discussion of the data we collected to undertake this analysis. In the fourth section we present the findings of this research by focusing on six distinct periods in the “life cycle” of AusAID: inception; infanticide; recovery; consolidation; expansion and termination. In the conclusion we return to the implications of our approach and findings for theories of organizational termination.

Agency termination and the role of size: existing research

Scholars have been studying the factors that influence organizational survival in the public sector for more than half a century. Agency size was a key variable in early research on termination, but it receives less attention in recent work. Existing research into the relationship between size and agency survival is defined by its focus on organizational budget – what we call *objective size.* Herbert Simon’s pioneering contribution (1950: 117-8) suggested that large organizations are much more likely to survive, and knowledge of this would motivate leaders to grow their organizations. Later, Anthony Downs (1967) agreed that “large organizations have a better chance of survival than smaller ones” and noted that expansion is also desired because it reduces internal conflicts over resources, thereby securing greater stability. Expansion is also said to improve organizational performance through greater specialization and economies of scale (Downs 1967: 17). Furthermore, large bureaus tend to have more clients who benefit from payments and services handled by the agency, and these clients are likely to mobilise in opposition to termination (Downs 1967: 22-23). Herbert Kaufman (1976: 10) made a similar observation in his classic study of agency termination when he noted that agencies’ “clienteles are commonly among their most ardent defenders”.

More recently, Patrick Dunleavy (1985) provided further theoretical elaboration of the consequences of budget growth for public agencies. He suggested organizational budgets should be conceptually divided into at least three components: the *programme budget,* which reflects the total funds allocated to the programme or portfolio that the agency is responsible for, the *bureau budget,* which covers those funds spent by the organization, and the *core budget,* whichis spent directly on the organization itself – staff, buildings, vehicle fleets, computing facilities and the like. According to Dunleavy, core budgets do little to increase survival chances because they do not benefit external stakeholders and may be seen as a measure of organizational inefficiency. A large programme budget with a small core budget is more likely to please stakeholders and mollify critics (Dunleavy 1985: 307).

Simon’s, Downs’s and Dunleavy’s arguments about organizational survival are based on theoretical assumptions, not empirical research. This empirical gap has recently been addressed in two literatures: one that employs quantitative survival or hazard analyses to study termination of US federal bodies, and a second that addresses ‘de-agencification’ trends in Europe and Australia through qualitative methods. As we shall see, this empirical literature has not uncovered a clear relationship between size and termination.

Survival or hazard analyses measure the length of time from organizational birth to death and attempt to isolate the factors that affect termination risk at different ages (e.g. Berry et al., 2010; Boin et al., 2010; Carpenter & Lewis, 2004; Lewis, 2002). According to survival analyses of US agencies, the most important variables affecting termination risk are age, relationship to the political executive and organizational adaptability. In terms of agency age, traditional theories such as those of Kaufman and Downs saw agencies’ temporal risk of termination in “monotonic” terms – that is, either increasing or decreasing in a linear fashion as they aged (Carpenter & Lewis, 2004). Recent survival analyses reject this model in favour of an inverted-U function: the hazard of termination is argued to be low at birth, rises steeply in the years following birth, and then declines gradually in subsequent years (ibid.; Boin et al 2010; Corder 2004). In addition to age, Boin et al’s (2010) hazard analysis of US data suggests “insulation” from the executive, in the form of either “distance” down the organizational hierarchy, or legal independence, appears to reduce termination risk in the short term but increase it in the long run. Boin et al (2010) found the ability of the agency to adapt to the changing priorities of the executive and legislature is a strong predictor of survival (see also MacCarthaigh 2014). Organizational characteristics such as size were not found to have a statistically significant effect (ibid.)

Berry et al (2010) studied the impact of the size of an agency’s bureau budget at creation on survival, and found a positive correlation. Levitt and Snyder (1997) studied programme budgets, and found smaller programmes tend to experience more volatility in funding, but this research did not address termination explicitly. Lewis (2002, 2004) and Carpenter and Lewis (2004) tested the effect of bureau budget size on termination but conceptualized it as a dummy variable – whether or not the agency has a separate line in the US Federal budget – on the assumption that an agency with a separate line will have a larger bureau budget. Their studies found that the presence of a separate budget line had a small but statistically significant negative impact on termination risk.

In contrast to the aforementioned quantitative hazard analyses, recent literature on ‘de-agencification’ in Europe and Australia emphasizes the impact of historical, discursive and institutional contexts on public organizational termination (Flinders, Dommett, & Tonkiss, 2014; Flinders & Skelcher, 2012; Lodge and Hood 2012). These predominately qualitative analyses stress the complexity and contingency of termination decisions, and the interaction between multiple factors in determining termination risks. They suggest the contemporary risk of termination is fundamentally shaped by ‘post-new public management’ discourse, wherein political actors argue the importance of reasserting ministerial control and political accountability over the ‘organizational zoo’ of inconsistent administrative arrangements left over from the NPM era of specialization and managerial devolution (Christensen and Lægreid 2011). Contemporary termination efforts in Europe and Australia are therefore disproportionately focused on quasi-autonomous agencies.

Helpfully for our purposes, these recent termination initiatives have often included explicit lists of termination principles, intended to guide decisions regarding which agencies should be abolished (Flinders and Sklecher 2012). However, agency size does not figure in such lists. Although there is widespread consternation about the excessive size of the “quango state”, the size of individual bodies is not addressed as a reason for their termination. Furthermore, research to date has found that actual reasons for terminations deviate significantly from these official “rationalizations” (van Thiel 2012). As a result, we cannot straightforwardly read termination risks off recent formal statements of termination principles.

A further complicating factor in understanding the drivers of de-agencification decisions is that agencies are not passive actors when threatened with termination (Dommett and Skelcher 2014; cf. Kaufman 1976; Wilson 1989). Dommett and Skelcher (2014) use qualitative interviews to investigate how agencies themselves react to de-agencification efforts, and point out that agencies can use counter-strategies such as presenting themselves as indispensible experts, making superficial efforts at reform, and positioning themselves as vital “nodes” in governance networks (Dommett and Skelcher 2014). If these observations are correct, then we cannot understand the relationship between size and termination without taking into account the strategic behaviour of bureaucrats.

In sum, the oldest studies of bureaucratic agencies posit that objective size is strongly correlated with survival. By contrast, recent quantitative studies of termination show that size has only a small positive effect on survival, on average. The qualitative literature on termination has investigated recent de-agencification efforts in greater depth, but it largely ignores size. We fill this gap, but to do so requires us to adopt an explicitly interpretivist approach that focuses on *perceived size*.

Towards a concept of perceived size

Existing theories posit that organizational size increases survival chances. However, the small relationship revealed in statistical studies suggests one of two possibilities: either a) size has no systematic empirical relationship to survival; or b) there is unobserved heterogeneity in these studies, meaning size does matter, but there are factors intervening between objective size and survival that are not captured in the existing statistical analyses.

We propose that termination risk is fundamentally influenced by external perceptions of an agency’s capability, performance and accountability. Whereas the recent qualitative agency termination literature has ignored the role of size, we suggest that the question of scale is core to external perceptions of organizational performance and therefore survival. We argue that the relationship between objective agency size and termination risk is mediated by the perceptions (meanings and beliefs) stakeholders hold concerning the size of the agency. We further suggest that an interpretative theoretical approach (Bevir & Rhodes, 2003; Elston, 2014; Yanow & Schwartz-Shea, 2013) is best suited to uncovering such perceptions and their effects.

The idea that political and administrative actors’ perceptions shape their actions has gained increasing prominence over the last decade (Bevir & Rhodes, 2003; 2010). According to the interpretivist approach, action is strongly influenced by actors’ interpretations of situations and arrangements. Actors’ interpretations are not universal and predictable, because they are fundamentally shaped by the specific contexts in which they emerge. These include: historical contexts (individual and collective memories of past events); geo-spatial contexts (national and local cultures and traditions); and discursive contexts (the prevailing ways of writing, speaking, and arguing about governance and administration). While each actor develops their own interpretations based on their unique context, interpretivists also stress the role of broader “webs of meaning” that emerge “intersubjectively” within groups of actors, which enable the communication of meanings.

Elston (2014) and Smullen (2010) apply interpretivist concepts to the study of public organizations. Both authors attempt to explore why autonomous agencies have gone from being politically fashionable under NPM, to a widely criticised organizational model in the post-NPM era. They qualitatively analyse a combination of official texts and interviews to show that the dominant meanings attached to the “agency idea” have shifted from efficiency to a lack of accountability. Elston (2014) shows that the NPM-era Next Steps reforms in the United Kingdom relied on discourses that linked ministerial departments negatively with over-centralization and agencies positively with managerial flexibility. By contrast, the more recent post-NPM reappraisal of the agency idea discursively associates autonomous agencies with a lack of accountability and fragmentation, while departments and agencies with direct ministerial oversight are valorised as ensuring proper accountability and control (Elston 2014).

Whereas Elston concentrates on discursive and historical contexts in a single country, Smullen (2010) addresses the role of geo-spatial contexts by comparing official “agency talk” in Australia, the Netherlands and Sweden. She focuses on how arguments for and against the agency model are shaped by the particular cultural configurations of each country, including the degree of formalization of rules surrounding public administration, and the extent of emphasis on individualistic versus collective norms in administration. She finds significant shifts in agency talk, but notes that these are strongly mediated by enduring national cultures and styles of speaking. However, in the Anglo democracies, including Australia, a relative absence of formal rules and norms regarding administrative structure permit comparatively substantial swings in this agency talk (Smullen 2010).

Like the broader qualitative literature on de-agencification, these two explicitly interpretive works do not address size directly. Yet, we know from other public administration research that agency size can convey various meanings, depending on discursive, historical and spatial contexts (e.g. Papanastasiou 2016). Larger size is often discursively linked to greater effectiveness, in that it means more services can be provided (Kaufman 1976; Wilson 1989). Larger size can also mean greater specialization and economies of scale. In the context of NPM, however, large size can be discursively linked to inefficiency or “bloated bureaucracy” (Hood 1991; Niskanen 1971). Large size can also be associated with a lack of top-down and bottom-up responsiveness (Peters 2010). Furthermore, stakeholders’ perceptions of the size of an agency also likely depend on its historical size, as well the size of other agencies in the jurisdiction. In this way we can see that the meanings associated with agency size potentially depend on discursive, historical and spatial contexts.

In sum, recent interpretive work on agencies suggests that actors’ perceptions of agency size are not a straightforward product of objective size. Rather, perceived size is shaped by context. We have also suggested that such perceptions will shape actors’ enthusiasm for terminating and defending agencies. The next section outlines how we went about examining this claim empirically.

Method

Following these pioneering studies, our interpretive analysis foregrounds the meanings and beliefs of intentional agents as the bedrock of any holistic explanation of agency termination. We do not claim that actors are autonomous and capable of pursuing any strategy they choose – quiet clearly foreign aid administrators have not had it all their way in our case study – but rather base our explanation on their situatedness within a web of relevant players and ideas:

The implication is that, beneath self-reported subjectivities, there lies a deeper, shared, more stable undercurrent of meaning-making, in dialectic with the subjective surface and similarly a product of (collective) human endeavour, but less consciously available (Elston, 2014, p. 460).

Most significantly, however, we show how these meanings and beliefs have changed over *time* (c.f. Pollitt 2008).

A key disjuncture between the mainstream termination literature and recent interpretive studies is that the former tends to provide for a much greater role for temporality. Our case selection counters what is at present a common weakness of interpretive studies in two ways: First, our case – the Australian aid agency – is significant because it was partly terminated in 1976, re-established and then fully terminated in 2013. Importantly, these abolitions were separated by a large period of time, and thus do not conform to the typical inverted U-shaped survival model advanced by recent termination scholars. And, because Australia is typically seen as an outlier in the broader agencification debates (Wettenhall 2007), the termination story cannot be explained away as an inevitable product of NPM trends. In this sense, development policy has intrinsic value for termination scholars as aid agencies across the world tend to share a similarly tenuous existence. In Canada, CIDA was abolished in 2013 despite existing since 1966, while in New Zealand NZAID was terminated in 2009. USAID has faced repeated termination attempts and has at various times had its functions integrated within the State Department.[[1]](#footnote-1) One reason for this tenuous existence is that foreign aid is an extremely discretionary area of government spending with shallow domestic political support. That is, citizens want their government to give aid but they do not want them to give too much nor do they want aid to be prioritised over domestic policy areas (Corbett, forthcoming). As a result, aid has proven to be particularly vulnerable to campaigns for bureaucratic rationalisation. The perpetually tenuous existence of aid is what makes this case so valuable for debates about termination.

The second means by which our study incorporates the temporal dimension is via its data collection methods. Echoing the precepts of interpretive research we collected multiple types of data, including more than 50 in-depth interviews with ministers and senior agency administrators conducted during 2014-15, archival material (especially Cabinet documents for the period 1972-1989 but also personal correspondence), and publically available sources (contemporary newspaper reporting, parliamentary debates, reports and program evaluations and reviews etc.). [[2]](#footnote-2) These sources allowed us to probe the way actors within the agency sought to guard against termination, and how their efforts were received.[[3]](#footnote-3) While these sources allow us to add an historical dimension to the story, they remain problematic for interpretive scholars as present day reflections of actors about termination have been crucially shaped by the most recent (2013) abolition. In one sense, this aided reflection as the whole issue of termination and survival was front of mind. But, in order to gain an insight into how these same actors interpreted the meaning of size *at the time* we also drew on interviews conducted under the auspices of the National Library of Australia’s oral history project, and the autobiographies and diaries of key actors. The result is a comprehensive survey of how the meaning of size has changed over time and how this has been used to both strengthen and undermine the agency’s case for survival.

Before we present this material it is important to acknowledge that we do not contend that size is the only variable affecting the termination story of the Australia aid agency. Echoing the precepts of our interpretive approach, we acknowledge that each attempt to terminate the agency takes place in a particular context that includes a number of inter-related policy narratives, including assessments of Australia’s fiscal condition, evaluations of the performance of the agency, foreign policy considerations and so on. Our aim is not to refute the importance of these alternate explanations but to show how each led actors to make a judgement about the *appropriate size of the aid agency.* In this sense every discussion about aid becomes an opportunity to question or reinforce (depending on whether the actor in question is a supporter or critic of the agency) a view of the agency’s perceived size.

<INSERT TABLE 1 ABOUT HERE>

One consequence of this is that the potential number of empirical observations that could be brought to bear on this case is virtually endless. We focused on those which the actors involved saw as significant. As outlined in Table 1, they range from changes of government to program reviews and budget decisions. This is not an exhaustive list; administrators make daily decisions about the allocation of resources within both program and core budgets – about which countries should receive aid and the agency resources required to deliver it – that are affected by and in turn affect perceived size. But, our empirical choices do capture the variety of ways that perceptions about size matter. In doing so we highlight that it is the ubiquity of questions about perceived size that underscores its importance for scholars of termination.

Finally, before we begin it is important that we clearly outline what we mean by “mechanism” and in doing so differentiate our use of the term from how it is employed in the burgeoning “process tracing” literature (see most recently Bennet and Checkel 2015). Following Bevir and Rhodes (2003; 2010), for interpretivists the fundamental unit of analysis are the meanings and beliefs of situated agents. So, to understand why decisions are taken we must pay attention to the explanations of actors and the traditions they draw upon to make sense of what they do. But, unlike Bennet and Checkel’s (2015) version of process tracing (but see Pouliot 2015 and Trampusch and Palier 2016 for a broader conceptualisation that better fits our application), traditions are not path determining. They are discursive repertoires that can and do change. And, again, unlike Bennet and Checkel’s (2015) process tracing, these changes can be *both* exogenous (e.g. a change of government or a natural disaster) and endogenous (e.g. a government review or change of minister) because they are initiated in response to the dilemmas actors face when seeking to govern. So, for interpretivists “mechanisms” are akin to practices (Pouliot 2015) that in turn both reflect and reinforce meanings and beliefs. In which case, perceptions (meanings and beliefs) and mechanisms (practices) are co-constituted; they exist in a symbiotic relationship and so neither can be explained without reference to the other (for discussion see Bevir and Rhodes 2003; 2010).

Ontological and epistemological assumptions aside, the more salient point is that in this piece mechanisms serve a pragmatic empirical purpose by offering a window or analytic lens through which to illustrate changing perceptions about size. The core interpretive claim is that this “meaningful context” – rather than the practice or action itself – gives mechanisms their causal power (Pouliot 2015: 237). And, by identifying how certain mechanisms “mean” in one context we can develop plausible conjectures about how they might mean in another (Bevir and Rhodes 2003; 2010).

Case Study: Performing Size and Agency Termination

*Inception*

Australia had been giving aid since the end of the Second World War, largely via education scholarships and technical assistance under the Colombo Plan. But, by the late 1960s and early 1970s it was increasingly clear to a cohort of Australian policy makers that decolonisation was a global trend and that as a result the scale and complexity of government aid programs was likely to increase. Australia’s former overseas territories were transitioning or had already transitioned to self-rule. Aid or development assistance would become the primary means by which resources would continue to be transferred to these and other neighbouring countries. A combination of humanitarian duty, cold war anxiety and the desire to promote Australia’s image as a good international citizen led a select group of activists, both within and outside the bureaucracy, to conclude that the aid program required reform. The Liberal/Coalition government made tentative attempts to begin this process during the 1960s. The major impetus, however, came when the Australian Labour Party (ALP) under the leadership of Gough Whitlam won the 1972 election on a reformist platform.

In 1972 a number of government departments delivered portions of the aid program, including Foreign Affairs, Education and Treasury. The Department of External Territories managed the administration of the soon to be independent Papua New Guinea (PNG). Whitlam sought to consolidate these functions in one agency (for discussion see Viviani and Wilesnki 1978). In addition to an assessment of the growing significance of aid, the new agency was designed to: ensure that aid policy was developed separately to foreign policy; increase professionalization of delivery; ensure that there was an aid lobby within the bureaucracy who could win funding support; and to find a home for staff of the soon to be defunct Department of External Territories. Despite opposition from other departments, this combination of imperatives was crucial to its formation and subsequent size.

Established by legislation in 1974, the Australian Development Assistance Agency (ADAA) initially struggled to get going. The new agency was beset by bureaucratic infighting between its three principle factions: foreign affairs, education and external territories. Cabinet directed Treasury functions be transferred to the new agency, but they refused. ADAA struggled to recruit the development professionals required to bolster its claims to analytic rigour, leaving it vulnerable to criticism. Among other departments, the new agency was seen as self-important and arrogant:

There was a cockiness about the place – this was a place on the make. When I first arrived there was a sense that ADAA was going to be bigger and brighter and this was just Phase One. We were going to see a lot more growth. There was a small but growing cohort of people who came at the job as development people rather than Education, Treasury or Foreign Affairs people. That was reflected in recruiting, appraisals and evaluation reports for the first time. Yes, there was a cockiness (former official, interviewed 27 August 2015).

As this quote alludes, from its inception the agency struggled to control the perception that it was too big for its own good.

*Infanticide*

Whitlam lost the 1975 election. The incoming Prime Minister, Malcolm Fraser, was committed to the rationalisation of agencies and arms-length bodies. As part of this cull of agencies, ADAA was abolished and all aid functions were absorbed into the Department of Foreign Affairs in 1976. In 1977 a new semi-autonomous Bureau (ADAB) was established to administer the program. The new Bureau was no longer afforded statutory agency status and, symbolic of its diminished standing, the title of its head was changed form Director General to Director.

Initially, however, the termination of ADAA proved to be more about style than substance: because the new minister supported it, ADAB remained functionally separate from Foreign Affairs. As Table 1 shows, initially its budget was cut. But, after integration, ADAB muddled through due to a combination of astute leadership and ministerial support.

<INSERT FIGURE 1 ABOUT HERE>

By the end of the decade, however, with the economy contracting, a second round of bureaucratic rationalisation was scheduled. Despite strong opposition - the then Director leaked to the press in order to mobilise NGO support - ADAB was to be further integrated with the Department of Foreign Affairs, including the consolidation of all corporate functions. Again, arguments about efficiency prevailed against those who envisioned a more expansive aid program.

So far, this story largely conforms to the established precepts of termination theory outlined above with the agency confronting the defeat of its birth coalition soon after being established and having its size reduced as a result. But, at the very point at which ADAB appeared to be on the verge of complete termination, fortune intervened in the form of the 1981 Commonwealth Heads of Government Meeting (CHOGM) in Melbourne. PM Fraser was due to host the meeting and his advisers were wary of criticism from developing countries about the diminishing size of the aid budget. Concerned about the potential public backlash, Foreign Affairs and the Department of Prime Minister and Cabinet prevailed against Treasury and Finance opposition for a modest increase in the aid budget. This lifeline saw the aid budget increase slightly during the remainder of Fraser’s term in office.

*Recovery*

Despite the increase, the tenuous existence of the agency was not lost on senior staff who, foreshadowing Dommett and Skelcher (2014), believed that unless they were more proactive they would face termination sooner rather than later. They sought a root and branch review of the program – known as the “Jackson Review” – that recommended an administrative restructure and a revival of the initial emphasis on technical specialisation. In making its recommendations Jackson essentially argued that the agency was administratively inept. It reasoned that this could only be rectified if ADAB was better resourced. As a result, the corporate functions lost under the rationalisation of the late 1970s and early 1980s were returned to ADAB and, symbolic of its growing status, the head of the agency was entitled Director General again.

Economic downturn would see program funding cut during the late 1980s but Jackson delivered an increase to ADAB’s core budget, thus allowing it to prioritise specialist recruitment and staff development. ADAB staff nevertheless remained wary of the threat of termination. The then Director General of ADAB, Bob Dun, used to remind staff that the Bureau’s position was similar to that of a “spaceship,” or an “orphan”; all alone in the vast universe of the Canberra bureaucracy with no friends or natural allies. His strategy for the agency was built on this assessment. Conscious of how past cockiness had eroded support among other agencies, Dun implemented a small target strategy that included adopting a humble and understated demeanour in bureaucratic forums and only seeking budget increases when they had support from key agencies. Bureau staff were instructed to ‘love’ their counterparts, both in DFA but also Treasury and Finance, ‘to death’ in the hope of reducing past antagonism and even potentially winning friends and allies. This strategy included turning down the opportunity for greater autonomy in the belief that it would jeopardise their newly won size.

In the aftermath of the most recent termination, past officers often look back with a great deal of nostalgia on Dun’s small target strategy in the belief that it was the most tried and tested means of ensuring the agency’s survival. And, their view was shared by others at the time, with the Joint Committee on Foreign Affairs, Defence and Trade praising the agency as an ‘efficient organisation capable of achieving [its] objectives’ (JCFADT 1989, p. 129; see also Davis 2011).

*Consolidation*

The end of the Cold War reduced the immediate strategic relevance of aid but the groundwork laid by the Jackson Review ensured that the Bureau’s position became stable throughout the 1990s. A key reason for this was the support of the then Minister for Foreign Affairs, Gareth Evans, who was an active champion of a liberal-internationalist world order. The budget grew marginally, although it was perceived as small. Later, in the mid-1990s, the Bureau was assigned to a dedicated junior minister. One in particular, Gordon Bilney, sought to increase the Bureau’s profile, changing the name to AusAID in the process. The rationale was that AIDAB, as it was then called, had poor public recognition. Developing a strong public constituency had always been the Holy Grail for the Australian aid lobby. But, for the most part this goal had proved elusive. Public support had never played a prominent let alone decisive role during elections. In this sense aid policy is similar to Australian foreign policy more generally (Gyngell and Wesley 2007). It just has a bigger program budget.

In the late 1990s and early 2000s the Australian government either initiated or took part in a series of overseas interventions, both in its immediate region – East Timor, Solomon Islands and to a lessor extent PNG – and further abroad – Afghanistan and Iraq – in service of broader foreign policy objectives. The post-September 11 terrorist attacks further consolidated the emerging security-development nexus as a feature of global discourse (Corbett and Dinnen 2016). Initially, the security-development nexus represented a considerable threat to the aid program as other departments – especially Treasury and Finance – claimed to be more capable of implementing aid programs. Moreover, there was a view that AusAID was partly responsible for the deterioration of governance in neighbouring countries like Solomon Islands, Fiji and Papua New Guinea. A common view was that other departments needed to clean up AusAID’s mess:

And I think there was a feeling that – in fact I heard Treasury officials say this: “AusAID staff were there for 20 years, we’ll fix it up in two” ... it was a tense period and I think there was a sense in some parts of AusAID that our future was on the line ... I remember a staff meeting where [we were] … summoned in by the Executive and basically told “there’s a new agenda in town, it’s security, it’s whole of government, we have no choice but to get on board this train.” (interview with senior official, 5 March 2015).

AusAID leadership responded to this threat by recruiting internationally renowned development experts to increase their technical expertise. They also set about building networks and relationships with key senior administrators across government and the Treasury in particular. Such activities align closely with Dommett and Skelcher’s (2014) aforementioned anti-termination strategies. In time, rather than undermine the aid effort, the involvement of other departments in these ‘whole-of-government’ deployments actually came to improve the external view of the Agency’s technical competence as awareness of the complexity of aid delivery increased across the bureaucracy. As a result, AusAID found itself a more frequent participant at interdepartmental committees and other such bureaucratic forums. Whereas for the past two-decades it had basically been an administrative backwater – consciously out of sight and out of mind – by the mid-2000s it appeared that the institution ADAA’s founders envisaged had finally arrived.

*Expansion*

On the back of this newly won reputation, successive governments, first the Liberal/Coalition under Howard in 2005 and later the ALP under Rudd in 2007, committed to rapid growth in the aid budget. Initially, the political case for an increase was based on the impact that aid was having in Australia’s immediate neighbourhood and on the global fight against terrorism in particular. The economy was also growing rapidly and the government was awash with revenue. Privately, the scale up was also a sign of the government’s trust in AusAID, it processes, and its leadership. But, while AusAID’s leadership was optimistic about the increase, it was also cautious about the possibility of new-found riches altering perceptions of its size among other departments. Senior officials recalled that the executive remained wary of the Agency’s vulnerabilities:

Look, I didn't go home every night and wonder if it was going to be gone tomorrow morning. But I always had a view that there isn’t a right way to administer aid. History counts. So you know, what underpinned so much for me was – get on and do great things, ensure that you actually are delivering a pretty good program but at the same time, don’t lose sight of those vulnerabilities and part of the way to address those vulnerabilities is to be useful to others (Interview with senior official, 27 August 2015).

This reflection would shape AusAID’s initial response to budget increases, including delaying the largest changes to give the Agency time to adjust. Initially, large staffing increases were also resisted. But, despite these efforts, the increase still had an effect on how the agency operated, as one senior official recalls upon commencing work at AusAID during this period:

People pretty, not punch drunk, but a sense that it was an agency going through a lot of change. A lot of cultural change, a lot of institutional change and not all [of it was] over. But at the same time it was quite an exciting time because the budget’s growing really, really strongly and so there’s a lot of promotions, left right and centre. So a lot of people were moving around, there were positions being created so you know, it was a very interesting time (Interview with senior official, 10 February 2015).

Concern among other departments that AusAID was too large also increased, as this DFAT officer reflects.

It just became so much bigger, more powerful, paid people more. ... the staff here [at post] would have cards with AusAID on it, and no reference that they worked for the High Commission. And so it was just seen as a completely separate entity. I mean just completely ridiculous given our interests [in the country] … (interview with senior official, 26 May 2015).

Realigning the aid program with Defence interests in Afghanistan was on strategy AusAID leadership adopted to mitigate this but policy changes were offset by substantial increases to its core budget. The rationale for doing so was that the Agency needed additional staffing to meet the needs of an expanding program, which was due to more than double in size. Rudd’s Cabinet supported this claim but the increases created considerable interdepartmental jealousy nonetheless. The fact that AusAID was immune, by virtue of strong Prime Ministerial support, from the efficiency dividend being applied across the public service in the wake of a contracting economy, meant that it became one of the most attractive organisations for public servants seeking promotion. During this period, AusAID grew from an organisation of around 500 employees in the early 2000s to more than 1700 in 2012.

The belief that the agency was too large was reinforced when AusAID was elevated to executive agency status in 2010. A whole new executive layer was added. For its critics, AusAID came to symbolise Rudd government waste and mismanagement. Despite this, heading into the 2013 election there was bipartisan consensus for continued increases in aid funding. There was even a view among AusAID’s leadership that if Rudd won the agency would be made a stand-alone department along the lines of the UK’s DfID. The Coalition had also indicated that it would give aid a dedicated minister. Either way, the growth trajectory appeared secure despite internal bureaucratic grumblings and questions about the value of AusAID’s technical expertise.

*Termination*

Rudd lost the 2013 election to Tony Abbott and within a week the new government abolished AusAID and absorbed its functions back into DFAT. But, unlike in 1976, they did not recreate it as a distinct bureaucratic entity. Indeed, the complete rather than partial absorption was a key ministerial directive. The size of the agency was a key factor in this decision with the Shadow Parliamentary Secretary for International Development Assistance, previously stating:

Australia's aid program is on schedule to be doubled and I am deeply concerned that there is not the capacity even now to make sure this money is appropriately and effectively spent (quoted in *The Australia,* 3 May 2012).

The decision took AusAID’s leadership completely by surprise. The public rationale for the abolition was based on the advent of a ‘new aid paradigm’, one in which aid and foreign policy objectives would be better aligned. Program coherence had always been a key means by which the Agency had argued its case for existence. However, whereas previously a coherent aid program slightly removed from diplomatic goals was the ideal, the new coalition paradigm sought greater coherence between aid and diplomacy. The government had also committed to returning a surplus, and the size of AusAID’s core budget represented a considerable saving. Later, the program budget was also slashed, with Australia’s aid as a proportion of GNI now scheduled to fall to its lowest ever levels.

Other less-public rationales about the abolition abound. As above, AusAID had become a symbol of Rudd-era largesse and thus its abolition was meant as a statement of intent. The perceived arrogance of its leadership about its increased size is also widely believed to have cost it friends and allies among other government departments. Australia had since withdrawn troops from Iraq and Afghanistan, thus reducing AusAID’s importance to the security agencies in particular. More generally, the security-development nexus so critical to its recent rise was unravelling globally as the global financial crisis exposed the unsustainable costs of these so-called ‘new wars’ (Corbett and Dinnen 2016). While Rudd was in Cabinet AusAID was safe. His removal can explain the abolition but the strong belief among the Canberra foreign policy community that the agency had gotten too large is key to understanding its severity.

Conclusion

AusAID’s termination story provides a number of lessons for scholars interested in the relationship between size and organisational survival. In retrospect, AusAID was safest when it was small and kept a low profile. Rather than ensuring its survival, rapid expansion directly contributed to its death. *Theoretically* this is important because it: a) problematizes one of public administration’s longest standing assumptions: that the bigger the agency the lower the risk of termination; and b) it shows that in addition to objective size, perceived size also matters for survival. That is, our contribution both affirms the old view, commonly associated with Downs, that size matters, but also extends it by demonstrating that the key is uncovering how it is perceived rather than objectively conferred. Our case shows that there is great range in the means by which this was achieved – from the title of the agency head through to reviews and the size of its core budget. The important point is that each serves as a mechanism to project a perception of ideal size. And, consistent with the arguments of Dommett and Skelcher (2014), actors revise their strategies in the light of their experience.

In relation to recent termination studies, our contribution supports the work of Boin et al (2010) and the correlation they establish between organisational adaptability and survival. But, it also extends this thinking by adopting an explicitly interpretive approach that looks at the history of one agency over time. Perceived size is clearly related to objective size, especially for those political parties who believe in a minimalist state. But, this alone does not determine the chances of survival for an individual agency. Rather, objective size creates constraints and opportunities, including stakeholder expectations, that vary according to context, and which can be shaped and managed. As such, both claims support the recent literature on the way reputations shape survival chances (Boon and Verhoest 2014; Carpenter 2001, 2014; Maor 2011). Furthermore, our observations add to recent qualitative work on de-agencification in Europe and the antipodes (Flinders, Dommett, & Tonkiss, 2014; Flinders & Skelcher, 2012; Lodge and Hood 2012), by showing how perceptions of agency size are both influenced by, and feed into, contemporary anti-quango campaigns and austerity movements.

To make this theoretical contribution we have built on and extended recent interpretive work, specifically Smullen (2010) and Elston (2014), on agencies. These studies show how discursive, historical and geo-spatial contexts shape stakeholders’ attitudes towards agencies. We add an explicit focus on how beliefs about organizational size influence termination. In doing so we have focused on how certain mechanisms – specified in Table 1 – provide actors with an opportunity to shape their perceived size. Our in-depth historical case study drew on more than 50 interviews with ministers and senior officials, archival and public source material to substantiate this argument. To be sure, single case studies have their limitations and further comparative work will be required to test and flesh out the veracity of the claims we make here. But, we argue that when used to illustrate temporal patterns a single case offers important explanatory insights from which we can draw more general theoretical conclusions (e.g. Flyvbjerg 2006). As such, our analysis also contributes to methodological debates by positing a framework that could be applied to other “objective” variables, such as age and formal autonomy. In each case, these variables need to be considered through the lens of actors’ perceptions.

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1. The main exception to this global trend is the UK’s DFID which has managed to grow substantially in both size and autonomy in recent years. [↑](#footnote-ref-1)
2. The data is drawn from a larger book length historical study of AusAID and its predecessors (see Corbett, forthcoming). [↑](#footnote-ref-2)
3. Interviews were conducted on the agreement that we would supress the identity of the interviewees and so the case is constructed in such a way as not to use any names. The source of our evidence in general terms – agency administrators, politicians, senior bureaucrats from other departments – is clearly delineated throughout, however. In all instances we have sought to corroborate oral testimony with official documents and other archival material. [↑](#footnote-ref-3)