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Transnational networks and domestic agencies : making sense of globalizing administrative patterns

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Chapter 1

Introduction

1.1 INTRODUCTION

In recent decades, the external environments of many domestic (regulatory) agencies have changed considerably. In particular, due to the internationalization of markets and growing interdependence of policy issues, many forms of transnational collaboration have emerged, enmeshing domestic agencies in a wide variety of (formal and informal) transnational policy settings (Koppell 2010; Stone & Ladi 2015). For instance, some national Food Safety Authorities list up to ten different international platforms in which they simultaneously participate¹ (Yesilkagit 2016), while national financial regulators are confronted with an “alphabet-soup” of transnational policy-making institutions at both regional and global levels² (Ahdieh 2016).

The rules, regulations, guidelines, and standards that flow from these international arenas have important implications for domestic agencies and the jurisdictions they regulate. Standards on capital requirements and guidelines on the regulatory treatment of sovereign debt negotiated in Basel, provide the input for the rules and regulations proposed by the EU Commission (“Stringent Capital Rules”, 2011). The technical details concerning guidelines on net neutrality discussed within BEREC (“Telecom Companies EU”, 2016), or the way in which restrictions on chemical use in the context of the REACH agreement are enforced (“REACH Chemicals Law”, 2007), potentially confront domestic market parties with significant adjustment costs to adhere to these transnational rules and requirements.

For domestic actors, transnational collaboration within (regulatory) networks has thus become increasingly important (Newman & Zaring 2013; Bach et al. 2016). Through these networks, national agencies and ministries interact with foreign counterparts, helping them acquire information about ongoing and future developments regarding complex regulatory issues, and providing the necessary channels of influence to ensure that transnational standards and guidelines on these issues do not deviate too far from the regulations that they currently have in place. At the same time, the complexity of these networked environments likely has implications for the way in which agencies deal with and behave in regulatory networks (Alter & Meunier 2009). In particular, given that the staff, resources, and attentional capaci-

1 E.g., the European Food Safety Authority (EFSA), World Organization for Animal Health (OIE), The Product Safety Forum of Europe (PROSAFE), The Food Law Enforcement Practitioners Forum (FLEP), and the Codex Alimentarius Commission (CAC).

2 E.g., Basel Committee on Banking Supervision (BCBS), the Financial Action Task Force (FATF), the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), and the International Organization of Pensions Supervisors (SIOPS).

ties of agencies are inevitably restricted (Simon 1985; Jones & Baumgartner 2005), considerable uncertainty may exist about which venues to prioritize, with whom to collaborate more closely, or which standards to adopt and to what extent.

In addition, the transnational networks in which domestic actors frequently participate, have come to share the same “regulatory space” as established national structures (see Busuioc 2016; Yesilkagit 2016). This means that domestic agencies and ministries have to reconcile the horizontal systems of transnational networks that are increasingly prevalent for their day-to-day operations, with the already existing vertical systems of domestic bureaucracies from which they traditionally operate (see Kettl 2006; Durant 2010; Groeneveld 2016). Given that domestic agencies remain “anchored to national governments” (Egeberg & Trondal, 2011: 870), important questions emerge about how transnational networks subsequently have an effect on agency decision-making and to what extent. Moreover, the organizational changes required to effectively operate in complex transnational environments may not be compatible with those needed to remain accountable in a national context (see McGuire & Agranoff 2010).

In light of these considerations, this thesis has two main arguments. Firstly, that the structure of relationships that exists within transnational networks should be explicitly conceptualized as to better understand *how* these networks influence the behaviour and decision-making of domestic actors and that network-analytical tools can be used to capture, analyse, and model this influence (see Maoz 2012; Snijders et al. 2010). Secondly, that through institutional design at the network-level and organizational design at the organizational-level, domestic actors can better cope with the increasingly complex transnational environments in which they have come to operate (see Thompson 1967), but that these design choices potentially challenge their accountability within a national context. Through these arguments, this thesis contributes to the standing literature that has studied globalizing administrative patterns (see Newman & Zaring 2013; Stone & Ladi 2015; Mastenbroek & Martinsen 2018) in several ways.

Firstly, although scholars have extensively looked at the effects that transnational networks may have on domestic bureaucratic structures (Levi-Faur 2011; Bach et al. 2016), these networks are often conceptualized *metaphorically*, i.e., as a way to describe a particular form of collaboration or organization characterized by horizontal relationships and informal interaction (see Isett et al. 2011). Because of this, the network properties that are assumed to produce their effects often remain unspecified (Christopoulos 2008) and it is unclear how these effects may vary across network

participants, i.e. domestic agencies. In response, this thesis explicitly conceptualizes networks as *structures of relationships* (Kilduff & Brass 2010), taking into account the different sets of network relationships that domestic agencies maintain. This seemingly provides a better basis for both theorizing and operationalizing the effects that transnational networks are likely to have and can help explain variation in actor outcomes, such as decisions to adopt soft law standards (see Bach & Newman 2010; Maggetti & Gilardi 2011) or the formation of cross-border agreements and partnerships (see Efrat & Newman 2018).

Secondly, when considering the increasing involvement of domestic agencies in transnational policy-making structures, the standing literature does not seriously address the *internal* problems of management and coordination that transnational environments potentially create for these agencies. These issues are easily glossed over given that studies typically assume domestic agencies to be unitary actors, overtly focusing on principal-agent relationships between domestic agencies and external political forces in light of internationalization (see Eberlein & Newman 2008; Bach & Ruffing 2013). However, in practice, the transnational network relationships of an agency are maintained by multiple officials operating at different levels of the organizational hierarchy. An *intra-organizational* perspective then provides insight into how these officials operate and deal with complex transnational environments (Alter & Meunier 2009), how the uncertainty this complexity creates can be managed or mitigated, what role organizational structure and design can play in this regard, and how agencies deal with the ambiguity and goal conflict arising from the horizontal systems of transnational networks that are layered upon the domestic bureaucratic structures from which they traditionally operate (see Kettl 2006; Groeneveld 2016).

Overall, this thesis thus focuses on how domestic agencies are influenced by and deal with the highly complex transnational environments in which they have come to operate. On the one hand, it analyzes the structure of relationships that exists within transnational (regulatory) networks and assesses how these networks then affect agency decision-making. On the other hand, it explicitly zooms in on what happens *inside* domestic agencies as they have become increasingly involved in a wide variety of transnational policy settings, focussing both on the officials that represent them in these settings, as well as the way in which the activities of these officials are internally structured and coordinated. These two analytical foci result in the following research question: “*How are domestic agencies influenced by transnational networks and how do these agencies internally structure and coordinate transnational network activities?*”.

Below, a further justification of this main research question is given, based on a brief review of the standing public administration literature on transnational networks and their proposed effects. The shortcomings identified in this review then serve as a starting point for the main theoretical arguments of this thesis. After further specifying the research aims and questions, a separate section of this introduction chapter justifies and describes the research context of this study, as well as the overall research design. Lastly, an overall outline of the thesis is provided.

1.2 STANDING LITERATURE AND RESEARCH GAPS

Globalizing Administrative Patterns and Transnational Networks

In a globalizing world of increased complexity and interdependence, domestic issues have growing international salience (Farrell & Newman 2016). The constituent parts of government – i.e. legislatures, executives, agencies, and courts – are then increasingly forced to act and interact with their counterparts abroad, sharing information, ideas, resources, and policy solutions (Raustiala, 2002: 4). In that sense, the emergence and prevalence of global problems have forced national policymakers and regulators into transnational policy arenas (Dehousse 1997; Slaughter 2004; Stone & Ladi 2015). Within these arenas, they maintain a wide variety of horizontal and relatively informal network relationships with foreign counterparts that find themselves in a similar situation (Slaughter & Zaring 2006).

In response to the development of these new forms of cross-border interactions, scholars from various disciplines have employed the *network* concept to make sense of it all (Raustiala 2002; Slaughter 2004; Maggetti 2007; Coen & Thatcher 2008; Eberlein & Newman 2008; Newman & Zaring 2013). Within an international context, these networks are understood as “a pattern of regular and purposive relations among like government units working across the borders that divide countries from one another and that demarcate the ‘domestic’ from the ‘international’ sphere” (Slaughter, 2004: 14). In particular, scholars have begun to empirically examine the institutional aspects or structural characteristics of transnational networks, focusing for instance on their *modes of governance* (Saz-Carranza et al. 2016) or institutionalized policy-making structures (Maggetti & Gilardi 2011). From this perspective, transnational networks are thus primarily understood as a coordinative instrument to facilitate cooperation between agencies from different jurisdictions, fulfilling this role in the absence of coercive enforcement tools at the transnational level (Newman & Zaring 2013).

Regarding the potential *effects* of transnational networks on domestic policy and regulation, several lines of scholarship have also emerged (Bach & Newman, 2010: 510). Most prominently, scholars have assessed the effects of these networks on processes of regulatory harmonization and enforcement cooperation (Raustiala 2002; Newman 2008). Within this literature, the process of harmonization is described as a decentralized, incremental process of interaction and emulation in which networks play an important role (Slaughter 2004). Through socialization and peer influences, networks are assumed to promote norms that contribute to the effective implementation of international standards (Maggetti & Gilardi 2011). Moreover, some have argued that powerful actors can use transnational networks to promote policy export and shape foreign legislative agendas (Bach & Newman 2010). In that sense, concentrated regulatory power fosters convergence, as weaker and newer jurisdictions ascribe to the norms and standards set by more powerful counterparts (Drezner 2008).

However, the way in which these network processes affect the behaviour and decision-making of specific domestic agencies is less clear. Much of the literature focuses on outcomes at the transnational level, such as linking the emergence of transnational networks to overall regulatory harmonization (Bach & Newman 2010), or only focusing on the institutional or structural make-up of these networks (Maggetti & Gilardi 2011, 2014). But such conceptualizations break down when theorizing about the *specific* effects that transnational networks have on policy or regulatory decisions of domestic agencies. In particular, they provide too little information about *how* domestic agencies are connected to transnational networks and the ways in which the influences of such networks might occur. In that sense, the literature generally has difficulty to provide specific predictions about the effects of transnational networks on the decision-making and behaviour of domestic agencies.

This thesis argues that this shortcoming is primarily due to a metaphorical usage of the network-term, which provides a weak conceptualization of the network properties that are assumed to produce their effects (see Christopoulos 2008). In other words, the standing literature conceptualizes networks as forms of collaboration characterized by informal interactions and horizontal relationships, *without* explicitly specifying what this pattern of interactions or relationships may look like (see Isett et al. 2011). Although Slaughter (2004: 14), for instance, defines networks as a “patterns of regular and purposive relations”, these patterns and the different forms they may take are rarely conceptualized, let alone measured. Descriptively, the phrase ‘transnational networks’ then still captures “a strikingly wide array” of transnational collaboration forms (Raustiala, 2002: 5). Moreover, this lack of speci-

fication hampers the literature's ability to answer specific theoretical questions on how these networks affect (variation in) outcomes at the agency-level, such as decisions to adopt "soft law" standards (see Kerwer 2005).

This latter problem primarily arises because the specific patterns of relations that exist within the network are likely to dictate or channel the way in which network influences occur. To formulate theoretical predictions on *how* transnational networks affect domestic agencies, we thus need some idea of what the structure of relations within these networks look like. After all, domestic agencies can be involved in transnational networks in a lot of different ways. Rather than "the network" having an effect on agency behaviour and decision-making, this effect is likely to occur *via* the other actors within the network with whom they are (strongly) connected. Not considering this nuance likely leads to "too much loose analogizing" and a potential over-attribution regarding the effects that networks are likely to have (see Beinhocker 2006; Isett et al. 2011). Although a metaphorical usage of networks has been useful in characterizing the new forms of organization and collaboration through which transnational regulation nowadays occurs (see Mastenbroek & Martinsen 2018), it is also vulnerable to "concept stretching" (see Sartori 1970) and is partly to blame for the "magic" properties often ascribed to networks in explaining policy outcomes (see Pollitt & Hupe 2011).

Similarly, regarding the way in which transnational networks form and develop, a metaphorical conceptualization is equally insufficient to coherently explain emerging patterns. Currently, scholars have primarily looked at the proliferation of transnational collaboration *in general*, pointing to a variety of explanatory factors at the domestic level, such as degrees of regulatory independence or market size (Bach and Newman 2014; Wilks 2007), or functional pressures at the policy or transnational levels, such as coordination problems (Coen and Thatcher 2008), issue complexity (Whytock 2005), or high degrees of interdependence (Van Boetzelaer & Princen 2012). However, such a functionalist perspective toward general forms of transnational collaboration, disregards theoretically interesting questions about what specific partners domestic agencies choose for close collaboration and information exchange *within* these networks. In other words, domestic agencies not only decide whether to join "a network", but also make selective choices about specific agencies within whom to collaborate *within* these networks. The way in which these choices are made, determines the shape or structure that transnational networks take, and is crucial to consider in theorizing about how globalizing administrative patterns evolve over time (see Stone & Ladi 2015).

Transnational Networks and Domestic Bureaucratic Structures

A second line of scholarship that has developed, focuses on the way in which internationalization affects the formal-structural conditions within countries, primarily in terms of the position of national regulators vis-à-vis other domestic actors (Eberlein & Newman 2008; Danielsen & Yesilkagit 2014). For example, building on the work of EU-integration scholars, several empirical studies have demonstrated how - through a redistribution of resources - international involvement can create a “differential empowerment of actors” at the domestic level (Börzel & Risse 2003: 58). For regulatory agencies, this type of analysis typically focusses on how transnational networks potentially have an “autonomizing” effect on these agencies in terms of their relation to parent ministries (see Yesilkagit 2011; Maggetti 2012).

Although these are evidently important questions, note that the analytical focus of many of these studies disproportionately favours inter-organizational categories, such as the degree of (de-)centralization between different levels of government or the amount of (bureaucratic) autonomy from political principals. In that sense, scholars assessing the effects of transnational networks on domestic bureaucratic structures are primarily preoccupied with the external forces “controlling” the bureaucracy, rather than studying what goes on *inside* bureaucracy itself (cf. Meier & Krause 2003; Ruffing 2017). As a result, quite a lot is known about the “politics of structural design” in the context of transnationalization, i.e. how politicians use structure, rules, procedures, and incentives to control and influence domestic agencies, and the bargaining that occurs between political institutions to determine the fate and design of administrative agencies (see Saz-Carranza et al. 2016; Bach et al. 2016). However, relatively little is known about what happens *inside* these domestic agencies as they adjust to changing (transnational) environments or what they experience as they prepare to work with and within the transnational networks that have become increasingly relevant for their day-to-day operations.

This neglect primarily has to do with the way in which administrative or bureaucratic structures are currently defined. Many empirical studies looking at the implications of transnational forms of collaboration on domestic bureaucratic structures focus on the institutional level, taking the central government bureaucracy as their main unit of analysis (see Christensen & Laegreid 2008). This also means that the structures they study typically refer to a more macro-level *institutional* structure, i.e., the overall constellation of ministries and agencies and their relations to each other (Trondal & Peters 2013; Bach & Ruffing 2013). Although such a general conceptualization is useful for comparative analysis between countries and the description of macro-level developments, it obscures the organizational and behavioural complexi-

ties of the subunits and officials actually engaged with the transnational activities of the domestic agency or ministry. This analytical focus then potentially hampers our understanding of administrative behaviour within networks themselves, as well as what the concrete implications are for domestic agencies increasingly forced to operate in complex transnational environments.

Particularly important to consider in this regard, is that an increasing number of individual officials have come to represent agencies and ministries in complex and uncertain transnational environments (see Alter & Raustiala 2018). This development is potentially problematic because, for one, these officials are boundedly rational, i.e. they have limited attentional capacities to cope with the complex governance settings in which they increasingly operate. This means that their actions and decisions are likely characterized by some degree of (behavioural) uncertainty (see Jones et al. 2006). Moreover, a second consideration is that the collective behaviours of these different officials will have to be *internally* managed and coordinated, as to effectively represent the domestic agency in transnational networked settings and adequately process external information originating in these environments. Given that heterogeneous transnational environments likely involve agency officials operating from within different units, at different managerial levels, with different sets of expertise and (strategic) interests, extensive coordination on behalf of the agency and its management is required. In addition, the transnational network activities of the agency will have to be reconciled with the need to remain accountable within a national context (see Groeneveld 2016; Yesilkagit 2016). How the tensions that emerge from these considerations manifest themselves in practice, can only be studied through analytical concepts that have an explicit intra-organizational dimension. However, this analytical focus is currently lacking in the standing literature that studies the involvement of domestic agencies in transnational network activities.

Network Management and Public Management

The latter considerations about the internal management and coordination of transnational network behaviour potentially call up a number of questions related to the field of public management, and this thesis will partly draw on this field to provide some answers. However, note that the answers from public management to the issues and challenges resulting from the increasingly complex transnational environments in which domestic agencies operate are far from straightforward.

Firstly, while the studies discussed in the previous sections provide problematic conceptualizations of network behaviour by assuming agencies to be unitary ac-

tors and disregarding the roles of individual managers and officials therein, many public management studies tip the scale to the other side. In other words, network behaviour is typically conceptualized with reference to the behaviour a single public manager, boundary-spanner, or policy entrepreneur operating as a representative of the entire agency. Although this provides insight into strategic behaviour and is justified in the context of looking at management functions, the network activities of an organization, and particularly the ones studied in this thesis, consist of the coordinated (or uncoordinated) activities of a wide variety of individual officials operating from different levels of the organizational hierarchy (see Walker et al. 2007). Disregarding these considerations likely results in a distorted image of “network behaviour” and obscures potentially interesting variation at both the individual and organizational levels of analysis.

Secondly, empirical studies of networks in public management primarily focus on (sub-) national organizations and structures, mostly in the context of service delivery (Koppell, 2010; O’Leary & Vij, 2012; O’Toole, 2015). Not only is the nature of interdependence for (regulatory) collaboration at the transnational level different than for collaboration in local service delivery settings (see Thompson 1967), *transnational* collaboration is potentially characterized by higher degrees of unfamiliarity and lower levels of trust between network participants (Ansell & Torfing 2015; Hamilton & Lubell 2018). In that sense, public management research seems unable to account for the influences of globalization, understood as the importance of connectedness, interdependency, and collaborative governance beyond the boundaries of the nation state (see Moynihan et al., 2011: i146; Roberts 2020). This also means that, from a public management perspective, there is little theoretical understanding of (the implications of) globalizing administrative patterns and the managerial behaviours and strategies that have developed at the transnational level (see Scharpf 1997; O’Toole 2014).

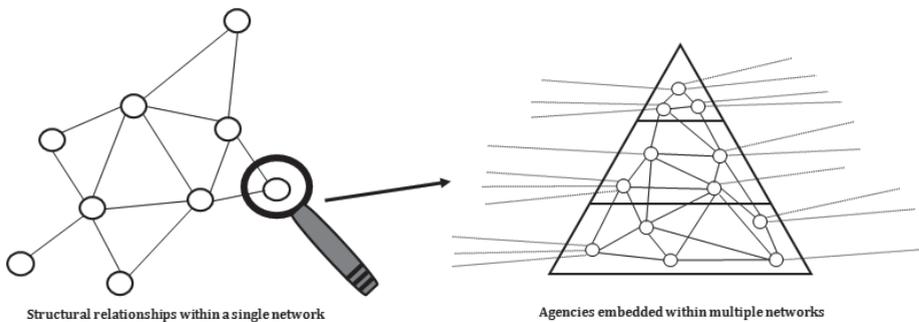
1.3 THEORETICAL FRAMING AND RESEARCH QUESTIONS

Given the above-described omissions, this thesis shifts its analytical focus to two particular aspects of the relationship between transnational networks and domestic agencies. First, it explicitly conceptualizes the *structures* of relationships that exist within transnational networks and theorizes on the effects these structures may have on agency behaviour and decision-making. Second, it proposes a redirection of scholarly attention away from questions of top-down political control over bureaucracy, toward administrative decision-making and behaviour *inside bureaucracy*

(cf. Meier & Krause 2003). While the former focus requires a network-analytical perspective to globalizing administrative patterns as they continue to develop, the latter requires an intra-organizational perspective toward the domestic agencies operating in this globalizing context and the officials that represent them therein. For clarity, these two analytical foci are depicted in Figure 1.1.

The network-analytical perspective (left-hand side, Figure 1.1) represents a modelled account of inter-organizational network relationships maintained at the agency-level, within a single network. The intra-organizational perspective (right-hand side, Figure 1.1) zooms in on domestic agencies and considers the multiple networked settings with which these agencies engage, where they are typically represented by multiple individual officials that establish and maintain a wide variety of network contacts on their behalf. This also means that while the former perspective focuses more on the stable (structural) relationships that exist between agencies (e.g. formalized agreements or partnerships) within the confines of a clearly defined network, the latter perspective focuses more on the informal communication networks that agency officials maintain with foreign counterparts, and the information acquired from them. Through these analytical foci, sub-questions can be formulated about the network-structural effects on agency behaviour and decision-making (network-analytical perspective), and the way in which transnational network activities of domestic officials are internally structured and coordinated (intra-organizational perspective). This is done in the sections below.

FIGURE 1.1 *Network-Structural and Intra-Organizational Perspective*



A Network-Analytical Approach to Globalizing Administrative Patterns

In terms of better understanding and specifying the effects that transnational networks are likely to have, an alternative to treating networks as metaphors is by contextualizing network properties with reference to formal social network analysis

(SNA) (see Christopoulos 2008; Scott & Ulibarri 2019). This means that networks are explicitly defined as sets of relations that form particular patterns or regularities, i.e. a *network structure*. Theoretical mechanisms such as socialization or diffusion can then be linked to these network structures, allowing for more precise predictions on the effects that networks are likely to have on actor outcomes and behaviour (see Wellman 1983; Borgatti et al. 2014). As argued below, this type of *network theorizing* also has leverage for understanding globalizing administrative patterns and their effects on domestic actors and outcomes.

To clarify, from a network-analytical perspective, networks are referred to as a set of present or absent relations between a group of actors (Wasserman & Faust 1994). These actors can be individuals, agencies, states, or even countries. Moreover, the relations between these actors can also vary, ranging from informal contacts such as phone-calls or e-mail communication at the interpersonal level, to formalized agreements and contracts at the organizational or country level. A core assumption is that the (overall) structure of these relationships provide opportunities and constraints to actor behaviour (see Wellman 1983; Brass et al. 2004).

Regarding the opportunities, network relationships provide access to sought-after information and resources. Given that actors vary in terms of the network relationships they have, this also creates differential access to and possession of such information and resources. Because of this, networks are characterized by dependency relationships, making some actors more powerful than others (Pfeffer & Salancik 2003; Granovetter 1985; Burt 1987). Regarding the constraints, networks give rise to institutionalized norms and according expectations about appropriate behaviour (see Oliver 1991; Powell et al. 2005). By mapping out the existing structure of relationships between actors, one can assess the differential exposure of actors to the opportunities and constraints channelled through network relationships, and theorize about the effects that these opportunities and constraints are likely to have on actor behaviour and decision-making.

The core questions underlying a network-analytical approach are thus whether and how networked patterns of (social) interaction matter for individual actors and communities (Kilduff & Brass, 2010: 329-332). Such an approach can also help deepen the current understanding of transnational networks and their probable effects on domestic actors and agencies. Theoretically, it provides a more concrete conceptualization of transnational networks by further specifying the “sets of direct interactions among sub-units of different government” written about by Keohane and Nye (1974: 82), or the “patterns of regular and purposive relations” noted by Slaughter

(2004: 14). Moreover, analytically it allows one to move beyond general categories of “network membership” (see Bach & Newman 2010), by providing analysis of the way in which network activity, contacts, and structural embeddedness vary between domestic agencies and what the according effects of this variation are.

A network-analytical approach can thus contribute to one of the core questions regarding the effects transnational networks on domestic actors, i.e. whether and in what way transnational collaboration leads to regulatory harmonization and the adoption of soft law standards (see Kerwer 2005; Stone 2008; Maggetti & Gilardi 2014). Assuming networks to be channels that facilitate the flow of relational resources, such as information, experience, or support (see Lin 2001), they can be argued to play an important role in explaining standard adoption patterns on the basis of diffusion mechanisms of (social) learning and emulation (Holzinger & Knill 2005; Gilardi 2012). For instance, when domestic agencies seek information on the potential implications of adoption, they typically draw on the experiences of their *direct* network partners, whose actions and opinions are most salient and influential. Or, being connected with many agencies that have adopted a standard potentially creates pressures for agencies to conform to the norm of adoption set by network partners within a direct reference group.

To summarize, by mapping out network relationships, a network-analytical perspective allows one to grasp the different sets of relationships that agencies maintain and assess the way in which they are embedded by (local) network structures. By also taking into account the adoption behaviour of their network partners, specific hypotheses about network influence and exposure effects can be tested (see Valente 2005). Moreover, the hypothesized patterns can be linked to frequently noted theoretical intuitions about network processes, such as socialization or learning (see Raustiala 2002; Slaughter 2004; Martens 2008), subjecting them to more rigorous empirical analysis. To do so, the first empirical chapter of this thesis thus analyses how decisions to adopt regulatory standards are potentially guided by structural network effects. This leads to the first sub-question of this thesis:

- **Sub-Question 1:** “What is the relationship between the network relationships that an agency maintains, and the rate by which it adopts transnational standards?” [chapter 2]

Similarly, in studying how transnational collaboration patterns form and develop, a *network-analytical* approach also has leverage. Currently, the emergence of transnational networks is often studied in general, e.g., by only considering the institutional

structures or governance modes of transnational collaboration that have developed (see Eilstrup-Sangiovanni 2009; Saz-Carranza et al. 2016), or by merely focussing on decisions of agencies to join “the network” in terms of membership (see Bach & Newman 2014). However, the specific patterns or structures of interaction that exist within these transnational networks remain less clear (for an exception in the context of the EU, see Thurner & Binder 2009; Maggetti & Gilardi 2011). Importantly, these network structures are built up from the choices of domestic agencies to collaborate bilaterally with foreign counterparts. However, we have relatively little theoretical guidance on what drives these choices. Because of this, globalizing administrative patterns and the way they develop potentially remain disorderly and unpredictable (see Alter & Meunier 2009; Alter & Raustiala 2018).

A network-analytical perspective is then useful to consider, as it can help to model and better understand collaborative choices of domestic agencies while accounting for the broader network of collaboration that already exists. By conceptualizing the existing network of relationships as an information repository through which organizations can reduce uncertainty about the trustworthiness of potential partners and learn about opportunities for new ties (see Gulati & Gargiulo 1999; Feiock & Scholz 2010), such a perspective allows for more precise predictions about how future ties will develop. Rather than assuming them to merely be driven by functional considerations (see Van Boetzelaer & Princen 2012; Saz-Carranza et al. 2016), network-structural properties such as triadic closure or network centrality potentially provide important cues for partner selection, particularly when such collaboration choices happen sequentially and occur outside the (multilateral) institutionalized settings of transnational collaboration (see Raub et al. 2011: 13).

The second empirical chapter thus applies a network-analytical perspective to transnational regulatory networks, primarily focusing on how the collaborative patterns within these networks form and develop over time. By specifically focusing on the *structure of relationships* that exists between national regulators, such an approach can move beyond general categories of measurement, such as network membership (see Bach & Newman 2014), and opens up the black box of what the patterns of interaction within transnational networks actually look like. Arguably, this provides a better basis for theorizing on the kinds of network effects to expect when analyzing the formation of transnational relationships between domestic agencies. In particular, these network models give our intuitions regarding these network effects and how they operate a more precise theoretical formulation (see also Kinne 2013). The second sub-question of this thesis is formulated as follows:

- **Sub-Question 2:** “What is the effect of the existing bilateral agreements an agency maintains, on the formation of new ones?” [chapter 3]

An Intra-Organizational Perspective to Domestic Agencies

The above-described network-analytical perspective can provide an important step forward in the understanding of globalizing administrative patterns as they continue to develop. In particular, it is a useful way for capturing, analysing, and modelling the complexity of these patterns and their potential effects on the behaviour and decision-making of domestic agencies (see Maoz 2012). However, it only provides insight into the effects of (the structure of) bilateral relationships at the agency-level, that exist within a single network. Although this is appropriate given that the mapping of these relationships also serves to explain decisions at the agency-level, when zooming in on a particular agency within such a network it should be noted that this agency is likely to maintain a wide variety of network relationships in a diverse array of institutional settings (see Figure 1.1). Moreover, in practice, these network relationships are established and maintained by *individual* officials, who typically represent the agency in its various external environments while operating in complex webs of cross-border interaction.

Particularly this latter consideration calls up a number of issues regarding the behaviour of domestic officials under conditions of (transnational) complexity. These officials are essentially expected to participate in transnational working groups or committees and selectively coordinate their actions with a limited number of foreign counterparts, as to exchange information, monitor and align political behaviour, and develop, communicate, and potentially implement a common plan of action. However, these transnational (policy) settings are characterized by a multiplicity of venues and a large number of potential collaborators which have to be navigated (see Hamilton & Lubell 2018). This complexity can create uncertainty about the way in which officials can select suitable collaborators, also because the networking capacities and resources of agencies are inevitably restricted. For domestic agencies, such decision-making uncertainty is potentially problematic because it may lead to suboptimal choices regarding collaborative ties and the information and influence derived from them.

An important issue for domestic agencies involved in complex transnational environments is thus to cope with the inevitable uncertainty that characterizes such environments, so that their officials can effectively represent them and select appropriate collaborative partners. On the one hand, the institutional settings through which transnational collaboration occurs may then be important to consider, as it

provides domestic officials with a more clearly defined pool of potential partners with whom they can become acquainted (see Leifeld & Schneider 2012; Fischer 2015). On the other hand, organizational- and individual-level characteristics seem equally relevant when it comes to mitigating decision-making uncertainty underlying collaborative choices. For one, domestic officials typically operate from within a given agency structure, potentially influencing their capacity to operate collaboratively (McGuire & Silvia 2010). Moreover, the officials engaged in transnational collaboration likely vary on a number of relevant individual-level characteristics, such as international experience or expertise (see Juenke 2005; Walker et al. 2007).

All in all, decision-making uncertainty underlying collaborative choices may thus not only vary across institutional settings, but also because of a number of organizational- and individual-level characteristics. To better understand in what way, the third empirical chapter looks specifically at the collaborative choices of domestic officials in transnational networks. Moreover, by explicitly considering the complex and uncertain environments in which they make these choices, one can think more clearly about how institutional and organizational solutions might ameliorate some of the bounded rationality constraints of individual decision-makers (Bendor, 2010: 163). In particular, looking at how contextual-factors at different levels of analysis mitigate decision-making uncertainty provides a necessary complement to studies that only focus on the institutional-level (see Leifeld & Schneider 2012) or gloss too easily over intra-organizational and behavioural complexities by assuming domestic agencies engaged in transnational networks to be unitary actors (see Dohler 2017). This analytical focus accordingly provides a research question in:

- **Sub-Question 3:** “What contingency factors at network, organizational, and individual levels potentially affect the decision-making uncertainty underlying partner choices in transnational collaborative settings?” [chapter 4]

Besides the consideration that it is typically *individual* officials that establish and maintain an agency’s network interactions, one should also note that that it is typically *multiple* officials that do so. Questions thus emerge about how the collective behaviour of these officials is managed and coordinated internally, so they can effectively represent the domestic agency in transnational networked settings and coherently process information originating in these environments as to inform decision-making. However, current studies on domestic agencies in relation to transnational networks typically lack the appropriate analytical concepts to study how these issues manifest themselves *inside* the agency. Although processes of internationalization are argued to have an effect on domestic bureaucratic structures,

such structures are defined at the institutional level, for instance referring to the differentiation of task between ministries or delegation of tasks to subordinate agencies (see Christensen & Laegreid 2008; Trondal & Peters 2013).

To better understand the *internal* structuring and coordination of the transnational activities in which domestic agencies are involved, this thesis incorporates the concept of boundary-spanning (Aldrich & Herker 1977) and relates it to dimensions of organizational structure and design (Albers et al. 2016). Boundary-spanning activities link agencies to their environments and typically have two associated functions, namely *information-processing* and *external representation*. These functions also apply to domestic agencies engaged in transnational environments, as their officials externally represent them in a wide array of working groups, commissions, or task forces that constitute transnational policy settings, while information flowing down from these transnational policy arenas has to be processed internally as to adequately inform decision-making. Moreover, to think more clearly about how the individual behaviours of officials involved in such boundary-spanning activities are aggregated, *organizational structure and design* is important to consider. Structural design delineates who interacts and communicates with whom inside the agency, and who has ultimate decision-making authority regarding transnational network activities.

Through these concepts, the fourth empirical chapter can analyze how agencies internally deal with the increasingly complex transnational environments in which they have come to operate. However, important to note is that in coordinating boundary-spanning behaviour, organizational structure and design can both constrain or enable such collective activities (see Barney & Felin 2013). On the one hand, structural design parameters can compensate for the inevitable bounded rationality of individuals (see Landau 1969; Jones 2001), while, on the other hand, these same design choices can lead to a host of new coordination problems (see Bendor 2010). Moreover, competing environmental demands, for instance between the requirements of operating in complex transnational environments and the need to remain accountable within a national context, can put further strain on these design choices (see Groeneveld 2016). An intra-organizational perspective can provide more insight into how domestic agencies internally deal with these issues on a day-to-day basis, particularly in relation to the way in which they structure and coordinate boundary-spanning behaviour related to transnational networks. The fourth empirical chapter of this dissertation is then guided by the following research question:

- **Sub-Question 4:** “How are the transnational boundary-spanning activities of domestic agencies internally organized and how do structural design choices potentially influence the coordination of such activities?” [chapter 5]

All in all, answering these sub-questions allows this thesis to address some of the gaps identified in the literature review. While the network-analytical perspective helps to clarify in what way transnational networks have an effect on domestic agencies, the intra-organizational perspective helps analyze the way in which these agencies and its officials cope with the increasingly complex transnational environments in which they have come to operate. To specify how these analyses are set up, the methodology and research design of this thesis are discussed next.

1.4 METHODOLOGY AND RESEARCH DESIGN

Given the different analytical foci underlying the various sub-questions, this thesis also uses different methods analyzing different units of observation. To look at the effects of network relationships on agency decision-making, (statistical) network modeling is used. To look at the internal structuring and coordination of transnational network activities, qualitative interviews have been conducted. The analytical setup of both methods are elaborated on below. First, however, the specific research context of this study is described and justified.

Research Context and Justification

Transnational forms of collaboration have developed in diverse policy areas, such as energy, telecommunications, crime, privacy protection, human rights, international competition (see Picciotto 1997; Slaughter 2004). However, to answer the above-specified research questions, the analysis of this thesis focuses specifically on international financial sector regulation and the agencies and officials operating within it. The main reason for choosing this research context is that financial markets regulation provides a prototypical complex environment, in which a wide variety of actors and institutions operating within a highly dense system of rules, regulatory standards, and international agreements exists (Alter & Meunier 2009; Frieden 2016).

This choice of context is suitable for the purposes of this research because much of the theorizing of this thesis focuses on agency decision-making in the context of or in response to complexity. More specifically, for the network-analytical chapters, this complexity leads to the expectation that networked patterns of collaboration

are likely prevalent for domestic agencies, allowing the analysis to focus on what network-structural properties drive their behaviour and decision-making. For the qualitative chapters, such a research setting allows for gathering evidence on the way in which domestic agencies cope with the uncertainty resulting from complexity, making our phenomenon of interest “transparently observable” (see Eisenhardt 1989).

The complexity of the chosen research context consists of two particular aspects. Firstly, the *institutional* complexity of international finance regulation is noted, given the existence of a wide variety of transnational networks, international organizations, and standard-setting bodies that are active (Ahdieh, 2015). These include, among others, the Basel Committee on Banking Supervision, the Financial Action Task Force (FATF), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO). While some of these *networked organizations* are backed by an implicit or explicit mandate and stand alone as an alternative to treaty-like cooperation (e.g. IOSCO, Basel Committee), others are integrated in an *international organization*, of which we see examples in the EU and the WTO (see Eilstrup-Sangiovanni 2009). Importantly, these institutionalized settings present domestic agencies with a large number of potential venues in which they can participate, as well as diverse array of potential actors with whom they can collaborate.

Secondly, the *technical and rule* complexity of international finance is also emphasized for the analytical purposes of thesis. Scholars have extensively documented the highly dense system of rules, regulatory standards, and international agreements that exists within international finance (Frieden 2016), as well as the specialized and technical nature of issues discussed and regulated therein (Baker 2010; Porter 2014). In practice, financial regulators are confronted with quickly developing innovations and complex regulatory issues, such as what do with high frequency-trading algorithms (Coombs 2016) or the dispersion of risk weighted assets (Ferri & Pesic 2017). This makes international financial regulation a complex and dynamic environment to operate in, requiring extensive expertise and information-processing capabilities on behalf of domestic agencies and their officials.

Although such extreme research settings are potentially problematic in terms of generalizing toward a broader population³ (Seawright & Gerring 2008), they are

3 Although it *can* provide inference by being a most-likely case in which expected phenomena are *not* observed, i.e. if not here then nowhere (see Levy 2008).

analytically interesting because they activate more actors and basic mechanisms in the situations studied (Flyvbjerg 2006). In that sense, cases from such a research context provide a good basis for theory-building and primarily refer to some form of *analytic* or *theoretical* inference (Yin 2005). For the network-analytical chapters of this thesis, such forms of inference take shape by providing an important plausibility probe for network explanations in studying transnational patterns of regulatory collaboration, providing guidance to theorizing for other regulatory sectors that are increasingly developing similar networked patterns of collaboration as well (see Efrat and Newman 2018). For the qualitative chapters, the prototypical complex environments provided by the research setting, likely makes dealing with decision-making uncertainty a more prominent issue for the studied agencies, allowing us to more thoroughly analyse and theorize on according organizational responses (see Lund 2014).

Statistical Network Modeling

To answer the first two sub-questions of this thesis, (social) network analysis (SNA) is used. The tools of network analysis provide various measures of structural network properties that characterize the particular relationships that exist between a group of actors (see Wasserman & Faust 1994; Ward et al. 2011). Moreover, certain forms of SNA can also estimate the effects of these descriptive network properties on outcomes at both the actor and network level, allowing for explanatory research. For instance, statistical network models such as Exponential Random Graph Models (ERGMs) or Stochastic Actor Oriented Models (SAOMs) transform notions of *centrality*, *homophily*, *transitivity*, or *reciprocity* into algorithms and, contingent on the appropriate data, explicitly test predictions regarding processes of tie formation or network and behavioural co-evolution, as well as the kinds of social processes that drive them (Lubell et al. 2012; Lazega & Snijders 2016). Network modeling thus not only allows for more specific theorizing about the effects that network are likely to have; it also provides a concrete means of testing the hypotheses that flow out of such theorizing.

In this thesis, Stochastic Actor-Oriented Models (SAOM) are used to analyze the collected network data. A SAOM is a type of statistical network model that takes the formation of network relationships as its dependent variable and allows one to model endogenous and exogenous influences that potentially drive this process (Snijders et al. 2010). Moreover, through an extension of such models, one can analyze network and behavioural co-evolution, providing the possibility of estimating the effects of network relationships on behavioural characteristics (see Steglich et al. 2010). Importantly, such models have an explicit actor-level focus and allow for

the analysis of behaviour *over time*. They can be used for analyzing both the effects of network relationships on standard adoption (chapter 2), as well as the evolution of network relationships themselves (chapter 3).

Using these models provides an important step forward compared to the more conventional use of network analysis in political science, which has been criticized as being a primarily descriptive exercise (see Dowding 1995). Given current applications of SNA in the literature on transnational networks, this criticism seems justified (e.g. Kahler 2009; see Maoz 2012). In this setup, network analysis is primarily used to describe properties of the network as a whole (e.g. degree of density or centralization) and network data is typically cross-sectional. Moreover, whenever network analysis is used in explanatory analysis, this is typically done by coding network properties as actor characteristics and then analyzing hypothesized relationships through standard regression models. Given the assumption of independent observations that underlie these models, such regression-based analyses are incompatible with the (inter-)dependencies of observations implied by network conceptualizations (see Robins et al., 2012). SAOMs, on the other hand, explicitly account for relational interdependence and allow for the analysis of longitudinal (network) data. In this way, it provides a well-developed but underutilized alternative for studying network data in a political science/public administration context (see Snijders & Pickup 2018; Scott & Ulibarri 2019).

The specific data gathered to study transnational collaboration patterns, are based on bilateral MOUs that exist between securities regulators. These are basically information exchange agreements that specify conditions of cooperation and deal with the nature and confidentiality of exchanged information (see Slaughter 2004; Brummer 2011). On the one hand, they serve as a proxy for strong network relationships, as the negotiation and co-signing of such agreements requires intensive interaction between regulatory agencies and gives a guarantee that at least some form of (bilateral) contact or interaction exists or has existed. On the other hand, given the potentially sensitive information exchanged between agencies as a result of such agreements, their establishment is also interesting to investigate in itself, as the choice about with whom to sign such agreements is apparently not so trivial (see Efrat & Newman 2018).

For assessing the effects of these network relationships on standard adoption, note that the second chapter of this thesis focuses on the rate by which these agencies adopt IOSCO's MMOU (Chapter 2, n=104). The MMOU is a soft law standard focusing particularly on standardizing the terms and conditions of enforcement cooperation,

while also facilitating convergence of securities regulation by removing domestic secrecy or blocking laws (IOSCO, 2002). The latter makes it a case of standard adoption, albeit not a typical case given that standards regarding insider trading or financial rules require more extensive adjustments for domestic agencies and national legislatures (see Bach & Newman 2010). In that sense, the case of the MMOU perhaps provides a “most-likely” scenario for network influences. The generalization conclusion that can be drawn from such a case is that if such network influences are not found in the studied case, then they will also not be found for cases of standard adoption for which requirements are more stringent. Still, given that the analytical goal is to distinguish between different network characteristics potentially driving patterns of adoption, forms of theoretical generalization are more valuable in this regard.

In terms of generalizing from studying the evolution of bilateral MOU in the context of securities regulation (Chapter 3, n=143), note that similar theoretical mechanisms can be expected to play a role in the signing and formation of similar kinds of agreements that exist within other fields, such as MLATs or MOUs in other fields (see Ansell & Vogel 2006; Efrat & Newman 2018). Moreover, the uncertainty involved in signing bilateral agreements on information exchange is common in other policy areas as well (Yang & Maxwell 2011). This generates reasonable expectations about finding similar mechanisms or patterns in other similar settings (see also Elster 1989; Bengtsson & Hertting, 2013). However, the findings of this study are less about generalizing to some specified population than they are about demonstrating a causal argument about how “general social forces take shape and produce results in specific settings” (Walton, 1992: 122).

Semi-Structured Interviews

The nature of the third and fourth research questions of this thesis are exploratory and have an emphasis on theory development and elaboration (see Fisher & Aguinas 2017). This is appropriate given that relatively little is known about the phenomenon of interest and the focus on the internal coordination of transnational network behaviour provides a “freshness in perspective” when compared to existing studies (Eisenhardt, 1989: 548). Moreover, qualitative research is particularly suitable for these purposes, as it enables attention to be given to particular circumstances (Antonakis et al. 2004), while its open-ended nature is sufficiently flexible to allow for new insights or themes to emerge (see Piore 2006).

The primary mode of data collection for both these chapters is through semi-structured interviews with open-ended questions (see Aberbach & Rockman 2002;

Leech 2002). In doing these interviews, the interviewer had a descriptive interest in understanding the way in which domestic organizations internally structure and coordinate transnational network activities. In particular, questions focused on what forms of transnational collaboration the respondents engage, how they prepare for international meetings, and what the challenges are in this regard. For the separate chapters, explicit probing was carried for informal networks and partner selection (chapter 4) and internal coordination structures regarding transnational activities (chapter 5). The semi-structured nature of these interviews, allowed for more explicit comparison between respondents. Interview guides are given in Appendix A.

Overall, 20 interviews were conducted in the context of this thesis. Four of those interviews were used for purely exploratory purposes; i.e. they were unstructured and primarily served the goal of becoming acquainted with the research setting and identifying potentially interesting themes regarding transnational collaboration. Sixteen interviews were used for analysis, of which all sixteen were used for the third empirical chapter, while a selection of twelve respondents were the basis for the fourth empirical chapter (i.e. only those working for regulatory agencies). Overall, respondents that were interviewed for the two empirical chapters worked for three different organizations: the ministry of finance (n=4), the Dutch banking regulator (n=7), and the Dutch securities regulator (n=5).

In terms of selecting the respondents, they were identified through a combination of snowball and purposive sampling. First, heads of departments or managers of relevant units and departments of studied organizations were approached and interviewed. At the end of these interviews, respondents were asked to nominate officials within their organization “heavily involved in transnational network activities”. The benefits of such a sampling approach means that selected respondents were highly relevant for the research topic, giving a higher likelihood of achieving data saturation (see Burmeister & Aitken 2012). The decision to stop approaching interview respondents was driven by the consideration that the interviewed respondents covered all the most relevant transnational policy settings in which their respective organizations/units were involved.

Given that the same interview transcripts are used for two different empirical chapters, some additional considerations should be made. Important to emphasize is that the qualitative chapters are not based on some form of grounded theory methodology (Glaser & Strauss 1967), i.e., the theoretical arguments made in them are not completely guided by the qualitative material collected in the interviews. Instead, these studies partly use existing theoretical concepts that are different for

both chapters. These concepts define what is interesting about the transcripts and determine the way in which they are analyzed (Lund 2014: 228). In other words, existing theoretical concepts direct the attention of the investigator to different parts of the interview transcripts and what passages to code. It is thus not the case that the same passages by the same respondents are interpreted differently for these different chapters. Instead different theoretical concepts lead us to different passages in the same transcripts, and hence different analyses.

With regard to the “evidence-status” of our qualitative studies, Piore (2006) argues that such studies are helpful in problematizing existing theoretical assumptions and generating new lines of potential inquiry. Following this line of argument, this thesis does not hold the qualitative chapters to provide direct evidence for some general theoretical claim. Rather the qualitative data is used as a basis for building and elaborating theory, in which pre-existing conceptual ideas are used to inform the collection of data, and the analysis was primarily used to work out these concepts. In particular, in terms of theory elaboration, chapter 4 focuses on *construct splitting*, in which existing theoretical constructs are split into specific dimensions based on observed empirical realities (Fisher & Aguinas, 2017: 446; see also Halkier 2011), while chapter 5 has an approach of *contrasting*, in which theoretical constructs developed in one setting are applied to another (Fisher & Aguinas, 2017: 444). Both research strategies provide a basis for *analytical generalization*, in which, on the one hand, theoretical concepts are used to “enlarge” the significance of particular aspects of our empirical materials (Delmar, 2010: 121-122), while, on the other hand, these empirical materials are used to clarify, elaborate on, and problematize these theoretical concepts and draw more general lessons on their conceptual definitions and scope of applicability (see Halkier 2011; Lund 2014). Note that the specific procedures through which the qualitative data was analyzed are spelled out in the respective chapters themselves.

1.5 OUTLINE OF THESIS

In this introductory chapter, the general research question was presented and broken down into four sub-questions that are central to the empirical chapters of this dissertation. Chapter two addresses the question of whether the network relationships that agencies maintain, explain the variation in terms of the rate by which transnational standards are adopted. Chapter three focuses on tie-formation patterns between regulatory agencies and assesses whether these can be predicted from the existing structure of relationships that is already in place. Chapter four

shifts the analytical focus to *inside* domestic agencies and looks at *how* decision-making uncertainty regarding collaborative choices can be mitigated. Chapter five focuses on the intra-organizational coordination of external network behaviour, introducing the concept of boundary-spanning to better understand the issues involved. Chapter six concludes by answering the general research question, and by discussing the specific theoretical, methodological, and practical implications of this thesis. Also this chapter notes the limitations of the presented studies and provides several recommendations for future research. An overview of empirical chapters is provided in Table 1.1.

TABLE 1.1 Overview of the Empirical Chapters of the Dissertation

Chapter	Research Question	Method of Analysis	Research Setting	Sample Size
(2) Network Diffusion and Standard Adoption	<i>What is the relationship between the network relationships that an agency maintains, and the rate by which it adopts transnational standards?</i>	Quantitative Design: Stochastic Actor-Oriented Models	Securities Regulation; IOSCO MMOU	N = 104 (IOSCO members)
(3) Network Structure and Tie Formation	<i>What is the effect of the existing bilateral agreements an agency maintains, on the formation of new ones?</i>	Quantitative Design: Stochastic Actor-Oriented Models	Securities Regulation; bilateral MOUs	N = 144 (national securities authorities)
(4) Partner Selection and Decision-Making Uncertainty	<i>What contingency factors at network, organizational, and individual levels potentially affect the decision-making uncertainty underlying partner choices in transnational collaborative settings?</i>	Qualitative Design: semi-structured interviews	Financial Sector Regulation; Dutch Ministry and Regulatory Agencies	3 organizations, 16 respondents
(5) Boundary Spanning and Organizational Structure	<i>How are the transnational boundary-spanning activities of domestic agencies internally organized and how do structural design choices potentially influence the coordination of such activities?</i>	Qualitative Design: semi-structured interviews	Financial Sector Regulation; Dutch Securities and Banking regulators	2 organizations, 12 respondents

