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

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Chapter 5

Coordinating Transnational Network Behaviour

ABSTRACT[24]

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. However, the internal problems of management and coordination this potentially creates for domestic agencies are rarely studied by public administration scholars. This chapter applies the concept of boundary-spanning and connects it to organizational structure, as to provide a better understanding of the different ways in which external network activities can be internally organized and what potential tensions might emerge. The analysis demonstrates how domestic agencies use network coordinators to resolve tensions between the differentiation needed to operate in complex transnational environments and the integration needed to keep them accountable. The discussion notes several challenges resulting from a reliance on such network coordinators and sets out directions for future research.

24 To be submitted to an international peer-reviewed journal.

5.1 INTRODUCTION

Given the internationalization of markets and growing interdependence of policy issues, the external environment of many domestic (regulatory) agencies has changed considerably. In particular, to avoid negative externalities and regulatory loopholes, many forms of transnational collaboration between regulatory agencies have emerged in a large number of policy areas (see Koppell 2010; Newman & Zaring 2013). Within these collaborative settings, regulators (and ministry officials) directly interact with their foreign counterparts, often outside the scope of political supervision (see Slaughter 2004; Eilstrup-Sangiovanni 2017). For instance, national competition authorities meet each other in various platforms such as ECN, ECA, and ICN to exchange information and formulate standards (Djelic 2011), while the annual reports of national food safety authorities report a long-list of transnational collaboration partners with which they are actively involved (see Yesilkagit 2016). As a consequence, an increasingly large number of national officials at different levels of the organizational hierarchy are simultaneously involved in transnational networking on behalf of these agencies.

However, the internal problems of management and coordination this changing transnational environment potentially creates for domestic agencies are rarely studied by public administration scholars. Empirical studies of regulatory agencies in relation to transnational administrative patterns typically lack an intra-organizational dimension, either focussing on the effects of internationalization on domestic bureaucratic structures in general (Laegreid et al. 2004; Danielsen & Yesilkagit 2014), or analyzing the actions and decisions of agencies in transnational networks as if it were unitary actors (Bach & Newman 2010). Similarly, while public management scholars have sought to articulate effective management and leadership within networks (Agranoff & McGuire 2003; Ansell & Gash 2008), they also gloss too easily over these potential internal coordination problems. As McGuire and Agranoff (2010) observe, "we know very little about what an agency experiences as it prepares to enter into a network".

Particularly for (semi-)*public* agencies, this intra-organizational neglect is problematic. The need for external control and accountability within the public sector potentially creates further hierarchical tendencies and rule proliferation (Stazyk & Goerdel 2010; Davis & Stazyk 2015), raising questions about whether the organizational design of (semi-)public agencies is supportive of the collaborative functions in which their members increasingly have to engage (McGuire & Agranoff 2011; Foss et al. 2013). There is a potential mismatch between the "cognitively unavoidable"

need for decentralization and specialization of organizations operating in complex environments (see Grandori 2009) and the tendencies toward centralization and formalization required for (semi-)public agencies that are expected to be accountable (Groeneveld 2016). However, there is little empirical analysis of how the resulting tensions manifest themselves in practice or what to do about them.

To shift the analytical focus to these issues, this chapter applies the concept of *boundary-spanning* (see Thompson 1967; Aldrich & Herker 1977) and connects it to dimensions of *organizational structure*. Boundary-spanners typically relate organizations to their environments and are traditionally associated with the core functions of information processing and external representation (see Aldrich & Herker 1977). Organizational structure delineates who interacts and communicates with whom, as well as who has ultimate decision rights over activities related to transnational policy settings. A conceptual focus on boundary-spanning and organizational structure provides a better understanding of the different ways in which external network activities can be internally organized and what potential tensions might emerge. This gives a research question in: *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?*

Theoretically, shifting the analytical focus to the intra-organizational level of analysis, provides a clearer image of how organizational members involved in boundary-spanning are embedded by organizational structures and how different choices about structural design parameters potentially influence boundary-spanning activities and the way these activities are coordinated. Rather than treating the domestic agencies involved in transnational networks as unitary actors, we thus explicitly open up the organizational black box and assess the way in which individuals acting on their behalf aggregate to organizational-level strategies. Assuming that organizations are inherently a means of combining individual efforts to achieve collective goals, this provides a theoretical focus on questions of aggregation and the central role that organizational design and structure can play in this regard (see Stinchcombe 1990; Barney & Felin 2013).

Practically, studying the way in which agencies deal internally with new tasks emerging from transnational environments is also important. As globalizing administrative patterns continue to develop (Stone & Ladi 2015), an increasing number of individual actors from different levels of the organizational hierarchy become simultaneously involved in networking activities on behalf of the agency. In some way, their individual behaviours will have to be aggregated to organizational-

level strategies, as to effectively (and accountably) represent the domestic agency in transnational networked settings and internalize information originating therein. Otherwise, these agencies run the risk of being overwhelmed by the new tasks and functions emerging from transnational environments, which are added onto the existing set of (national) tasks and responsibilities they already have.

The empirical setting on which this chapter bases its analysis is provided by international finance regulation, looking at the way in which Dutch national financial sector regulators (banking and securities) internally coordinate their actions in transnational regulatory networks at both the European and global level. This research context of financial sector regulation is understood as a prototypical complex environment, given the wide variety of actors and institutions operating within a highly dense system of rules, regulatory standards, and international agreements (Alter & Meunier 2009; Frieden 2016). This makes it particularly suitable for our analytical purposes, given that the process of interest (i.e. the management and coordination of transnational network behaviour) is likely to be "transparently observable" (Eisenhardt, 1989: 537).

This study proceeds as follows. First, a conceptual framing is provided in which the potential implications of operating in complex transnational environments are discussed and the core analytical concepts of boundary-spanning and organizational structure are spelled out. After describing the overall research context of this study, the methods of data collection and analysis of the study are given. Subsequently, the analytical section of this chapter is divided into two parts. First, description is provided on the way in which boundary spanning activities are internally structured and coordinated within the studied agencies. Second, the specific functions of information-processing and external representation are discussed in relation to dimensions of organizational structure. In the discussion, the focus is primarily on how agencies internally deal with the tensions emerging from the analysis and what theoretical and practical questions this calls up. A conclusion reports the core findings and sets out directions for future research.

5.2 CONCEPTUAL FRAMEWORK

Globalizing Administrative Patterns and Domestic Bureaucratic Structures

Recent decades have seen the development of transnational forms of collaboration in diverse policy areas, such as energy, telecommunications, crime, privacy protec-

tion, human rights, and international competition (see Picciotto 1997; Slaughter 2004). These collaborative settings typically take the form of information exchange platforms, standard-setting bodies or networked organizations, and facilitate interaction and negotiation between substate actors from various jurisdictions (see Koppell 2010; Newman & Zaring 2013). Given that the rules, regulations, and standards flowing from these transnational bodies potentially have large implications for national jurisdictions, domestic agencies are forced to devote an increasing amount of staff and resources to participating in these networks (see Maggetti & Gilardi 2011; Bach & Newman 2014).

Overall, these developments thus mean that a transnational dimension has become increasingly important for the operations and functioning of domestic regulatory agencies (see Newman 2008; Ruffing 2015). As a result, domestic officials frequently interact with foreign counterparts with whom they exchange information, share experiences, or participate in one of the numerous working groups, committees, or task forces that make up the institutional structure of many transnational networks. The work in these latter settings include writing policy briefs, research reports, recommendations, and doing the preparatory work for the (regulatory) standards that many of these transnational networks formulate. In that sense, the rise of transnational networks means that national regulatory agencies have become more directly involved in rule formulation and standard setting, often outside the scope of national legislatures and political executives (Pollitt & Bouckaert 2004; Coen & Thatcher 2008). This extension of tasks and responsibilities likely has several important implications for the way in which domestic agencies function.

Firstly, given the wide array of transnational policy settings in which domestic agencies participate and the large group of officials that typically represent them therein, questions emerge about how these officials are coordinated internally. Different officials participate in different working groups, committees, or task forces, meaning that attention centres of domestic agencies regarding its transnational environments are inevitable scattered across the organization. If the information originating in heterogeneous transnational environments is to adequately inform agency decision-making, efficient communication structures are thus required. In addition, given that the officials representing the agency potentially work from different (organizational) units, at different managerial levels, with different sets of expertise, extensive coordinative capacities are required as to ensure this wide variety of officials speak with one voice when operating transnationally.

Secondly, it is important to note that the transnational networks in which domestic actors increasingly participate, have come to share the same "regulatory space" as established national structures (see Busuioc 2016; Yesilkagit 2016). Although increasing numbers of regulatory officials operate outside domestic bureaucratic structures, the agencies that they represent remain "anchored to national governments" (Egeberg & Trondal, 2011: 870). In practice, this means that when engaging in transnational network activities, domestic officials are potentially confronted with competing requirements and demands. In particular, the coordinative structures required to operate in complex and heterogeneous transnational environments may not be compatible with those needed to remain accountable within a national context. Domestic agencies basically "network in the shadow of bureaucracy" (McGuire & Agranoff 2010), calling up questions about how the increasing need to operate in relational modes is reconciled with the hierarchical tendencies characterizing domestic bureaucratic structures (see Groeneveld 2016).

To assess how these issues manifest themselves in practice, analytical concepts are required that can study the implications of transnational forms of collaboration for domestic agencies and their internal functioning and structuring. However, the standing public administration literature that has studied the effects of internationalization on domestic bureaucratic structures typically has a more general focus (Bach et al. 2016; Mastenbroek & Martinsen 2018). Scholars have particularly noted processes of *agencification* in light of internationalization and have focused on how such developments increase the (bureaucratic) autonomy of these established agencies vis-à-vis their parent ministries (see Yesilkagit 2011; Bach & Ruffing 2013). Given that the unit of analysis of many of these empirical studies is typically "central government bureaucracy", issues of coordination as a result of internationalization are primarily studied as occurring *between* parent ministries and subordinate agencies to which autonomy has increasingly been delegated (see Christensen & Laegreid 2008). The coordination issues occurring *within* domestic agencies as a result of operating in increasingly complex and heterogeneous transnational environments have remained less clear (for an exception, see Ruffing 2017).

Therefore, to better understand such internal coordination issues, this chapter turns to the analytical concepts of *boundary-spanning* and *organizational structure*, which have more of an intra-organizational focus. While the former of these concepts can help to analyze the kinds of external and internal activities that help domestic agencies cope with the increasingly complex transnational environments in which they have come to operate, the latter can better describe the different ways in which such activities can be organized. Both concepts are discussed further below.

Boundary-Spanning: Information Processing and External Representation

To cope with *complex* environments[25], organizations need the capacity to adapt and react to environmental changes (see Schneider et al. 2017). A broad literature has emphasized the importance of boundary-spanning roles in this regard (see Thompson 1967; Williams 2002). Boundary-spanning roles are fulfilled by organizational members that operate at the boundaries of the organization and generally maintain the organization's interactions with its environment. Conceptualizing boundary-spanning can help to better understand the kinds of activities domestic officials are involved with when engaging with transnational networks.

In general, boundary-spanning activity typically has two associated functions (see Aldrich & Herker 1977). First, it has an important function of *information-processing*, helping the organization filter through the large amounts of potentially relevant information that originate in external environments and communicating it to other units within the organization on a regularized basis. In this way, boundary-spanning helps avoid information overload and shields the organization's technical core from outside disturbances (Thompson 1967). Two steps of information-processing can be identified: boundary-spanners have to (1) select information from the environment, and (2) communicate it through within the organization. In that sense, they fulfil a gatekeeping role, by acting as a conduit for inflows from the environment to the organization (see Friedman & Podolny 1992). Information-processing thus typically implies *inward* communication from external environments to the organizational core.

Second, boundary-spanners typically maintain the organization's external relationships, acquiring and disposing resources, upholding the organization's image to outside audiences, and building legitimacy with external stakeholders. This *external representation* function can be understood as being a transmitter of outflows from the group to the environment (Friedman & Podolny 1992). Actions taken by boundary-spanners operating in this role, can originate from authoritative commands in the core of the organization, or grow out of their own initiative depending on their degree of role autonomy (see Perrone et al. 2003). In any case, the behaviour of boundary-spanners when externally representing the organization is expected to reflect policy decisions from higher up the organizational hierarchy (see Aldrich & Herker, 1977: 220). Importantly, the way in which boundary-spanners fulfil this

25 Understood as an environment in which 'the number of items or elements that must be dealt with simultaneously by an organization' is large (Scott, 1992: 230).

function determines the way in which the organization presents itself to outside audiences. External representation is thus concerned with *outward* communication from within the organizational core toward the external environment.

By fulfilling these two core functions, boundary-spanners can increase the organization's ability to respond to environmental demands and process information about environmental conditions and contingencies in a more sophisticated manner (Leifer & Delbecq 1978). Given the complex transnational environments in which domestic agencies increasingly participate and the vast body of information, standards, rules and regulation that flow down from these environments, these core functions are likely important for these agencies as well. Information-processing is about making sure that decision-makers within the agency are adequately informed about (transnational) policy developments and the likely consequences and implications of formulated transnational standards or regulations. External representation is about making sure that the strategies decided on by those that have the accountability and responsibility to do so are actually implemented by lower-level officials operating in transnational network environments, as to fulfil the overall policy goals of the agency. However, important to note is that the boundary-spanning activities of domestic agencies can be organized in various ways. To better understand this variation, dimensions of organizational structure and design are useful to consider.

Structural Design Choices and Boundary-Spanning Behaviour

Organizational structure can be defined as the "relatively enduring allocation of work roles and administrative mechanisms that creates a pattern of interrelated work activities" (Jackson & Morgan, 1982: 81). This structure thus delineates who interacts and communicates with whom, as well as who has ultimate decision rights over activities related to transnational policy settings. In that sense, organizational structures and its particular dimensions provide an important context in which agency officials operate. It functions as an architecture of action and interaction and in that way constrains or enables collective activities such as boundary-spanning (see Barney & Felin 2013). Changing these architectures, changes behaviour and thus also the way in which the boundary-spanning activities of an organization are coordinated. To specify how this works, particular dimensions of organizational structure should be identified. For this, we follow Albers et al. (2016) by mainly considering an organization's degree of *specialization*, *centralization,* and *formalization*, and argue how they are important for the organization and coordination of boundary-spanning activities.

First, *specialization* is concerned with the division of labour within the organization, i.e. the distribution of official duties among a number of positions. Boundary-spanning activities within an organization can also vary in terms of their degree of specialization, depending on whether organizations establish separate units responsible for managing the external relationships with regard to a particular aspect of the environment (high specialization), or whether it organizes boundary-spanning as an additional function of organizational members besides their regular work (low specialization). Through specialization, officials can more easily engage with transnational networked environments, as it allows them to focus on one particular aspect of the organization's task environment (see Perrow 1977). This helps boundary-spanners to become acquainted to the technical specificities of particular domains, arguably enhancing their capacity for information processing (Day & Lord 1972). However, too high degrees of specialization potentially lead to fragmentation and communication problems within the organization.

Second, *centralization* captures the locus of (decision-making) authority within organizations and its dispersion among actors (Mintzberg 1979). The boundary spanning activities in the organization can be (vertically) centralized in the sense that decision-making authority is concentrated in a single channel higher up the organizational hierarchy, or decentralized in the sense that decision-making authorities are delegated to lower-level managers. Centralized decision-making procedures typically allow organizations to better align and give direction to joint action. However, such centralized structures are quickly pushed beyond their limits of attention and do not create the advantage of "parallel processing" through which different aspects of a problem can be dealt with simultaneously (see Jones, 2001: 134). In turn, however, too extensive decentralization may lead to "agency problems" regarding lower level units, frustrating information sharing between different units and hampering the organization's ability to speak with one voice (Shimizu 2012).

Third, *formalization* refers to the specification and standardization of rules, procedures, plans, and documentation to guide organizational activities, as well as the need and requirements for documenting actions and decisions *after the fact*. Regarding boundary-spanning activities, organizations can vary in terms of the degree to which they draft standard operating procedures to guide the conduct of organizational members when operating outside organizational boundaries and require them to extensively document and justify their actions and decisions in external environments (see Perrone et al. 2003). Note that formalization potentially improves the information-processing capacity of the organization, by formalizing decision-making language and codifying new knowledge (see Galbraith 1974; Cohen

& Levinthal 1990). However, too high levels of formalization potentially limit the autonomy of boundary-spanners, hampering the organization's ability to respond to new opportunities or quickly changing environments.

Overall, when thinking about how organizational design choices affect the core functions of boundary-spanning, it is thus important to consider that the effects of specific structural dimensions are likely to point in both directions. In other words, structural design parameters may enable certain aspects of information-processing or external representation while impeding others. This reflects more general insights from literature that has looked at how organizational design acts as a decision-making context for organizational members (see Simon 1945; Bendor 2010). These scholars typically perceive organizational structure to be a *double-edged sword*, in which, on the one hand, structural design parameter 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).

Still, besides these tensions, the above-provided discussion of the nature of organizational structure and its relation to the core functions of boundary-spanning, provides a way to better understand how domestic agencies can adjust to the complex and heterogeneous transnational environments in which they have come to operate. Such environments require domestic agencies to have multiple foci of attention and devote an increasing amount of resources and personnel to transnational network activities. This likely has implications for the internal functioning and structuring of the organization and the above described structural dimensions give us a conceptual idea about what these implications look like. This allows for better description of the different ways in which transnational network activities are internally structured and coordinated and can help us think more clearly about the implications of different design choices for the agency's capacity to operate collaborative (see 6 et al. 2006; McGuire & Silvia 2010).

However, one should note that within a (semi-)public sector context, the strategic choices that organizations can make in terms of structural design are potentially limited by path dependency (McDermott et al. 2015) and ambiguous political environments (Pandey & Wright 2006). Because of this, many (semi-)public agencies will simultaneously reflect the need to specialize and decentralize as to effectively operate within increasingly complex environments (i.e. differentiation), as well a tendency toward centralization and formalization as to be accountable within a public context (i.e. integration) (see Stazyk et al. 2011; Groeneveld 2016). In the

empirical analysis below these issues are further elaborated on, focussing particularly on (1) how structural design choices affect the way in which core functions of information-processing and external representation are organized within domestic agencies engaged in transnational network activities, and (2) what issues this calls up in terms of internally managing and coordinating boundary-spanning behaviour. First, however, the research context of this study is described.

5.3 RESEARCH CONTEXT

As a research context of this study, the analysis focuses on the way in which Dutch financial regulatory agencies internally coordinate and manage the transnational network behaviour of its officials. These agencies regulate the different sectors of the financial sector, including, banking, securities, insurances, and pensions. Given the vast expansion of international financial activity, they have become increasingly involved in transnational coordination efforts, as to avoid negative externalities and regulatory loopholes (see Brummer 2011; Newman & Zaring 2013). A primary reason for choosing this research setting is the institutional and technical complexity by which international finance regulation is characterized. This means that the coordination challenges described above are likely relevant for the studied organizations, allowing us to collect evidence on the ways in which they deal with these challenges.

Regarding the institutional complexity, note that the transnational coordination of financial regulation takes various forms. At the global level, the Basel Committee on Banking Supervision (BCBS), the Financial Action Task Force (FATF), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO) are its most prominent manifestations, while at the regional level, more institutionalized platforms such as the various ESAs play an important role (Ahdieh, 2015: 76). While some of these networks only provide a platform for informal discussion and information exchange, others actively seek out a role as international standard setter (see Koppell 2010). Within these settings, domestic regulatory officials interact with foreign counterparts through the diverse array of working groups, task forces, and committees that carry out most of the operational work.

Given the large number of transnational networks active within the field of international finance regulation, a highly dense system of rules, regulatory standards, and international agreements has also developed (Frieden 2016). This further complicates the transnational environments of domestic agencies, given that they have

a considerable task in assessing how ongoing developments surrounding transnational regulation potentially have implications for their own national jurisdictions. These implications can be large as the Basel accords negotiated by the BCBS (see Chey 2014) or standards on insider trading in the context of IOSCO (see Bach & Newman 2010) have shown. Keeping track of regulatory issues is thus crucial if domestic agencies are to strategically act within transnational policy settings and react to ongoing developments. However, given that within international finance innovations develop quickly and regulatory issues are relatively complex (see Baker 2010; Porter 2014), this is no easy task. Regulating OTC-derivatives (see Tsingou 2006), or what to do about the dispersion of risk weighted assets (Ferri & Pesic 2017), for instance, are complicated topics that require extensive specialized expertise.

Not surprisingly, domestic financial regulators devote increasing amounts of staff and resources to transnational network activities (see Newman & Zaring 2013). Inevitably, these officials are involved in both externally representing the agency in transnational policy settings and processing information regarding ongoing policy and technical developments originating in these environments. The analysis then primarily focuses on how these activities are internally structured and coordinated and what potential issues occur. To do so, the data collection and analysis procedures are discussed first.

5.4 DATA COLLECTION & STUDY DESIGN

Methodological Considerations

The nature of this study is primarily exploratory with an emphasis on *theory elaboration* (see Fisher & Aguinas 2017). In other words, by applying existing concepts to a new research context – i.e. boundary-spanning and organizational structure to the coordination of transnational network behaviour -, it aims to assess how these concepts apply in settings different from those in which they were originally developed and generate new insights based on themes that emerge from the data (Miles & Huberman 1994). 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 such new insights or themes to emerge (see Piore 2006).

In terms of the research setting, it was already argued that financial sector regulation can be understood as a prototypical complex environment, given the wide variety of transnational policy settings in which domestic agencies can engage (see

Alter & Meunier 2009). This makes it a particularly suitable research context for this study's analytical purposes, given that the process of interest (i.e. the management and coordination of transnational network behaviour) is likely to be "transparently observable" (Eisenhardt, 1989: 537). In other words, domestic agencies within financial sector regulation typically have a large number of officials operating in transnational environments, which require the coordination of their activities, allowing for the collection of evidence on the way in which they do so and the problems they may encounter in this regard.

Note that within this setting, the analysis primarily focuses on the way in which the Dutch banking and securities regulators coordinate their transnational network activities. The Dutch context is convenient, given that its Twin Peaks model of regulation allows for the comparison of two different regulatory agencies, that largely operate within a similar context in terms of institutional and technical complexity of their transnational environment (see Frieden 2016). Although the goal of the analysis is not to provide an explicit comparative case study, studying multiple organizations does allow for additional insights to emerge regarding particular organizational settings or contingencies.

Data Collection & Analysis

In the period between April and June 2017, 12 face-to-face interviews were conducted with Dutch senior officials involved in international financial regulation. These individuals occupied positions from middle to senior management at DNB (Banking regulator, 7 respondents) or AFM (Securities regulator, 5 respondents). The one common denominator these respondents had was that they were all heavily involved with transnational network behaviour, at either (or both) the European or global level.

As noted in the previous chapter, respondents were identified through a combination of snowball and purposive sampling, in which the aim was to identify officials involved in coordinating transnational network activities. To do so, heads of departments or managers of relevant units and departments of the studied organizations were approached first and also interviewed. These initial respondents were then used to identify other suitable respondents within the organization, particularly those "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).

Note that besides all being involved in transnational network activities, the selected respondents also varied on several other dimensions. In terms of hierarchical positions, interviewees included top- and middle-managers, as well as lower level experts and policy advisors.[26] Moreover, within the different organizations, most respondents belonged to different subunits and were involved in widely varying transnational networks and policy activities. The respondents are thus expected to have a different perception of the phenomenon of interest, i.e. the way in which boundary-spanning activities are organized within the agency, decreasing risks of convergent retrospective sense making and impression management (see Eisenhardt & Graebner, 2007: 28).

Drawing on a topic list, the respondents were interviewed (45 minutes on average) by the author in semi-structured fashion. The semi-structured nature of these interviews allow respondents to answer open-endedly, while still facilitating comparison about similar topics. Topics discussed in the interviews were – inter alia - how regulatory officials prepare for international meetings (both individually and collectively), how their unit is set up and relates to the rest of the organization, how international activities are generally coordinated, and how (and to who) they report back on these activities. Specifically, for the process of internal coordination of boundary-spanning behaviour, explicit probing was carried out to identify potential difficulties or challenges and for the respondents to provide specific examples or experiences.

To analyse the interview data, audio recordings of the interviews were transcribed and interpreted through a process of coding. Firstly, *topic coding* was used to categorize passages relevant to the core functions of boundary-spanning, i.e. information-processing or external representation (see Richards, 2015: 110). These passages typically described activities related to the processing or internal communication of (network-relevant) information (i.e. information-processing) or external activities related to transnational networks, such as participating in transnational working groups or contacting foreign counterparts (i.e. external representation).

In a second round, these passages were subjected to *analytic coding*, in order to assess whether the described activities hinted at the specific dimensions of organizational structure, as identified in the conceptual framework. Specialization, for instance, is assigned when respondents note the existence of separate boundary-spanning roles

26 Given that anonymity was promised to the interviewed respondents, information cannot be provided on the specific department, function, age, or sex of the respondents, as it would make them easily identifiable.

or units. (De-)Centralization is assigned when respondents describe issues like the degree of autonomy they have in making decisions about transnational network activities. And formalization was assigned whenever respondents note a need for reporting of transnational activities or similar kind of activities. An overview of the coding scheme is provided in Figure 5.1.

Overall, this process of coding resulted in a collection of coded passages that signify whether they describe a particular function of boundary-spanning, as well as whether they describe a particular tendency toward centralization, specialization, or formalization. This collection of passages forms the basis for discussing the way in which boundary-spanning activities are internally structured and coordinated and the degree to which it allows domestic agencies to effectively and accountably operate in transnational networked environments.

TABLE 5.1 *Coding Scheme*

Concept	Dimensions	General Definition	Manifestations
Boundary-Spanning	*Information-Processing*	Activities related to the processing of external information, and communicating it within the organization	Setting out information requests; information exchange; internal communication
	External Representation	Activities related to representing the organization in external environments	Working group participation; voting in decision-making bodies; travelling to conferences
Org. Structure	*Specialization*	Differentiation of tasks	Mentions of specific roles/ units; other tasks next to external activities
	Centralization	Locus of decision-making	Mentions of decision-making processes; lines of authority; supervisors
	Formalization	Reporting duties or standard operating procedures	Mentions of rules, regulations, reporting duties, activity logs

5.5 ANALYSIS

In this section, the analysis of this chapter is presented in two parts. First, description is provided on the way in which boundary-spanning activities regarding transnational networks are organized and coordinated within the studied agencies.

Second, the specific boundary-spanning activities and its associated functions of information-processing and external representation are noted and linked to dimensions of organizational structure.

The Internal Coordination of Boundary-Spanning Activities

At the operational level, both agencies typically involve three basic groups of officials in their transnational networking activities. Although all three groups can be identified as boundary-spanners in the sense that they interact with the organization's (transnational) environment (see Robertson 1995), each of these groups is involved differently in coordinating and executing the overall boundary-spanning activities of the organization. To clarify their roles, each group's particular responsibilities are described, as well as the way in which they are internally related to each other. Note that, although they differ in denomination, the functions of these groups and the relations between them are basically similar across the studied agencies.

First. a group of higher-level officials decide on the management of the organization's boundary conditions and strategy formation. Although officials in these management functions differ in terms of their hierarchical levels (e.g. division directors, department heads, unit directors), they are formally responsible for the activities of the agency in transnational networks, particularly for the members of their specific unit or division. In addition, these higher-level officials decide internally on the general strategic approach to transnational policy arenas and prioritize what issues are most important to the agency. Moreover, in terms of explicit boundary-spanning roles, they typically partake in the main decision-making bodies of transnational networks, for which they are prepared and informed by lower-level policy experts and advisors. As one division-director noted, "*I talk to the experts who have prepared (the meeting)… I talk to them, discuss… and on the basis of those instructions you go into the meeting*" [R3]

Second, at lower levels of the organizational hierarchy, the operating core of the organization consists of technical experts and policy advisors. These are regulatory officials that are typically from specialized units and have technical expertise in topics related to regulation. When engaging in transnational network activities, they do so by participating in the various lower-level working groups and commissions of the different networks, where most of the preparatory work for the network's main decision-making bodies is done. At this level, they engage in highly technical policy discussions, writing reports, working out the technical details of proposed standards, and discussing position papers. This is basically the "groundwork" of international regulation, as one respondent called it. Moreover, for higher-level

meetings they are asked to provide input for particular agenda points or to prepare certain dossiers or briefings related to their field of expertise.

Thirdly, in between these two groups, both agencies have officials that explicitly fulfil a function of "network-coordinator" for the different transnational policy settings in which the agency participates. These officials have an important role in the policy-relevant activities related to transnational networks and describe their work as being a "linking-pin" between the technical experts and the managers or directors making the main decisions. Although not formally part of the line, in the sense that they have formal authority over the technical experts in the different units, they *are* typically responsible for the overall coordination of all different activities related to a particular network, especially in terms of preparing director-level officials for (transnational) board meetings. This means they have a degree of functional authority over line members on matters related to the activities of the agency within a particular network. Their activities primarily focus on being the first reference point for issues regarding a particular network, making them a central actor in the internal communication patterns regarding transnational network activities. As one network-coordinator described her function, *"it is about being the internal and external point of call for everything regarding [network X]" [R8].*

Important to note is that the transnational interactions of the agency thus do not solely involve the higher levels of the organizational hierarchy: staff at different levels of the organizations all contribute to the boundary-spanning activities of the organization. In that sense, boundary-spanning can be conceived of as an organizational *process*, in which a large number of organizational members are internally and externally involved. The roles and functions of these organizational members, their specific arrangements, and the relationships between them will likely vary according to the dimensions of organizational structure identified in our theoretical framework. This has consequences for the way in which boundary-spanning activities are internally coordinated and the issues that are likely to emerge. To explore this point further, the next section focuses on the two core functions of boundary-spanning behaviour, namely information-processing and external representation, and relates them to structural design parameters.

Boundary-Spanning and Information-Processing

Regarding information-processing, it is noted how for both agencies the coordination of a particular network is typically concentrated in one or two organizational members. These members typically have the responsibility of "coordinating" the activities related to the different networks or policy settings in which the agency

participates. This means that communication regarding a specific network is concentrated within them. As one network-coordinator noted, "*on a weekly basis, we got a lot of emails that we forward (to others within the organization) and to which we then have to respond*" [R5]. These positions are clearly specialized toward specific transnational networks. In fulfilling this function, coordinators typically gather input from different experts when external requests come in, or make sure everyone gets the relevant underlying documents accompanying the agendas of transnational meetings. Although experts are also specialized in certain issue areas, they are not specialized toward particular networks. The same goes for higher-level officials, who have a more general view and typically participate in the decision-making bodies of multiple networks, sharing or distributing these portfolios with other directors and managers.

The lower-level officials interviewed in this study typically report a large degree of autonomy to fulfill their functions regarding transnational network activities. Still, given that higher level officials eventually have to represent the agency in the main decision-making bodies of transnational networks, much of the communication structures regarding transnational activities are still centralized. This means that information relevant to such decision-making must be communicated upward in order to reach and inform higher-level officials. However, the amount of potentially relevant information originating from transnational networks is extensive and this potentially clutters communication channels. As one network-coordinator illustrated in discussing the preparation for a director-level transnational meeting, "*you have twenty-three topics. So, for each topic you get the underlying documents, you do that times twenty-three [….] On average, we have about eight hundred pages of underlying documents, for one meeting*" [R6].

Information condensation is thus an important part of the work of (internal) boundary-spanners and primarily serves to adequately inform decision-makers. To do so, the underlying documents of international meetings are typically transformed into *covernotes* that are sent to the relevant director or manager. These covernotes provide all necessary information on the relevant decision-making issues in an understandable and summarized format and help higher-level officials to prepare for international meetings. They contain information on *"… what's in the underlying documents, this is…what we think about it, and this is what you have to say… That is, to put it bluntly, what it comes down to*" [R6]. However, given the vast amounts of potentially relevant information, the preparation of these covernotes is not straightforward. As one network-coordinator strikingly noted about the hundreds of pages of underlying documents that come out of the transnational network setting in which he is

involved, "*with us, it basically goes into a blender, and what comes out is a covernote […..] of about twenty-five to thirty pages*" [R7]. As information from external environments travels up the organizational hierarchy, the choices on what information to discard and what information to communicate onward is largely left to lower-level policy experts and network-coordinators. These choices have important consequences for organizational outcomes, as they effectively become the new informational premise for decision-making. However, as one director noted, "*I sometimes also deviate from them [the covernotes], because I think it's nonsense or […] because in a meeting, you can't raise your finger with every single point*" [R3].

Formalization also plays an important role in information-processing. The agencies studied require their officials to keep extensive backlogs on the information that is communicated through the network. As one official noted, "*the underlying documents from your meetings have to searchable, in the system of the agency, so that someone else has access to the relevant documents and information*" [R8]. This formalization allows boundary-spanning activities to be, at least in principal, subjected to external checks. One network-coordinator noted how formalization also played an important role for the way in which they gathered input from experts when preparing the director to go to meetings*: "we ask the experts to draw up briefings… and basically, this is a format that we impose on them, which also helps them to include all relevant questions, and give [the director] all the information he needs to make a decision*" [R6].

Boundary-Spanning and External Representation

The boundary-spanners studied also extensively operate in external environments, representing the interests of the agency in one of various working groups, commissions, or task forces that make up the policy arenas of international finance regulation. Although many of the experts involved in working groups are not necessarily specialized boundary-spanners, both agencies have separate units or functions that think more concretely about the strategy dimension of participating in international meetings. As one network-coordinator noted about fulfilling such a position: "*different themes come together, you get an overview, you see the overlap between A and B. This allows you think along strategically*" [R7]. These officials are thus heavily involved in preparing international meetings, primarily at the board-level, while also advising technical experts on the strategic dimensions of their work.

Still, many respondents report that agency officials are relatively autonomous in operating in transnational networks, primarily given the technical nature of their work. One official described the directions from top-level directors as "abstract clues" for which the experts typically have a large degree of autonomy to elaborate

on. However, as another official noted, "*for some issue this [positioning] can be really strict, in which directors say, this is where we draw the line [..], and with other topic we perhaps have a bit more freedom*" [R7]. Still, the same official described the difficulty of sometimes having to make a "judgment-call" about whether "*this is something for which I have a mandate, or is this something I should throw up the line*" [R7]. Usually, however, those in management functions have an important function to "*keep everything within the appropriate bandwidths*". Particularly controversial topics are discussed in pre-meetings and one manager noted that although experts mostly prepare meetings themselves, depending on the topic or experience of the expert, she'll get involved. The political salience of a dossier or an issue thus largely determines the discretionary room with which lower-level officials can fulfill their external representation function.

Regarding formalization, respondents noted the reporting duties they had when coming back from international meetings. As one official noted, "*everybody makes a report. You have the simple highlights…That one is shared more broadly. And a more detailed report, for the experts so to say*" [R5]. One mid-level official justified this extensive reporting by saying that "*everybody's role should, in principle, be possible to take over*" [R8]. Moreover, besides reporting on activities undertaken in transnational environments, officials also reported formalization in strategizing on transnational network activities. Although lower-level experts can take initiatives to participate in certain working groups, one network-coordinator explained the formalized step he requires them to take: "*often times, the initiative comes from the experts to say, I want to participate here and there… because I heard this and that… Then he has to pay us a visit with an assessment framework [that we developed] to explain to us, why it is so important*" [R9].

5.6 DISCUSSION

Most notably, the analysis illustrates how, in coordinating boundary-spanning activities, both agencies make use of formal coordinators that connect different units and experts on activities related to specific networks and act as a liaison in between formal decision-makers and policy experts (see Zahra & George 2002). In that sense, these officials play an important role in dealing with a dilemma found in many organizations: that the organizational members maintaining the gross share of the agency's external contacts, are not the same individuals that make the decisions on the basis of information originating from these contacts (see Foss et al. 2013). They provide an integrative mechanism to the "cognitively unavoidable" specialization and decentralization typically needed in knowledge-intensive organizations and

help manage the potential rifts in communication and coordination across units and (specialized) officials that these structural changes create (Grandori, 2009: 83).

Particularly for (semi-)public organizations, such formal positions are crucial for bridging hierarchical levels. Those at the top of the organization, with the authority needed to keep the agency accountable, typically lack the expertise to engage in specialized policy issues. However, those within the agency that *do* have such expertise, typically do not base their decisions on an agency-wide perspective, i.e. "strategic awareness" about organizational goals is likely to decline at lower levels of the managerial hierarchy (Hambrick 1981). The "network- coordinators" of the agency then practically fulfill a middle-management function, in which they act as an important liaison in between those with formal decision-making authority and those with policy expertise. In practice, this means they condense raw information and communicate it upward, while also translating abstract directions into specific strategies the other way around. In this way, officials fulfilling such a coordinative role regarding the external activities of the agency, help manage one of the classic conflicts in the study of bureaucracy, i.e. that between authority and expertise (see Hammond & Miller 1985). However, for both core functions of boundary-spanning, several risks of relying on such formal coordinators should be noted.

For information processing, this risk manifests itself most concretely in the consideration that as information is communicated upward in the organizational hierarchy, hundreds of pages of underlying documents are transformed into a simple covernote or briefing. The choices on what to leave out are primarily left to the discretion of network-coordinators and due to information asymmetries and the limited possibilities for control that higher-level officials have, these decision-makers have to accept the communicated information pretty much as it stands (see Hammond 1986). This potentially creates problems of "uncertainty absorption", in which inferences are drawn from a body of evidence by lower-level officials and the inferences, rather than the evidence itself, is then communicated upward to high-level decision-makers (March & Simon, 1958: 165). The communicated information becomes the new premise for organizational action, while there is little guarantee that this premise is actually valid and takes into account all relevant considerations.

For external representation, the primary challenge lies in the observation that much of the transnational network activities of domestic agencies are delegated to lower-level officials and policy experts. Because the issues with which these experts are concerned are highly specialized, the directions coming from above are necessarily abstract and general. This gives network-coordinators and policy experts

an important role in the formulation of strategy and its implementation (Floyd & Woolridge 1992), as they are the ones that translate these abstract guidelines into more specific directions and actions. They necessarily have a lot of discretionary room to do so, but this typically requires a judgment call on their behalf about how far their mandates extend and when issues are to be "escalated upwards". This potentially calls up a number of agency or accountability problems (see Shimizu 2012), particularly for scholars reasoning from a politics of bureaucracy perspective (see Moe 1984; Miller 2005).

Within the context of the public sector, these identified risks then raise crucial questions concerning the authority and responsibility of those at the top of the organization (see Hammond & Miller 1985). Although network-coordinators potentially allow the organization to effectively operate within transnational environments, similar to other kinds of decision-makers, they also have limited attentional capacities (March & Simon 1958). This means that they selectively allocate attention to particular aspects of the communication and information streams that come together at their positions. The abstract guidelines they get from those higher up the hierarchy will have to be interpreted and potentially become biased as they are translated to specific strategies. Similarly, information-processing about particular issues or developments also requires such interpretation and will determine the way in which they inform decision-makers about policy consequences and implications of decisions. The delegation needed for operating in complex environments, thus potentially has large consequences for the way in which policy decisions are informed and implemented (see Eisner 1991; Dohler 2017).

Given these concerns, we should think hard about the conditions that allow boundary-spanners to effectively fulfill their tasks, while also keeping them accountable. Structural design choices are inevitably limited in this regard, as their "double-edged sword" nature often favors either the one or the other (cf. Lawrence & Lorsch 1967). In that sense, alternative means of coordination should also be sought. For instance, norms of professionalization and expertise potentially justify delegation through some form of bottom-up accountability (see Eisner et al. 1996; Groeneveld 2016). Moreover, besides the formal structure that allocates organizational members their role, the informal structures by which they are embedded, influence the efficiency of their communications and can help achieve some form of social control to their actions (see McEviley et al. 2014). In thinking about how boundary-spanning activities are structured and coordinated, these considerations should be taken on board as well.

5.7 CONCLUSION

Domestic agencies have increasingly become involved in transnational networks, in which a large number of regulatory officials engage in boundary-spanning behaviour on their behalf. In this chapter, analytical focus was shifted to the intra-organizational level to better understand how these transnational activities are *internally* structured and coordinated. In particular, it was argued that particular structural design choices help agencies to better adjust to the demands of complex environments, but that these same design choices call up potential new coordination dilemmas. The discussion section subsequently focused on the formal network-coordinators that help integrate the differentiated activities of domestic agencies operating in complex transnational environments and noted several risks of relying on such formal coordinators for the way in which the core boundary-spanning functions of information processing and external representation are fulfilled.

Theoretically, the analysis of this chapter draws attention to the observation that information and knowledge necessary for adequate decision-making are not possessed by the agency itself, but rather by the individuals within it. The information and knowledge possessed by these individuals can be wide-ranging and conflicting, creating different beliefs and expectations about appropriate courses of action. Questions of boundary-spanning are thus essentially questions about how individual efforts aggregate to achieve collective goals. However, given that individuals are boundedly rational and interaction patterns quickly become complex, this aggregation cannot be assumed but is a theoretically interesting question in itself (Barney & Felin 2013). Organizational structure and design, which provides the architecture of such aggregation, is crucial to consider in that regard. Several implications of these observations should be noted.

Firstly, for scholars that have looked at the effects transnational governance on domestic (regulatory) agencies (see Bach et al. 2016), this study problematizes the assumption of seeing these agencies as unitary actors. By providing an intra-organizational dimension to these agencies, this chapter shifted attention to the internal problems of management and coordination that complex and changing transnational environments potentially create for domestic agencies. Particularly, the realization that regulatory officials are embedded within organizational structures and that this structure likely influences their capacity to operate collaboratively, potentially provides a better understanding of their behaviour in transnational settings. Transnational network behaviour typically occurs in the "shadow of (domestic) bureaucracy" (see McGuire & Agranoff 2010), and the potential tensions this creates

should be core focus when trying to understand how globalizing administrative patterns will continue to develop (see Stone & Ladi 2015).

Secondly, although much of the literature on networks in public management has sought to articulate effective management and leadership within networks (Ansell and Gash 2008; Isett et al. 2011), it has had little to say about the internal coordination problems these forms of collaboration call up for participating organizations. These issues are easily overlooked given that most studies on boundary-spanning or network-behaviour typically focus on the organizational-level, as if this were a unitary actor, or only look at the actions and decisions of a single manager, boundary spanner, or policy entrepreneur taken as representative of the entire organization (Alexander et al. 2011: 1274). By shifting the level of analysis to the sub-unit level of organizations, this chapter has provided more of an idea of what agencies experience as they prepare to work with and within networks, and what consequences the *external* requirements of changing environments have for the organization's *internal* functioning and operations.

As a cautionary note, however, it should be mentioned that this study has only looked at the way in which two Dutch financial sector regulators coordinate their boundary-spanning behaviour regarding transnational networks. Although one can reasonably expect that the considerations of this study are also relevant for other public administration settings in which organizations are involved in complex environments, the gathered evidence potentially emphasizes contingencies particular to the specific research setting of this study. Further comparative designs are thus encouraged as to ensure that officials and agencies operating in various contexts are studied and new potential contingencies, for instance at the country- or cultural-level, may emerge. This allows for better comparison and theorizing on the role that context plays in how boundary-spanning behaviour is internally managed and coordinated, and what factors at the individual-, organizational-, and institutional-level are important to consider (see O'Toole & Meier 2015).

In conclusion, it is noted how globalizing administrative patterns will continue to challenge domestic agencies to manage and coordinate the behaviours of an increasingly large number of officials that act on their behalf in transnational policy settings. This is a management issue, requiring solutions on how to effectively guide and control network behaviour and manage increasingly complex information flows (see Agranoff & McGuire 2013). At the same time, given the consideration that an increasingly large number of domestic officials operate outside the confines of domestic bureaucratic structures, questions of accountability and control will

inevitably emerge. The competing demands this places on domestic agencies will have to be reconciled *within* the agency, further underlining the importance of an intra-organizational perspective to (domestic) agencies operating in complex (transnational) environments.