



Keeping the Strings Attached: The Intra-Organizational Management of Transnational Network Behaviour

Machiel van der Heijden

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June 9, 2019

Keeping the Strings Attached: Managing and Coordinating Transnational Network Behaviour within Domestic Agencies

Machiel van der Heijden

Leiden University

ABSTRACT

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 paper 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.

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 (see Koppell 2010; Newman & Zaring 2013). For instance, some national Food Safety Authorities list up to ten different international platforms in which they simultaneously participate (see Yesilkagit 2016), while national financial regulators are confronted with an “alphabet-soup” of transnational policy-making institutions at both regional and global level (see Ahdieh 2015). 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 potentially creates for domestic agencies are rarely studied by public administration scholars. Empirical studies of regulatory agencies typically lack an intra-organizational dimension, either focussing on the effects of internationalization on domestic bureaucratic structures in general (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 coordination problems. As McGuire and Agranoff (2011) 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. Given that public management scholars have shown how the need for external control/accountability within (semi-) public organizations potentially creates further hierarchical tendencies and rule proliferation (Stazyk & Goerdel 2010; Stazyk & Davis 2016), this raises questions about whether the organizational design of such agencies is supportive of the collaborative functions in which their members increasingly have to engage (see Agranoff & McGuire 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 organizations that are expected to be accountable (Groeneveld 2016). However, there is little empirical analysis of how these potential tensions manifests themselves practice and what to do about them.

To shift the analytical focus to these issues, this paper 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 they 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, also gives us an idea of how they might do so effectively. 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, these 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 in these environments. Otherwise, these agencies run the risk of being overwhelmed by the new tasks and functions emerging from transnational environments.

The empirical setting on which we base our 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). 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. We first we provide a conceptual framework. in which we discuss the concept of boundary-spanning, its relation to organizational structure, and assess what questions this calls up for the internal management of external network behaviour. After describing the overall research context of this study, the method of data collection of the study are given. Subsequently the analytical section of this paper is divided into two parts. First, we describe the way in which boundary spanning activities are internally managed and coordinated. Second, specific tensions regarding information-processing and external representation are noted. In the discussion, we then primarily focus on how agencies internally deal with these tensions and what theoretical and practical questions this calls up. A conclusion reports the core findings and sets out directions for future research.

CONCEPTUAL FRAMEWORK

Boundary-Spanning: Information Processing and External Representation

To cope with *complex* environments¹, 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). These roles are fulfilled by organizational members that operate at the boundaries of the organization and generally maintain the organization's interactions with its environment. The behaviour and functioning of boundary spanners play an important role in the degree to which organizations adapt or fail to adapt to environmental changes (Robertson, 1995)

Overall, 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, i.e. 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

¹ 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).

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

In a public sector context, the functions of boundary-spanning play a crucial role for the way in which (public) policy is formulated and implemented. Information-processing is about making sure that decision-makers are informed adequately about policy consequences and implications of decisions, so they can make appropriate decisions weighing multiple values and interests (see Pandey & Wright 2006; Stazyk & Davis 2016). External representation is about making sure that the decisions by those that have the accountability and responsibility to do so are actually implemented and the overall policy goals of the agency are fulfilled. 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). However, the effective fulfilment of these functions will depend on the way in which they are organized within the organization.

Structural Design Choices and Boundary-Spanning Behaviour

When thinking about how organizational design choices affect the core functions of boundary-spanning, it is important to consider that the effects 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). Generally, these scholars perceive organizational structure as 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).

Overall, organizational structure refers to the “relatively enduring allocation of work roles and administrative mechanisms that creates a pattern of interrelated work activities” (Jackson & Morgan, 1982: 81). In particular, dimensions of organizational structure provide a particular context in which agency officials operate. Design and structure delineates who interacts and communicates with whom, as well as who has ultimate decision rights over activities related to transnational policy settings. This underlines the importance of organizational design: it functions as an architecture of action and interaction and can thus constrain or enable collective activities such as boundary-spanning (see Barney & Felin 2013). Changing these architectures, changes behavior and the way in which the boundary-spanning activities of an organization can be managed and coordinated. To specify how, 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 (Rosen et al. 2008). However, too high degrees of specialization potentially lead to fragmentation and communication problems.

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 the decision-making activity/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 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). 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.

For a public sector context, this discussion on the nature of organizational structure and its relation to the core functions of boundary-spanning provides a way to better understand how organizations can adjust to complex and changing environments. However, within a public sector context these strategic responses are potentially limited by path dependency (McDermott et al. 2015) and ambiguous political environments (Pandey & Wright 2006). Many (semi-)public agencies will simultaneously reflect the need to specialize and decentralize as to effectively operate within increasingly complex environments, as well a tendency toward centralization and formalization as to be accountable within a public context (see Stazyk et al. 2011; Groeneveld 2016). The particular structural design choices that are needed for agencies to operate effectively

within complex environments will thus also influence their accountability/democratic responsiveness (Whitford 2002).

In the empirical analysis below we further elaborate on these issues, focussing particularly on (1) how structural design choices affect the way in which core functions of information-processing and external representation are organized, and (2) what issues this calls up in terms of internally managing and coordinating boundary-spanning behaviour. First, however, we describe the research context of our study.

RESEARCH CONTEXT

Regulatory Agencies and International Finance Networks

Regarding the research context of this study, we focus on the way in which 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. In recent decades, they have increasingly come to work in complex and changing transnational environments. This primarily has to do with the vast expansion of international financial activity, requiring transnational coordination efforts between national agencies as to avoid negative externalities and regulatory loopholes (see Brummer 2011).

This 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). As described by Slaughter (2004: xx), these networks fulfil a variety of functions, with some only providing a platform for informal discussion and information exchange, while others actively seek out a role as international standard setter (see also Koppell 2010). Moreover, some stand alone and present themselves as separate organizations, while other are embedded or even mandated by International Organizations, particularly in the context of the EU (see Eberlein & Neman 2008).

Becoming increasingly involved in these transnational platforms and policy settings, requires domestic authorities to devote additional staff and resources to transnational network activities. Besides bilateral interactions with foreign counterparts, most of these activities concern the institutionalized settings of the networks described above, where agency officials participate in one of the working groups, commissions, or task forces that carry out most of the operational work of these networks. This is the level at which policy briefs are written, standards are developed, and the technical details of directives are worked out. Given the potential impact of these decisions and standards on the functioning of national jurisdictions (see Bach & Newman 2010; Maggetti & Gilardi 2014), domestic officials actively represent the agency and its position in transnational decision-making processes, exchanging technical and political information and trying to influence outcomes in a favourable direction.

Besides this representation function, however, domestic officials also have to deal with an increasing amount of transnational requirements and obligations, such as newly implemented standards or regulation. Almost every policy issue national regulators face is bound to be subject to several trans-border agreements. Moreover, the number, level of detail, and subject matter of these agreements has grown exponentially in recent decades (Alter & Meunier, 2009: 13). In practice, national regulators are constantly confronted with rules, regulations, and standards that flow from international arenas and have a considerable task in assessing how these changes potentially influence their own jurisdiction. Organizational members thus have to process information originating from transnational environments and make sure that this information is communicated to top decision-makers and other stakeholders.

Overall, transnational environments thus require domestic agencies to have multiple foci of attention and devote an increasing amount of resources and personnel to transnational network activities. As a result, an increasing number of officials at different levels of the organizational hierarchy are simultaneously involved in transnational network activities in a wide variety of institutional settings. From this situation, questions arise about how all the organizational members involved with transnational network activities can be managed and coordinated as to effectively represent the agency and process relevant information. Moreover, not only do these

officials communicate with external actors, but they will have to coordinate actions amongst each other, as to make sure that organizational goals are achieved and that the organization is represented in a coherent and unitary fashion to outside audience.

DATA COLLECTION & STUDY DESIGN

Methodological Considerations

The nature of this study is primarily exploratory with an emphasis on theory development. This is appropriate given that relatively little is known about how (semi-) public organizations internally manage and coordinate external network behaviour. In that sense, this study provides a “freshness in perspective” when compared to existing studies on network management and behaviour (Eisenhardt, 1989: 548). By applying an existing concept to a new research context - boundary-spanning to the coordination of transnational network behaviour -, we aim to generate new insights based on themes that emerge in the empirical evidence and use this a basis for further theorizing (Miles & Huberman 1994).

In terms of our research setting, we 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 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). Domestic agencies within financial sector regulation typically have a large number of officials operating in transnational environments. Within this setting, we primarily focus on the way in which the Dutch banking and securities regulators coordinate their transnational network activities.

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) or AFM (Securities regulator). 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.

However, the studied respondents also varied on several dimensions. In terms of hierarchical position, interviewees included top- and middle-managers, as well as lower level experts. Moreover, within the different organizations, most respondents belonged to different subunits and were involved in widely varying transnational networks/policy arenas. The respondents are thus expected to have a different perspective on the phenomenon of interest, i.e. the way in which boundary-spanning activities are organized within the agency, decreasing risks of convergent retrospective sensemaking and/or impression management (see Eisenhardt & Graebner, 2007: 28).

Drawing on a topic list, these respondents were interviewed (45 minutes on average) by the author. The semi-structured nature of these interviews, allows respondents to answer open-endedly, while still facilitating comparison about similar topics. Topics discussed in the interviews were – inter alia - how regulatory and ministry officials prepare for international meetings (both individually and collectively), how their unit is set-up and related 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 on potential difficulties, challenges, and specific examples or experiences.

To analyse the interview data, we developed an initial code based on the concept of boundary-spanning, focussing particularly on its associated core functions of *information processing* and *external representation*. This means that we signified passages from our interview transcripts as boundary-spanning behaviour and classified whether the passage referred to *information processing* or *external representation*. After this first round of coding, we identified whether these passages on boundary-spanning activities, hinted at specific dimensions of organizational structure. If this were the case, we identified whether these dimensions of organizational structure resulted in specific benefits or challenges related to the coordination of boundary-spanning behaviour.

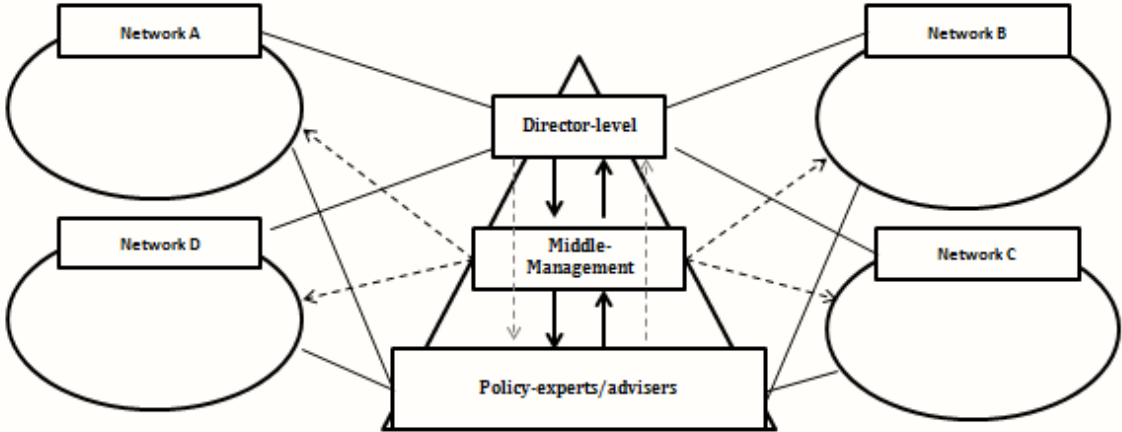
ANALYSIS

In this section, we present the analysis of this paper in two parts. First, we focus on the changes AFM and DNB have made in terms of organizational structure and how the boundary-spanning activities regarding transnational networks are organized and coordinated. To do so, we rely on information from annual reports and policy documents, as well as interview data. Second, we zoom in on boundary-spanning behavior and its associated functions of information-processing and external representation, and link these functions to dimensions of organizational structure.

The Internal Coordination of Boundary-Spanning Activities

At the operational level, both agencies typically involve three basic layers of organizations in their transnational networking activities. These layers roughly approximate Mintzberg’s (1980) classification and can be described as: (1) the strategic apex, (2) the middle line, and (3) the operating core. Each of these levels are involved differently in coordinating and executing the boundary-spanning activities of the organization. Figure 3 provides a visualization of these basic layers and how they are related, on the basis of which we provide further description of what each organizational level’s core responsibilities are regarding external activities and boundary-spanning behaviour.

Figure 3. Hierarchical Levels and Network Participation



At the director-level (in the *strategic apex*), directors and senior executives decide on the management of an organization's boundary conditions and strategy formation. These directors typically partake in the main decision-making bodies of transnational networks and decide internally on the strategic approach to the transnational lie in prioritizing what issues the agency finds important. Based on input from middle-management and policy experts, these directors are prepared to go into transnational meetings. 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]

At the lowest level, the operating core of the organization consists of policy experts. These are regulatory officials that are specialized in topics related to regulation. Within transnational networks they typically partake in the various working groups and commissions in which most of the preparatory work regarding the network's decision making is done. At this level, domestic officials write reports, work out the technical details of proposed standards, and discuss position papers. This is basically the "groundwork" of international regulation, as one respondent called it, and is usually of a highly technical nature.

In between, the middle level sits directly in between the directors of the strategic apex and the experts within the operating core. Their function is primarily one of information condensation and being the first reference point for issues regarding a particular network. Typically, one or two middle managers are responsible for the operational work of the organization within the network. 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 R6]. Most respondents fulfilling this function described their work as being a "linking-pin" between the technical experts and the directors.

Important to note, is that the transnational interactions of the agency thus do not solely occur at the top level of the organization: managers, directors, or staff in the lower levels of the organizations all contribute to the boundary-spanning activities of the organization. The role and elaboration of these different levels, their specific arrangements, and the relationships between them will vary according to the dimensions of organizations structure identified in our theoretical framework.

Organizational structure thus largely determines how the boundary-spanning activities of the organization are internally managed and coordinated. Before further theorizing on these issues, however, we firstly consider empirically the two core functions of boundary-spanning behaviour, namely information-processing and external representation.

Boundary-Spanning and Information-Processing

Regarding information-processing, we note 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 in describing her function, *“it is about being the internal and external point of call for everything regarding [network X]”* [R8]. Mid-level positions are thus clearly specialized toward specific transnational networks. These 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 director-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.

However, given that these directors thus eventually make decisions for the agency in transnational networks, many decision-making tasks within the agency are still centralized. For information-processing, such centralization means that information collected from external environments must be communicated upward in order to reach organizational decision-makers. However, the amount of information is extensive and this potentially clutters decision-making. As one mid-level manager illustrated, in preparation for a director-level 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”* [R4].

Information condensation thus is an important part of coordinating transnational decision-making. To inform decision-making, these underlying documents are typically transformed into a covernote that is sent to the director, which provides all necessary information in an understandable and summarized form. As one mid-level official strikingly noted about the hundreds of pages of underlying documents that come out of transnational network 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”* [R2]. This covernote is used by director-level officials to prepare international meetings. It contains 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”* [R4]. As information from external environments travels up the organizational hierarchy, the choice of what to discard and what information to communicate onward is left to policy experts and mid-level managers. 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 network-coordinator noted, *“the underlying documents from your meetings have to be searchable, in the system of the agency, so that someone else has access to relevant documents and information”* [R8]. This formalization allows boundary-spanning activities to be, at least in principal, subjected to external checks. One mid-level manager 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”* [R4].

Boundary-Spanning and External Representation

Obviously, the boundary-spanners studied also 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 mid-level manager noted about his position: *“different themes come together, you get an overview, you see the overlap between A and B. This allows you think along strategically”* [R2]. These officials are thus heavily involved in preparing international meetings, primarily at the board-level, and typically have a large say about which experts participate in what working groups.

Still, many respondents report that agency officials are relatively autonomous in operating in transnational networks. 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”* [R2]. 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”* [R2]. Usually, however, middle-management has an important function to *“keep everything within the appropriate bandwidths”*. Particularly controversial topics are discussed in pre-meetings and one middle-manager noted that although experts mostly prepare meetings themselves, but 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 boundary-spanners can fulfill their external representation function.

Regarding formalization, respondent 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 R6]. One middle-manager 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 so important”* [R9].

DISCUSSION

The analysis illustrates how dimensions of organizational structure are related to the way in which core functions of boundary-spanning are fulfilled. In particular, dimensions of organizational structure provide a particular context in which agency officials operate, by delineating who interacts and communicates with whom, as well as who has ultimate decision rights over activities related to transnational policy settings. This underlines the importance of organizational design: it functions as an architecture of action and interaction and can thus constrain or enable collective activities such as boundary-spanning (see Barney & Felin 2013). Changing these architectures, changes behavior and the way in which the boundary-spanning activities of an organization can be managed and coordinated.

To coordinate such 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 the dilemma found in many organizations: that the organizational members maintaining the gross share of the agency’s external contacts, are typically not the same individuals that make the decisions on the basis of information originating from these contacts (see Foss et al. 2011). They provide an integrative mechanism to the “cognitively unavoidable” specialization and decentralization 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 that do have such expertise within the agency,

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). Middle-managers then act as an important liaison in between those with formal decision-making authority and those with policy expertise, condensing raw information and communicating it upward and translating abstract directions into specific strategies. In this way, these middle-managers help manage one of the classic conflicts in the study of bureaucracy, i.e. that between authority and expertise (see Hammond & Miller 1984). 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 simple covernotes. The choices on what to leave out are primarily left to the discretion of middle-managers 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.

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

issues are to be “escalated upwards”. The linking pin function they fulfill thus calls up potential agency/accountability problems (see Shimizu 2012).

Within the context of the public sector, these identified risks call up crucial questions concerning the authority and responsibility of those at the top of the organization (see Hammond & Miller 1984). 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 be interpreted and potentially biased as they are translated to specific directions. 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), calling up important questions about the democratic responsiveness and (vertical) accountability of the way in which boundary-spanning activities are organized.

If (semi-)public organizations are to operate both effectively and accountably, the limitations of structural design solutions should thus be noted. Particular design choices can help agencies to be effective or (vertically) accountable, but ensuring both is more difficult to achieve. In that sense, we should think hard about the conditions that allow boundary-spanners to effectively fulfill their tasks, while also keeping them accountable. 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 managed and coordinated, these considerations should be taken on board as well.

CONCLUSION

Domestic agencies have increasingly become involved in transnational networks, in which a large number of regulatory officials engage in boundary-spanning behavior on behalf of the agency. In this paper, we shifted our analytical focus to the intra-organizational level to better understand how these individual efforts are managed and coordinated. In particular, we argued that structural design choices help to better adjust the organization to demands of the environment, but also noted that these structural design choices call up potential new coordination dilemmas. In the discussion section, we subsequently focused on the formal 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 in fulfilling core functions of information processing and external representation.

Theoretically, the analysis of this paper 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.

The findings of this paper contribute to the standing literature in several ways. Firstly, for scholars that have looked at the effects transnational governance on domestic (regulatory) agencies (see Bach et al. 2016), we problematize the assumption of seeing these agencies as unitary actors. By providing an intra-organizational dimension to these agencies, we 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 and ministry officials are embedded within organizational structures and this structure likely influence 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 2011), 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 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 our level of analysis to the sub-unit level of organizations, we have provided more of an idea of what agencies experience as they prepare to work with and within networks, and what consequences external requirements of changing environments have for the organization’s internal functioning and operations.

As a cautionary note, we should mention that this study has only looked at the way in which two Dutch financial sector regulators coordinate their boundary-spanning behavior regarding transnational networks. This inevitably limits the generalizability of our argument, as the gathered evidence potentially emphasizes contingencies particular to those specific research settings. This study thus encourages further comparative designs 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, however, we note how globalizing administrative patterns will continue to challenge domestic agencies to manage and coordinate the behaviors of an increasingly large number of officials that act on their behalf in transnational policy settings. This is a management issue, requiring solutions about how to effectively guide and control network behavior and manage increasingly complex information flows (see

Agranoff & McGuire 2013). Within the public administration literature, such challenges are also relevant for the management of intergovernmental relations (see Agranoff & Radin 2014), or any other agency or organization involved in the external network behavior. In that sense, the applicability of the present paper's insights can be extended to other research contexts as well.

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