Mechanisms, Roles and Consequences of Governance: Emerging Issues

Luca Gnan
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Editors
MECHANISMS, ROLES AND CONSEQUENCES OF GOVERNANCE: EMERGING ISSUES
STUDIES IN PUBLIC AND NON-PROFIT GOVERNANCE

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CONTENTS

LIST OF CONTRIBUTORS vii

PART I: EMERGING ISSUES IN PUBLIC GOVERNANCE

ADVANCING PUBLIC GOVERNANCE RESEARCH: INDIVIDUAL AND COLLECTIVE DYNAMICS IN AND AROUND THE BOARDROOM
   Alessandro Hinna, Ernesto De Nito, Gianluigi Mangia, Danila Scarozza and Andrea Tomo 3

GOVERNING PUBLIC VALUE: HOW TO FOSTER KNOWLEDGE-INTENSIVE COLLABORATION IN THE PUBLIC SECTOR
   Michèle Morner and Manuel Misgeld 41

FINANCIAL PERFORMANCE IN INDIAN STATE-OWNED ENTERPRISES FOLLOWING CORPORATE GOVERNANCE REFORMS
   Stuart Locke and Geeta Duppati 59

THE DEVELOPMENT OF THE GOVERNANCE OF REGULATORY NETWORKS: THE CASE OF THE EUROPEAN TELECOMMUNICATIONS REGULATORY NETWORK
   Angel Saz-Carranza, Francisco Longo and Susanna Salvador Iborra 89
PART II: EMERGING ISSUES IN NON-PROFIT GOVERNANCE

EMPIRICAL RESEARCH ON NONPROFIT BOARDS: MAIN FEATURES AND DIFFERENCES FROM THE LITERATURE ON CORPORATE AND PUBLIC BOARDS
   Sonia Moi, Fabio Monteduro and Luca Gnan 127

WHAT DRIVES GOOD PHILANTHROPY? THE RELATIONSHIP BETWEEN GOVERNANCE AND STRATEGY IN FOUNDATIONS
   Giacomo Boesso, Fabrizio Cerbioni and Kamalesh Kumar 159

TRANSFER TO TRANSFORM. LEVERAGING FIRM’S KNOWLEDGE TO MOLD CORPORATE FOUNDATION’S EFFECTIVENESS
   Marco Minciullo and Matteo Pedrini 181

VOLUNTEER MANAGEMENT AND MEASUREMENT SYSTEMS FOR ITALIAN VOLUNTARY ORGANISATIONS
   Laura Berardi and Michele A. Rea 205
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THE DEVELOPMENT OF THE GOVERNANCE OF REGULATORY NETWORKS: THE CASE OF THE EUROPEAN TELECOMMUNICATIONS REGULATORY NETWORK

Angel Saz-Carranza, Francisco Longo and Susanna Salvador Iborra

ABSTRACT

Purpose of this Paper — Networks are by now popular inter-organizational coordination modes. However, there is still much to know regarding how networks are governed and how their governance develops and changes through time.

Design/Methodology/Approach — This paper addresses the research question how does the governance form of networks develops over time by empirically studying the European telecommunications regulatory network using a case study approach.
Findings — We find that the network’s governance system is determined by the dialectical tension between network members (National Regulatory Agencies) and an external very influential body (the European Commission).

This tension unifies the group in the classic external conflict—internal cohesion fashion. We also identify a second dialectical tension internal to the network among its members. The tensions are triggered by evaluations carried out by an external actor (the European Commission). In general, the process observed confirms the propositions that predict a formalizing of the governance as the network grows older.

Research limitations/Implications — This research is based on a single case, a broader analysis of other regulatory networks among network industries at the European Union level will help researchers to establish a more comprehensive picture on the development of the governance form of this specific subset of goal-directed networks.

Keywords: Goal-directed networks; regulation; governance; evolution; dialectics; case study

INTRODUCTION

The last decades have brought major changes to our world challenging the traditional approaches to governance, either social, politic or economic. As a response, new forms of governance arise to connect players who used, not long ago, to work in isolation. In this scenario, goal-directed networks, ex-novo networked organizations formally established and designed to purposely achieve network-level goals, appear as popular inter-organizational co-ordination modes in many different domains, complementing and substituting hierarchical and market modes (Powell, 1990).

In the public sector, goal-directed networks are present in such fields as public service delivery (Provan & Milward, 1995), local economic development (Agranoff & McGuire, 2003) and international regulatory co-ordination (Levi-Faur, 2011) – the latter subset constituting this paper’s empirical subjects.

Despite the shifts towards the more pluricentric forms of governance have been widely acknowledged by the literature, little is known when it comes to how such goal-directed networks are governed themselves, and with respect to the underlying nature of the processes of change and development of their governance through time (Provan & Kenis, 2008).
The issue is not insignificant since, although beyond of the scope of this paper, studies point out that the governance of goal-directed networks is a strong determinant of their performance (Dyer, Powell, Sakakibara, & Wang, 2007). Our study aims to analyse the dynamics and processes of development of the governance form of goal-directed networks.

By empirically studying the European telecommunications regulatory network, this paper addresses the research question how does the governance form of regulatory networks develops over time. Our research design, a case study based on the analysis of both interviews to key actors in the network, and written documents, allows us to deeply explore and understand the nature and drivers of the changes and process of development of the governance form of networks. Moreover, by linking this research strategy to the literature on process theory (Van de Ven & Poole, 1995), we are able to propose a theoretical frame to the processes of development of networks, and regulatory networks among them.

One specific domain where goal-directed networks are increasingly spreading as a co-ordination mode is international regulatory harmonization (Levi-Faur & Jordana, 2006; Slaughter, 2004). At the international level, as globalization increases international business interconnectedness, so does the need for global regulation (Levi-Faur, 2011; Mattli & Woods, 2009). However, given the fragmentation caused by the persistence of national sovereignty, goal-directed networks become the most suitable inter-organizational transnational co-ordination mode available to national regulatory authorities (Kahler & Lake, 2009). Within the Single European Regulatory Space (SERS) (Levi-Faur, 2011) co-operation among member states (i.e. NRAs) and EU institutional players (i.e. mainly the European Commission (EC) but also the European Parliament and the Council) is commonly achieved through European networks of Regulatory Agencies (Coen & Thatcher, 2008) whose final aim is to harmonize the implementation of rules across EU.

Research regarding regulatory networks is incipient (Coen & Thatcher, 2008). While a few studies are starting to look at regulatory networks, more research is called for (Levi-Faur, 2011), in particular regarding their governance and their development. The paper contributes to this call and enhances our knowledge about regulatory co-ordination, a phenomenon meant to be a key leverage factor for economic growth and political development in the years to come.

As Levi-Faur (2011) points out regulatory networks ‘bridge the gaps between insulated hierarchies to form a network of stable and interdependent relations’. In a context where powerful and resilient players (i.e. EU institutions, member states, NRAs) simultaneously keep and delegate
power, regulatory co-ordination is being a major driver for market integration in the EU. Assuming that as time passes regulatory networks do change either being transformed or replaced (Levi-Faur, 2011), it is relevant to better understand the nature of the processes underlying these changes as they have both political and economic consequences. Thus, the paper aims to explore the interplay of actor’s influences and external events in a context of regulatory co-ordination and how this shapes the network’s governance design over time. By doing so, we shed light on the underlying drivers of change and we are able identify the dialectical nature of the process of development of the governance form of goal-directed networks.

The paper goes as follows. We first present the concept of network as an organizing form — an inter-organizational co-ordination mode — and present a typology of different goal-directed network types. We then review the literature on the governance of goal-directed networks as well as on process research from an organization theory perspective. We then present our methodology and the empirical material. The discussion of our findings and their relation to the literature follows. The paper finishes with a brief conclusion.

THE GOVERNANCE OF INTER-ORGANIZATIONAL GOAL-DIRECTED NETWORKS

Goal-Directed Networks and Regulation

Beyond the traditional dichotomy between markets and hierarchies as economic forms of organization (Williamson, 1975), networks are now recognized as a viable approach to: public and private governance; economic relationships; collaborative public management; resource allocation mechanism (falling somewhere between the make-or-buy alternatives) (Agranoff, 2007; Child, Faulkner, & Tallman, 2005; Miles & Snow, 1992; Powell, 1990). This popularity can be attributed to today’s world complexity which faces organizations, economic and social actors, and policy makers to problems whose resolution requires the joint expertise and resources of a set of players (O’Toole, 1997; Rittel & Webber, 1973). Thus increasing the need for new organizational forms combining dispersed power with unification (Agranoff & McGuire, 2001).

At its simplest, networks are defined as systems of relationships among parts (Scott & Davis, 2007). Networks, as inter-organizational relationships, can be broadly understood from two perspectives (Kilduff & Tsai,
On the one hand, the network is seen as an analytical concept describing a social structure that emerges serendipitously made up of individuals (or organizations) connected by some sort of interdependencies. On the other hand, as opposed to serendipitous networks, goal-directed networks emerge because there exists a common aim among its members and, as a consequence, most of the network’s activities focus upon it. As Provan and Kenis (2008) define them, goal-directed networks are ‘groups of three or more legally autonomous organizations that work together to achieve not only their own goals but also a collective goal’ (p. 228).

The study of networks as an organizational form (Borgatti & Foster, 2003), in which our study falls, follows in this wake focusing on the networked organization as unit of analysis. The emphasis on the network as an organization per se (Provan, Fish, & Sydow, 2007) contrasts with the tradition of social network analysis (Wasserman & Galaskiewicz, 1994) a well-developed methodology aiming at the analysis of the relationships among the set of actors (i.e. individuals or organizations) around which a network of social interactions is structured. Social network analysis’ contributions assess the consequences of these patterns of connectivity and cleavages at the actor level (i.e. nodes and ties; structural holes; social capital; centrality; density) (Burt, 1992, 2000; Brass, Galaskiewicz, Greve, & Tsai, 2004; Gulati & Gargiulo, 1999). Although it is undeniable that the literature on networks as organizational form and the longstanding social analysis’ tradition are, to some extent, intertwined, we here aim to primarily contribute to the former and, more specifically, to what has been coined as the study of networks as a whole (Provan et al., 2007).

As aforementioned networks as organizational forms have been contrasted to traditional forms of markets and hierarchies (Powell, 1990). These latter two forms have been the main conflicting images of inter-organizational co-ordination modes (Williamson, 1975) – the means to organize the relationships between the different organizations.

At the international level, the multilateral provision of goods and services prompt by Globalization runs in parallel to the necessity for transnational, global, regulatory agreements (Levi-Faur, 2011; Mattli & Woods, 2009). Although the shifts towards a more globalized governance are evident, the still dominant role of national governments and national sovereignty has positioned goal-directed networks of regulatory authorities as a feasible mean for inter-organizational transnational co-ordination (Kahler & Lake, 2009; Slaughter, 2004). In the European Union context, the simultaneous process of vertical delegation, from member states to the EU institutions, and horizontal delegation, from national ministries to
independent NRAs (Coen & Thatcher, 2008), fostered the birth of European Networks of national regulators in many policy areas.

When applied to our study setting, the market mode is clearly not applicable to interaction among NRAs, since these do not compete among themselves offering services to the same set of users/buyers as their role is to regulate a given sector or policy within the political and geographical boundaries of their countries. Perhaps it conceptual equivalent would be non-programmed co-ordination via ‘laisser faire’ (Keohane & Nye, 2000), where commitments among parties is low and interaction sporadic, ad hoc and informal. In contrast, European central banking system is an example of hierarchical mode: where national central banks are subordinated and dependent on the European Central Bank.

The third inter-organizational mode, the network, implies complementarity and mutual adjustment between autonomous organizations, which are interdependent (Powell, 1990). These organizations, agencies or group of organizations, as happens in the case we focus on, co-operate beyond their own boundaries, engage in mutual action to achieve a common goal and are structurally interdependent although no organization is subordinate to others (Agranoff, 2007; O’Toole, 1997; Provan et al., 2007). Networks, therefore, allow players to mutually realize their goals without relying on rigid hierarchies (Wachhaus, 2012) and are particular suitable where reliable information and efficient information is key (Powell, 1990).

Table 1 summarizes the characteristics of the three governance modes.

In many regulated fields where regulatory responsibilities have not been effectively and fully delegated to a supranational entity, when it

<table>
<thead>
<tr>
<th></th>
<th>Market</th>
<th>Hierarchy</th>
<th>Network</th>
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<tbody>
<tr>
<td><strong>Normative basis</strong></td>
<td>Contracts and property rights</td>
<td>Employment/ownership relationships</td>
<td>Complementarities and mutual adjustment</td>
</tr>
<tr>
<td><strong>Means of communication</strong></td>
<td>Prices</td>
<td>Routines</td>
<td>Relational</td>
</tr>
<tr>
<td><strong>Conflict-resolution mechanisms</strong></td>
<td>Resort to courts</td>
<td>Administrative fiat</td>
<td>Reciprocity and reputation</td>
</tr>
<tr>
<td><strong>Commitment among organizations</strong></td>
<td>Low</td>
<td>Medium—high</td>
<td>Medium—high</td>
</tr>
<tr>
<td><strong>Dependence between organizations</strong></td>
<td>Independent</td>
<td>Dependent</td>
<td>Interdependent</td>
</tr>
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*Source: Compiled by author based on Powell (1990).*
comes to achieve a consistent implementation of the sectorial regulations, goal-directed networks are one of the most viable international co-ordination modes among autonomous NRAs. Within the European Union, goal-directed networks of regulatory agencies have arisen as a response for an improved, more loosed and enhanced co-ordination among the more or less interdependent organizations NRAs are (Coen & Thatcher, 2008; Van Boetzelaer & Princen, 2012).

Regulatory networks, as a subset of public goal-directed networks, have certain peculiarities. These peculiarities play a significant role in our study. As Herranz (2008) points out ‘unlike for-profit networks, public networks are often characterized by additional legal, procedural, and political accountability relationships that constrain a public network’s capacity to flexibly form, expand, contract, or disband’ (p. 3).

Moreover, when compared to other inter-organizational goal-directed networks, two are the most relevant specificities of regulatory networks. First, regulatory networks may be mandated by legislation, as is the case for several European Union level networks composed by NRAs and legally recognized by the EC as consultative bodies. Mandated networks are not as capable as other networks to autonomously modify their characteristics: that is purpose, rules, membership etc. Such modifications may require legislative action. Thus, mandated networks are not fully autonomous to modify themselves. For important changes to happen to mandated networks, as is the case of changes in their governance structures, these may have to be approved externally by a legislative body or any other non-member. For example, modifications to certain European regulatory networks need to be decided by the Council of the EU and the European Parliament.

Another major specificity of these networks is membership. Membership in regulatory networks, in particular if these are mandated networks, is often fixed. That is, members may not have the power to invite new members, who have not been specified in the network’s founding mandate, to join the network: not everybody is eligible to partake in the network. Moreover, membership may be obligatory for some. And in addition, participation in many regulatory networks is by right, it is not as a result of credible commitments (Kelemen & Tarrant, 2011).

The aforementioned peculiarities may appear as a constraint for change. However, as our case study shows goal-directed mandated networks such regulatory networks, do change and develop over time. It is therefore relevant, bearing in mind these singularities, to empirically disentangle and characterize the processes leading to the change and development of, among others, their governance structures.
In addition, regulatory goal-directed networks may differ according to their purpose. In essence, public networks may deal incrementally with information exchange, member capacity-building, collective strategy-development, and joint execution (Agranoff, 2007). This conceptual framework of different types of goal-directed networks will help us in exploring the development of the network studied.

As Levi-Faur (2011) points out regulation as a whole, results from the aggregation of four functional tasks — namely information gathering, rule setting, monitoring and enforcement tasks — tasks that may be performed by a set of multiple players or institutions. The literature suggests that European regulatory networks are set up mainly to improve co-ordination (Coen & Thatcher, 2008) by gathering and exchanging information, advising the EC and increasing the harmonious implementation of UE regulation among member states.

The Governance of Networks

Irrespective of their purpose, goal-directed networks must somehow be governed to ensure co-ordinated action to achieve their goals (Saz-Carranza & Ospina, 2011). Provan and Kenis (2008) define the governance of networks as ‘the use of institutions and resources to co-ordinate and control joint action across the network as a whole’ (p. 231).

Public goal-directed networks nor do benefit from a centralized authority wielding power over players (Agranoff, 2007) neither can they operate without a mechanism ensuring the network achieves its goals, operates effectively and articulates relationships (Huxham & Vangen, 2005; Sandfort & Milward, 2008). Indeed, network scholars argue that attention to governance is essential to any understanding of the dynamics of inter-organizational collaboration and the determinants of goal-directed network performance (Dyer et al., 2007; Milward & Provan, 2006; Provan & Kenis, 2008). However, there is still a black box in the existing literature, which conceals the governance mechanisms of networks, the rules and power structure within themselves, the design of network’s governance form and, once these are set up, their development over time.

It is well known that governing networks — or any other kind of inter-organizational set-work — is an inherently difficult task and by no means easy (Human & Provan, 2000). Business scholars estimate that more than 50 per cent of alliances fail (Kelly, Schaan, & Jonacas, 2002; Park & Ungson, 2001). To the best of our knowledge, failure rates are not available
regarding public networks. However, these networks, and regulatory networks among them, need to establish the right inter-organizational governance structures if the network is to reap the benefits of collaboration and to not succumb to the so-called collaborative inertia (Huxham & Vangen, 2000). Thus, more work is necessary in the field of the governance of networks in general (Provan & Kenis, 2008; Saz-Carranza & Ospina, 2011). This paper aims to contribute to the literature by shedding light on the nature and processes underlying the development of the governance structures of networks by empirically analysing the case of one of the most salient illustrations among the European regulatory networks, Body for European Regulators for Electronic Communications (BEREC).

**Forms of Network Governance**

The characterization of the forms of governance of goal-directed networks has in Provan and Kenis’ (2008) contribution a cornerstone. According to their theoretical model and the typology they pose, governance in goal-directed networks takes one of three structural forms: shared governance among network members; the network governed by one of its members (i.e. lead organization); and delegation of its governance to a network administrative organization (i.e. NAO). The NAO is ‘a separate entity … set up specifically to govern the network and its activities’ (Provan & Kenis, 2008). These three forms allude to the structural dimension of network governance: that is the formal institutions and resources designed to co-ordinate and control joint action.

Provan and Kenis’ (2008) ground-breaking work on network governance does not explicitly provide a specific set of defining elements of the governance form. From their description of the three governance forms we here derive the following elements:

- Centralization of co-ordination activities
- The nature of member interaction
- The power balance among members
- The formalization of the governance form
- The distribution of the cost of governance

In terms of this structural dimension, these forms conform a continuum along centralization and formalization. We refer to centralization when significant decision making occurs only in one organizational unit. This does not mean that this unit – that is the NAO – makes decisions unilaterally,
but that this unit is the place where decisions are made and legitimized – whether by consensus, voting, or otherwise (Provan & Kenis, 2008).

Formalization indicates the extent to which the rights and duties of the members of the organization are written down in rules, procedures, and instructions (Provan & Kenis, 2008; Ring & Van de Ven, 1994).

On one hand, a shared governance structure entails a co-operative and non-brokered approach to governance in which members participate directly as equals. Hence the network is participant governed, decentralized and no formal governance structure is set up since network’s overall functioning depends on its members’ commitment and involvement. On the other hand, when the network is governed by one of its members or by a non-member specialized NAO, the network’s governance form becomes increasingly more centralized and formalized. Table 2 summarizes the characteristics for each governance form.

Provan and Kenis (2008) argue that ‘the successful adoption of a particular form of governance will be based on four key structural and relational contingencies. These are: trust, size, goal consensus and the nature of the task (i.e. ‘the need for network-level competencies’) (p. 237). The contingencies are garnered from network literature and considered key predictors determining the choice of governance form in goal-directed networks. High density of intra-member trust allow for shared governance, while centralized trust and medium density trust call for lead-member governance and NAO governance, respectively. Similarly, high level of goal consensus may allow for shared governance, while on the other end low goal consensus would require lead-member governance. As number of participants and/or need of network-level competencies increase, the governance form should go from shared governance all the way to NAO governance forms.

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<th>Table 2. The Governance Form of Networks: Defining Elements.</th>
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<tr>
<td>Shared Lead organization</td>
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<td>NAO</td>
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Source: Compiled by author based on Provan and Kenis (2008).
Provan and Kenis’ (2008) theoretical model entails, as the authors argue, some insights about the expected development of goal-directed networks’ governance form. Changes in the aforementioned contingent determinants (i.e. trust, size, goal consensus and network-level competencies) would prompt the governance form to adapt in order to better serve the network-level aims. While their contribution provides us with a tentative rationale for the change and development of the governance form of goal-directed network, we consider that in order to fully grasp the nuances of the processes and nature of these changes, literatures others that network’s literature, should come into play. The next section of our literature review is devoted to introduce a macro-framework of changes’ processes that we will use to characterize the development of the form of governance in our case study.

CHARACTERIZING THE PROCESS OF CHANGE AND DEVELOPMENT IN NETWORKS

In this second part of the literature review, we lay out the conceptual framework we use — in combination with the network literature above presented — to explore the development process of the governance of the European telecoms regulatory network. Following Van de Ven and Poole (1995), we define development as ‘a change process, that is a progression of change events that unfold during the duration of an entity’s existence — from the initiation or onset of the entity to its end or termination’ (p. 512). Van de Ven and Poole (1995), in a seminal article on organizational process theorizing, identify four types of process theories: linear-sequential life cycle, teleological (repetitive circular), evolutionary (driven by environment), and dialectical. A process theory aims to unveil both the reasons for changes and development to happen and the way these developments deploy (Van de Ven & Poole, 1995). The authors’ framework provides the researcher with a powerful tool. On the one hand, it characterizes the change processes by identifying the circumstances that come into play in each of the process theories (i.e. life cycle, teleological, evolutionary and dialectical). On the other hand, as a consequence, the researcher is equipped to identify which of the four process theories is applicable to the case in point. They contend that all organizational theories explaining change use one or more of these theoretical ‘primitives’. Thus, in studying developmental processes, as it happens with the changes of the governance form of networks, scholars should first identify which of these theories are
acting and how they relate to each other if more than one theory is relevant. The framework is based on two analytical dimensions: the number or units playing a role in the process (i.e. single or multiple entities) and the mode of change (i.e. prescribed or constructed). The rest of the section is devoted to briefly describe the four aforementioned processes theories and to link them with the existing literature on inter-organizational relations and networks.

The Processes Theories: Life Cycle, Teleological, Dialectical and Evolutionary

The most popular theories explaining change in management and organizational literature are life cycle theories. These theories assume a linear sequence of prescribed inevitable stages that represent the organizational equivalent of the biological sequence of life. All of such theories comprise at least the following three stages: emergence (i.e. start-up), evolution (i.e. growth) and termination. Thus, life cycle theories expect the organization to mature and develop in a sort of compliant adaptation.

When applied to inter-organizational relations (i.e. networks), scholars have proposed that in the evolution stage, actors start the ‘housekeeping’ and ‘learning’ as the network starts functioning, implementation takes place, and the relationship solidifies. The actors then recognize failures or changes within the network, which either produce changes to the network’s agreements and functioning or may, ultimately, terminate it (Commission, 2003; Kanter, 1994; Larson, 1992; Lowndes & Skelcher 1998; Saz-Carranza & Vernis, 2006). However, scholars differ about the exact nature of changes along a collaborative’s life cycle. Let us consider as an illustration the evolution of trust in inter-organizational collaborations. At one end, some scholars predict trust will grow with the collaboration, while others take it as an initial precondition that decreases as the collaborative is socialized within the participating organizations (Commission, 2003; Kanter, 1994; Larson, 1992; Lowndes & Skelcher, 1998; Saz-Carranza & Vernis, 2006).

Specifically regarding network governance form changes or development, very little has been said. Provan and Kenis (2008) tentatively suggest a life cycle process in which the form ‘is likely to evolve in a predictable pattern from shared governance to a more brokered form and from participant governed to externally (NAO) governed’ (p. 246).

As life cycle theories, teleological theories apply to single organizations. However, teleological theories consider the organization’s final, and
previously set up, end or goal to be the driver of change. These theories imply a repetitive, circular sequence of goal formulation, implementation, evaluation, and, if necessary, modification. Often, teleological theories incorporate the idea of equifinality — that is different equally effective paths may exist to achieve the same goal. These theories tend to assume highly rational actors — in that they define goals and evaluate actions accordingly — but do accept that goals are socially constructed and do also change. This social-constructionist and dynamic characteristics of goals make the teleological process an infinite set of iterations.

Applied to the result of an inter-organizational collaboration, a teleological approach consists of reiterative sequences of negotiation and commitment — where actors bargain and agree to rules — execution, and evaluation (Ariño & de la Torre, 1998; Doz, 1996; Ring & Van de Ven, 1994). As new situations are encountered and problems arise, the actors enter again the negotiation stage and will modify only those aspects perceived as problematic while retaining the other previously reached commitments. Learning occurs throughout the cycle (Weiss & Visioni, 2003).

Organizational change, may be also the consequence of a process of interaction among different entities or groups. Dialectic theories pose that change (or the absence of it) occurs due to colliding forces that compete with each other for domination. Thus, these theories suggest that a thesis (supported by a group) is challenged by an antithesis (supported by another entity), which then result in a synthesis (an agreed solution among the colliding parties). These theories do allow for stability and non-change in those cases where the thesis overwhelmingly overpowers the antithesis, thus generating a synthesis, which is identical to the thesis.

Dialectical approaches are certainly not new in organizations studies. During the late 1970s, Benson (1975) and Zeitz (1980) used a dialectics approach to organizational theory and inter-organizational relations, respectively. In the 1980s, Astley and Van de Ven (1983) proposed to reconcile central debates in Organization Theory via a dialectical perspective. A decade later, Nutt and Backoff (1992) proposed a dialectical approach to strategy. Yet, to our knowledge, a dialectical process approach to network governance has not been applied.

Finally, evolutionary theories parallel the biological principles of variation-selection-retention which is at the basis of (neo)Darwinism. Evolutionary theories offer an explanation of change based on the idea of the best fitted. These theories assume the existence of a population of organizations competing in an environment of scarcity. Organizations inevitably experiment variations (usually randomly though these theories do not exclude rational modifications). Organizations then compete with each
other for scarce resources and only the fittest are selected (i.e. survive). Surviving organizations retain the variation.

The four theories imply very different characteristics. Thus, evolutionary and life cycle theories are deterministic in that some sort of inherent imprinted routine paces the emergence-evolution-termination and variation-selection-retention sequences. Teleological and dialectical are, on the contrary, open-ended and socially constructed. Evolutionary and dialectical theories imply at least two actors in competition or in conflict, respectively. On the contrary, life cycles and teleology are self-referential in nature — though they allow for more than one unit to be involved in the process. Additionally, each theory implies very different mechanisms: life cycle theories imply compliance to best fit the present stage, teleology involves purposive analysis, conflict is at work in dialectics and variation and competition in evolutionary theories. Lastly, each of the theories involves different event sequences. Table 3 summarizes these characteristics.

The above description allows the researcher to analyse the change studied and identify its main characteristics. He or she can then use one, or more, of the change theories that apply and further explore, describe, and explain the development. For example, if when exploring a developmental process the researcher finds that two units are in conflict to take control over the same object then it should consider the dialectical approach. If

### Table 3. Characteristics of Process Theories.

<table>
<thead>
<tr>
<th>Nature of Process</th>
<th>Minimum Set of Units</th>
<th>Mechanism at Work</th>
<th>Sequence of Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life cycle</td>
<td>Prescribed, deterministic</td>
<td>Single unit/entity</td>
<td>Compliance</td>
</tr>
<tr>
<td>Teleology</td>
<td>Open-ended, socially constructed</td>
<td>Single unit/entity</td>
<td>Purposive analysis</td>
</tr>
<tr>
<td>Dialectics</td>
<td>Open-ended, socially constructed</td>
<td>2, conflicting units</td>
<td>Conflict for control</td>
</tr>
<tr>
<td>Evolutionary</td>
<td>Prescribed, deterministic</td>
<td>2, competing units</td>
<td>Competition for scarce resources</td>
</tr>
</tbody>
</table>

Source: Compiled by author based on Van de Ven and Poole (1995).
he/she finds that an organization — or several organizations collaborating and thus behaving as one — modifies its action to better direct itself towards the achievement of a specific goal, then he/she should use a teleological approach in theorizing the development.

Furthermore, these different theorizing approaches are not exclusive of one another. Van de Ven and Poole (1995) are very pungent in their call for combining more than one ‘primitive’ process theory when constructing a specific theory of change. They justify drawing on different process theories because of several reasons. First, by definition organizational process phenomena extend in time and space. Therefore, different process theories may come into play at different points in time or space. Second, any of the above four process theories, are inherently incomplete: key components in all theories are exogenous to the phenomenon studied (i.e. how is emergence triggered in the life cycle model? How is dissatisfaction triggered in a teleology model; antithesis in dialectics; or variation in the evolutionary model?). When the researcher identifies more than one theory applicable, then he/she will have to determine how the different process theories related. The relationship between theories may be nested or at the same level of analysis. Theories may operate simultaneously or sequentially.

Van de Ven and Poole’s (1995) framework will assist our empirical assessment of the development of the governance form of BEREC, and the former groups of telecommunications regulatory agencies, since it offers us a suitable tool not only to identify the nature of the processes coming into play at each moment (i.e. different processes theories), but also to recognize how the main players involved in its development and evolution engage to with each other to prompt and influence change. As aforementioned we combine this literature with the literature on the governance form of networks to, through the analysis of our case study, shed light to the nature of the processes of development the structures enacted to govern the network. Thus, analysing the circumstances of change and applying the most suitable set of processes theories to it, we will able to go beyond the surface description of temporal changes, and to see through them (Tsoukas & Hatch, 2001).

METHODS

Our research design consists of a qualitative case study using content-analysis of documents and transcripts of in-depth interviews. Three reasons
justify in-depth qualitative research as the most appropriate methodology to address the inquiry: the dynamic nature of the topic, the absence of previous empirical research, and the exploratory character of the research question (Agranoff & Radin, 1991; Marshall & Rossman, 1995; Saz-Carranza & Ospina, 2011).

The European telecommunications regulatory network is officially called the BEREC. With respect to its selection, BEREC represents a purposive, theoretically driven sample. Although supranational regulatory co-ordination is increasingly present at the European Union level in a wide variety of policy arenas such as social affairs, justice or safety, network industries (i.e. electricity, communications, securities trading etc.) do stand alone as paradigmatic illustrations not only due to their market relevance, but also because they are at the centre of the shift towards a more supranational co-ordination of previously closely related to national governments’ industries (Coen & Thatcher, 2008). In these regulatory spaces, regulatory networks are becoming key governance mechanisms in the EU (Levi-Faur, 2011). Among EU regulatory networks, those in the telecoms, energy, and financial sectors are experiencing important transformations and political deliberations and have recently finalized a third wave of integration. BEREC was finally selected because we were able to secure access to this network.

Data collection was based on in-depth individual and group interviews with staff of both the network and NRAs. The interviews elicited the interviewee to describe their personal experience with the network, to narrate how the network was designed and why, to identify which were the most difficult and conflictive moments during network development and how conflicts were resolved. A fluid interpretive technique allowed flexibility to move the conversation in any direction to capture these broadly and deeply. Our interviews were unstructured as they were not guided by a predetermined specific set of questions. This technique allowed the interviewees to express, in their own words, their experiences and insights from the process (Corbin & Morse, 2003; Corbin & Strauss, 2008).

Interview sampling was based on a snowball strategy (Miles & Huberman, 1994). We started with one NRA with whom we had access and then we moved on through the network. The four most influential NRAs identified by the interviewees are included, as well as the EC, the mandating party, and the incipient BEREC office. For NRAs, the equivalent to the director for international affairs were interviewed – those who were most involved in the negotiation and those who prepare the meetings of the different NRA chairmen. The interviews could not be recorded since
interviewees would not allow to it, but detailed notes were taken from the conversations.

Data gathered from the interviews was complemented with two documentary sources. On the one hand we analysed documents proposing and determining network governance forms and rules of procedures (e.g. EECMA proposal). On the other hand we analysed correspondence between the key actors involved in the network design (e.g. EC letter 26 November 2006 Proposal). The documents were analysed to overcome potential gaps, inaccuracies, biases or limited knowledge interviewees might have when recalling the network history.

Both the detailed notes from the interviews as the main documents were coded. ATLAS.ti was used to help organizing documents and quotes during the coding process. We coded the interview notes using an inductive coding strategy (Miles & Huberman, 1994): we had no theory-based codes to start off with. Based on the memos from the interviews and the documentary sources, two independent coders tagged any instance that pointed towards negotiation or conflict between any different parties. We also coded any piece of information that explained any change or attempt at changing any network characteristic. To improve reliability as consistency in judgment (Boyatzis, 1998) one this initial round of coding was completed, the coders work together to compare their results and to reach a final agreement on the code.

The insights gathered from the BEREC’s case serves us to an appropriate vehicle to answer our research question on the development of the governance form of regulatory networks. After several coding waves, we ended with a final set of codes, which ultimately led to our narrated findings.

The Case Study

During the 1990s, the EU started the process to create telecom competitive markets in all member countries (MS) as well as the first steps towards market integration across Europe. This process culminated in the first telecom regulatory package in 1998 composed of a series of directives on competition, licensing, and interconnection and standards. The main discussion in the field of telecommunications in the EU regarded the amount of independence the NRAs should have, incumbent public telephone operators (PTOs) and on the fact that states were failing to transpose correctly the EC legislation. Both the EC and the European Parliament repeatedly called for a Euro-telecoms regulatory authority to prevent fifteen differing
regulatory areas developing (Thatcher, 2001). Nonetheless, member states opposed this proposition as they were not ready to accept such a powerful authority. The EC called for, at a minimum, veto powers of national regulatory decisions contrary to openness and competition. The European Council denied the EC such powers. Also during those years, in 1997 to be more precise, different European NRAs set up the independent regulators group (IRG) as an unofficial forum to share information and best-practices. From the outset the EC has not been member of the IRG.

In preparing for a second regulatory package, the EC launched a communications and public review (EC Communications Review, 22 December 1999). Among the proposals discussed, the EC presented the idea of a High Level Communications Group (HLCG), essentially a network of NRAs that would advise the EC, monitor NRAs’ activities, and resolve international inter-NRAs disputes. The NRAs publicly responded that such an advisory body was not needed, given the existence of the IRG, and that conflict-resolution responsibilities were inappropriate for such advisory body: ‘Regulators were … skeptical about the HLCG’ (EC Communication on Public Consultation, 26 April 2000). Nevertheless, the EC’s directive proposal for a new regulatory package included the HLCG but without the conflict-resolution powers (EC Proposal for a Directive on a Common Regulatory Framework, 12 July 2000). The Council, however, ‘deleted the provisions related to the High Level Communications Group, on the advice of the Council Legal Service. The Commission can reluctantly accept this, and will examine the possibility of setting up such a group at its own initiative’ (Commission position on Council common position, 18 September 2001).

While the framework directive did not include an NRAs’ advisory group to the Commission, in 2002, a decision of the EC created the European Regulators Group (ERG) to fulfil this role (Kelemen & Tarrant, 2011). The ERG, the seed that would later develop into the present Body of European Regulators of Electronic Communications (BEREC), consisted of 27 EU NRAs plus the EC as a non-voting member. Since its establishment, the ERG co-existed with the aforementioned IRG. The difference between IRG and ERG is that, in terms of membership, the former does not include the EC but includes EFTA and EU-candidate states, while the latter includes only EU members and the EC. In terms of their goals, while the ERG was purposively created and officially recognized as an advisory body to the Commission, the IRG still is an association of independent NRAs where the EC is not present. With respect to the original HLCG
initially proposed by the EC, the ERG did have neither conflict-resolution powers nor NRAs’ activity monitoring duties.

The third wave of regulatory harmonization arrived a few years later. As the need for further regulatory consistency at a European level advanced, the Commission first sent a letter to the ERG in 2006 stating that it would seek greater powers to be able to overrun some national regulations produced by NRAs, and later proposed in 2007 the creation of the European Electronic Communications Market(s) Authority (EECMA): a structure closer to a hierarchy, that is an ‘authority’ or European level agency, rather than a network. The proposal includes the outline of the governance system of the agency composed of a Board of Regulators and an Administrative Board of twelve members: six appointed by the EC and six by the Council.

NRAs reacted. They decided to strengthen ERG sufficiently to signal a more committed stance towards regulation harmonization. Thus, they decided to set up an IRG/ERG secretariat in Brussels. Negotiations between the EC, the Council and the European Parliament ensued. These eventually gave birth to BEREC, a revamped ERG, a network structure composed by all European Union NRAs and the EC. While the latter may attend BEREC’s governance board (called the Body of Regulators (BoR)), it has no voting power.

The 2009 regulation that creates BEREC states that its propositions must be taken in ‘utmost’ account by both the EC and the NRAs. BEREC thus has stronger implications than ERG had (which was merely an information-sharing network). While national-level implementation is left to each NRA, BEREC is a network where members pool decisions and co-ordinate their action.

BEREC has currently set up the Office with 18 staff that works for the network itself. The Office is overlooked by the Management Committee — which is essentially the name that the BoR adopts when taking on issues regarding BEREC’s Office, operations, staffing, and budgeting. The main difference between the Board of Regulators and the Management Committee, in addition to their varying responsibilities, is that the EC has right to vote in the Management Committee while it does not have it in the Board of Regulators (Fig. 1). IRG still exists and — based on our interviews — NRAs do not have any intention of eliminating it. IRG remains the forum where the NRAs can get together away from EC’s surveillance. This is important to NRAs when discussing EC’s public consultations or when preparing responses to EC’s requests.
The rich material that composes our case study allowed us to go beyond the simple recognition of the path of changes we have briefly described in the previous section. Bearing in mind the theoretical background this paper builds on — the literature on network governance and the literature on processes theories — we are able to assess the development of the governance form of the telecommunications European regulatory network along its history in a new light. Based on our analysis of the main documents and interviews, we propose that the dialectic mode is the most appropriate process model to understanding BEREC’s development and changes over time.

In our case study changes arise, as was evidently manifested by the interviewees, in parallel to conflict and tensions. These tensions, as the illustrative quotes we include in Table 4 show, were not only present between the EC and the NRAs, as it might seem plausible, but also were recognized to exist among the individual NRAs themselves. All interviewees recognized the tension between the EC and the NRAs, and many also recognized tensions among NRAs in defining the small print of BEREC’s rules of procedures. Tension and confrontation among a set of multiple entities are characteristic circumstances of a dialectical process of development and

**FINDINGS**

*The Teleological Dialectics of Network Development*
Table 4. Supporting Quotes from Interviews.

<table>
<thead>
<tr>
<th>ID</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>P4</td>
<td>BEREC is a compromise. EC wanted an euro-regulator. NRAs opposed centralization because proximity to diverse national markets is essential (for example, Germany’s prices are 10 times those of Austria). Countries vary a lot in markets, in how NRAs function…</td>
</tr>
<tr>
<td>P5</td>
<td>BEREC regulation was part of a package with several dimensions to it. The Council … opposed the European agency. The Parliament, on the other hand, proposed strengthening ERG. Hence, BEREC was the result.</td>
</tr>
<tr>
<td>P7</td>
<td>NRAs were against EECMA since it did not respect balance of power between EC, member states, and EP. And it didn’t respect the Meroni doctrine.</td>
</tr>
<tr>
<td>P10</td>
<td>Tension between EC and NRAs is that between uniform regulation versus jealous autonomy.</td>
</tr>
<tr>
<td>P10</td>
<td>Major change between proposal and final solution: BEREC Office’ smaller in size (150 to 28). Danger was that BEREC Office could turn into an instrument of the EC. Now, there is a balance between BEREC Office and NRAs.</td>
</tr>
<tr>
<td>P12</td>
<td>BEREC is a compromise between NRAs and EC. EC was disappointed with slow harmonization and proposed a Euro-regulator (i.e. EECMA). NRAs reacted defensively to preserve ‘status quo’. They first conveyed a unitary message and then contacted their ministries.</td>
</tr>
<tr>
<td>P13</td>
<td>The compromise is rather a compromise [of the EC] with the Council (and to a lesser extent probably with EP), than a compromise with the NRAs.</td>
</tr>
</tbody>
</table>

change. The final organizational solution (i.e. BEREC in its current configuration) is nor the result of a prescribed blueprint neither the ideal expected result that the entities playing a role in the process would have chosen if they were to decide in isolation.

In contrast, an evolutionary perspective does not seem applicable with respect to BEREC, since neither NRAs nor BEREC itself compete with the EC for survival. Nor do NRAs compete among themselves for survival. Although one may argue that, ideally in a globalized world economy, NRAs compete to attract business and to make their national regulated markets more competitive, this they do not do within, or through, the BEREC network. BEREC itself does not have competitors and the struggles related to it have to do with deciding its form rather than its survival.

At the other end, the life cycle model is not either appropriate since there seems to be no inevitable process of growth and decay. The findings do show an evolution towards a more centralized and formalized structure – as Provan and Kenis (2008) predict – but no intrinsic code determining BEREC’s life cycle seems at play. BEREC’s development appears to be, therefore, the result of a constructive process.
Lastly, teleology seems to come at play in that it is the macro-framework in which the dialectical processes are nested. As the insights gathered from the case’s documents and interviews show, the EC was dissatisfaction with the current state of affairs at some stages. More concretely, there appears to be two specific moments in time where the European Union in particular revises the European strategy of regulatory harmonization of electronics communication. In these two moments — 2002 and 2006 — the EC proposes changes to IRG and ERG, respectively. The proposals were to bring the governance of the network closer to the envisioned goals of the EC. During these moments, first ERG is created (based on IRG) in 2002, and later the dialectical process between EC ERG is unleashed, eventually resulting in BEREC.

The Grand Dialectic of BEREC’s Creation

The dialectical process can be reduced in analytical terms as a tension between the hierarchy as a co-ordination mechanism advocated by the EC at one end, and the most informal and decentralized network form advocated by NRAs (and the Council) at the other end. Using Provan and Kenis’ (2008) framework, Table 5 summarizes the different proposals and forms advocated for and (in some cases) implemented.

Fig. 2 illustrates this dialectic dynamic and nests it within a teleological process. The first bold move towards a more formalized network occurred in the EC’s 2000 Directive proposal. The EC proposed a formal advisory network whose secretariat would be provided by the EC itself. The Council rejected the entire idea of a formal network of NRAs — formally justifying this on legal arguments, but actually looking to maintain maximum national autonomy regarding the telecoms market (Simpson, 2011).

The EC, however, did not give up and in 2002, through its decision 2002/627/EC, set up ERG as an advisory group to the EC. ERG is essentially the name that IRG adopts when it officially responds to an EC request. In such circumstances, the EC participates in ERG but has no vote.

The second and central trigger for subsequent enhancements and formalizations of ERG occurs in late 2006, after the EC writes to ERG announcing it is planning to request stronger powers to impose remedies on NRAs. In other words, the EC aims at being able to impose regulations that NRAs will have to enforce and to block regulations by NRAs. In essence, its proposal aimed at subordinating NRAs for certain issues.
Table 5. Evolving Governance Forms of the European Telecoms Regulatory Network.

<table>
<thead>
<tr>
<th>IRG</th>
<th>Co-Ordination Activities</th>
<th>Member Interaction</th>
<th>Power Balance</th>
<th>Formalization of Form</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRG</td>
<td>Decentralized (rotating lead member)</td>
<td>Multilateral</td>
<td>Symmetrical</td>
<td>Low</td>
<td>Distributed</td>
</tr>
<tr>
<td>2002 Directive</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>ERG (2002-2007)</td>
<td>Decentralized — rotating lead-member</td>
<td>Multilateral</td>
<td>Symmetrical</td>
<td>Low</td>
<td>Distributed</td>
</tr>
<tr>
<td>I/ERG w/secretariat (2007-2010)</td>
<td>Centralized (NAO)</td>
<td>Bilateral (via NAO)</td>
<td>Symmetrical</td>
<td>Medium</td>
<td>Distributed</td>
</tr>
<tr>
<td>EECMA (Proposal)</td>
<td>Centralized (Agency)</td>
<td>Bilateral (via Agency)</td>
<td>Asymmetrical (in favour of Agency)</td>
<td>High</td>
<td>Concentrated (EC)</td>
</tr>
<tr>
<td>BEREC</td>
<td>Centralized (NAO)</td>
<td>Bilateral (via NAO)</td>
<td>Symmetrical</td>
<td>High</td>
<td>Concentrated (EC)</td>
</tr>
</tbody>
</table>
The EC states it is disappointed with the limited progress in harmonized regulations of telecom markets around Europe (Table 6).

The first response by IRG/ERG is to upgrade their structure, setting up a secretariat in Brussels. Thus they move decidedly from a rotating participant-lead governance to an NAO governance form. Since IRG’s inception in late 1990s, the governance of the network had been shared by its membership. One NRA chaired the IRG and its ‘virtual’ secretariat, composed of a few (up to 4) officers, was distributed: each officer working at its home NRA. By early 2009, IRG/ERG had a four-man team set up in Brussels: a Head, two Juniors Officers and an Administrative Aid.

In addition this enhanced IRG/ERG exchanged several letters with the EC to argue for and justify its progress and impact so far. The most relevant illustrations of this correspondence are shown in the previous table.

However, the EC paid little attention to the steps ERG made, and in mid-2007 proposed the Council and EP to set up EECMA, a quasi-hierarchical European agency, that would in practice trump NRAs.

The main difference between a traditional hierarchy and EECMA is that in the latter the NRAs would have some say in its decision-making

Fig. 2. The Dialectics of BEREC’s Governance Form.
bodies: in the Board of Regulators all and only NRAs would have one vote each, but in the Administrative Board the EC would enjoy 50 per cent of the weight while the Council the other 50 per cent. This in essence, would have given the EC majority in the Administrative Board.

NRA felt EECMA proposal as a real threat to their status quo and once the EC proposed it, NRAs went off to mobilize support in the Council and European Parliament. NRAs responded with several strategies to the threat of losing power and autonomy in favour of a European authority. They influenced the EU’s legislative process. The different NRAs contact their respective permanent representatives of the Council of the EU as well as the major groups of the European Parliament. This strong reaction, as shown in Table 7, was reported by a majority of our interviewees who pointed out the determination of NRAs to block, by all possible means, the EC attempt to agencify the European telecommunications market.

Table 6. Correspondence Between EC and ERG.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
</table>
| 26/11/2006: EC to ERG | • ‘You are aware about the serious concerns of many market participants, which are shared by the European Commission, about the present lack of consistency as regards the application of the regulatory framework’.  
• ‘I envisage, as indicated to you at our meeting, to include in the future regulatory framework a clause allowing the Commission to: (1) request that a national regulatory authority replaces an inappropriate measure by a regulatory action that will remedy the competition problem effectively; (2) request a national regulatory authority to undertake an analysis of a market and/or to adopt a remedy within a reasonable time-frame’.  
• ‘The institutional set-up of the ERG does not allow it to achieve, even with the best intentions, a consistent application of remedies or a common regulatory approach to cross-border issues’. |
| 18/01/2007: ERG to EC | • ‘In Bratislava, NRAs agreed to establish a permanent … Chairman’s Secretariat, composed by two to four junior and middle officials seconded by NRAs’ |
| 30/01/2007: EC to ERG | • ‘Even though this improvement in the work of the ERG is welcome …, we believe that the present status of the ERG as mere advisory body to the Commission – working mainly on the basis of consensus, without powers of enforcing its decisions and without guaranteed transparency and accountability, in particular towards the European Parliament – could become a constraint on its evolution in the longer term’. |
| 27/02/2007: ERG to EC | • ‘ERG maintains its opposition to the Commission’s … proposal of a … ‘veto on remedies’ plus the power to impose remedies on NRAs … on the grounds of subsidiarity’. |
BEREC, a revamped ERG, was born in this turmoil. As NRAs joined forces to block the EC’s proposal and to create a governance form that safeguarded the distinct NRA’s turf, they also maneuverer trying to influence the internal decision making of BEREC. The network form had prevailed over the hierarchy (or authority) thanks to the framing and mobilizing activities of the NRAs. Regulation 1211/2009 established the main procedures applicable to BEREC: membership, the importance of its contribution, and minimal rules. The regulation stated that ‘NRAs and the Commission shall take the utmost account of any opinion, recommendation, guidelines, advice or regulatory best practice adopted by BEREC’. It also gave BEREC an Office, with legal personality as a Community body, to support its work, and established a Board of Regulators.

The regulation creating BEREC left it up to the network members to define in detail its decision making, concretely the rules of procedure setting out in detail the arrangements governing voting. This resulted in some tough negotiations among NRAs to settle on the small print of the decision making.

The defensive opposition to the EC was shared by all NRAs as the previous section states. The NRAs opposition to yielding power over to the EC was explicitly stated by all interviewees. However, NRAs also recognized the need to harmonize regulations across Europe as well as the need to share information and knowledge among NRAs. These uniting factors did not, nonetheless, eliminate the fact that NRAs are extremely different

Table 7. Quote Supporting Findings re: NRA Mobilization.

<table>
<thead>
<tr>
<th>ID</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>NRAs lobbied to remain independent. In the council we contacted the permanent representation. We also contacted the parliament.</td>
</tr>
<tr>
<td>P4</td>
<td>All NRAs decided to go back and collect as much arguments as possible against EC proposal. The resistance was channeled through to the EU’s political dimension. The process took a long time.</td>
</tr>
<tr>
<td>P5</td>
<td>Council did not see with good eyes a greater role for the Commission and did not understand that the agency would have been independent from the Commission. NRAs and powerful national champions influenced the Council.</td>
</tr>
<tr>
<td>P10</td>
<td>ERG reacted badly to proposal—It was not a good proposal—. First, ERG reacted with a joint communications effort and then NRAs lobbied their MEP.</td>
</tr>
<tr>
<td>P12</td>
<td>NRAs reacted defensively to preserve ‘status quo’. They first conveyed a unitary message and then contacted their ministries.</td>
</tr>
</tbody>
</table>

**Intra-Network Dynamics**
among them. As interviewees recognized, differences were evident not only in language, culture and size, but also, and more important, in their degree of independence from national governments and in their national markets structures. Thus, when defining the procedures for voting, the NRAs strongly negotiated among themselves. Table 8 quotes illustrate this intranetwork dynamics. In essence, a group of NRAs challenged the status quo of ERG and rejected the direct transposition onto BEREC of ERG’s rules regarding voting.

At ERG, decisions were taken on the basis of simple majority of ‘yes’ votes over ‘no’ votes. Abstentions, both explicit and implicit (i.e. when a member present did not emit a vote, either yea, no, o abstention), were not taken into account. BEREC’s Board of Regulators, on the other hand, according to its rules of procedure requires 2/3 majority of ‘yes’ votes of total number of members. This change in voting was championed by a group of NRAs dissatisfied with the status quo. According to interviews, dissatisfied NRAs believed that ERG treatment of abstentions and its majority threshold benefitted the then-stronger NRAs since abstentions were numerous – either because of lack of capacity or group pressure (most voting was done openly). One of the dissatisfied NRAs proposed that decisions be taken by consensus. Facilitated by another dissatisfied NRA, the final proposal adopted requires 2/3 explicit and real majority.

Fig. 3 illustrates the dialectal process that occurred in defining the specific rules of procedure of BEREC. In essence the status quo voting procedure – simple majority, where abstentions did not count – was challenged by an antithesis: consensus. The resulting synthesis was that all the decisions required a 2/3 real and explicit majority of all members.

Table 8. Quotes Supporting the Intra-Network Dialectics.

<table>
<thead>
<tr>
<th>ID</th>
<th>Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>BEREC’s decisions must be take in ‘utmost’ account. That’s why it was important to position oneself well in BEREC.</td>
</tr>
<tr>
<td>P11</td>
<td>[NRA X] was in favor of comitology procedures, [NRA Y] proponed decision-making by consensos. [NRA Z] proponed BEREC’s current system as a middle course between [NRA X] and [NRA Y].</td>
</tr>
<tr>
<td>P10</td>
<td>BEREC procedures were debated lively. Not a controversial issue anymore. New responsibilities of BEREC needed more formal decision-making: The discussion made explicit the tension between good governance and effectiveness of decision-making procedures.</td>
</tr>
</tbody>
</table>
We here discuss our findings in relation to the literature. We discuss the process theories applicable to this case, their relationship and nesting, the congruence of our findings with predictions of network governance design, and relate our findings to European regulatory politics literature.

As explained in the findings’ section, a dialectical process best represents the overall dynamics of BEREC’s development. Thus, although cyclical approaches to network’s development are well recognized in the literature, the paper ties up with those streams in the literature proposing that other type of processes are feasible and offer full explanatory potential for the analysis of network development (Popp, MacKean, Casebeer, Milward, & Lindstrom, 2013).

On the one hand, the dialectical process is visible in the tension between the two opposing forces represented by the EC and the NRAs (these latter joining forces with the Council and, to a lesser degree, the European Parliament). This recalls the out-group/in-group conflict proposed by the sociological literature. It is well known that being under attack or in front of a common enemy may unite parties: Out-group conflict is associated
with in-group cohesion (Astley & Van de Ven, 1983; Coser, 1956). This phenomenon is clearly noticeable in IRG/ERG, and later in BEREC, where NRAs unite to counter the EC. This may be particularly interesting in mandated networks, where parties constituting the network may not be the ones in charge of designing and defining the network characteristics. Thus, a dialectical tension may be expected between network members and the party in charge of designing or deciding on the network characteristics.

Interestingly, in mandated networks, such as regulatory networks, strong mobilization and framing activities may be expected to occur prior to full formation or crystallization of the network. These contrasts with the network management literature where framing and mobilizing of the network occur continually (Agranoff & McGuire, 2001; Saz-Carranza & Ospina, 2011). This is understandable since mandated networks may require an external non-member to modify the network’s structure (Herranz, 2008).

We also find, on the other hand, a second dialectical tension, this time fully comprised within the network itself, endogenous in nature. As soon as ERG is turned into BEREC, with more responsibilities, decision making becomes important. IRG/ERG internal decision making was not a contested issue among NRAs, since it was essentially an information-sharing network. However, when it turns into BEREC, NRAs do get heavily involved in framing internal procedures. As BEREC turns into a quasi-binding advisory network, its decision making – or in other words, how BEREC stands by a proposal – becomes central to NRAs. At this point a second negotiation occurs between those NRAs that wanted to translate the decision-making procedures of ERG over to BEREC and those NRAs that wanted a reform of the decision-making procedures. Thus, beyond the circumstances (contexts, interests and aims) present at the formation stage of the network, network governance structures can be seen as a compromise to balance tasks, networks’ members’ safeguards and resources dependencies among members.

Also related to the dialectical process described, we propose that the process is triggered by the evaluative stage of the EC’s teleological cycle. That is, the tension arises when in 2006 the EC evaluates the harmonization of the regulations of the telecoms markets in Europe and decides to propose a radical new system, that is the EECMA. Van de Ven and Poole (1995) call for researchers of organizational processes to uncover and explain phenomena which the process theories leave unanswered. All process theories are inherently incomplete. Dialectical process theories cannot explain per se why an antithesis arises and thus generates tension – dialectics can only
explain the developmental characteristics due to the clash between thesis and antithesis. The teleological prism applied to the EC does explain why it comes up with an antithesis to the then current status quo, unleashing the dialectical tension. (What teleological theories cannot explain per se, though, is what determines that the EC launches an evaluation and redesign in 2006: why not earlier, or later?). Thus, in a mandated network such as the one studied, the origin of the dialectical dynamics of change may lie in an external actor (the one mandating the network or in charge of designing the mandated network). The external actor may decide that the governance form of the mandated network is unsatisfactory and propose a change. It is reasonable to expect a reaction by network members to the proposal. In other words, the governance form might be seen as provisional cause although and agreement might be reached, when context, actors, interests or/and dependencies change, a new set of governance mechanisms will be settled as a result.

Our findings suggest that change in inter-organizational relations, such as goal-directed network, might be inherently related to two main drivers. On the one hand, the actors try to avoid uncertainty and to seek stability (Koberg & Ungson, 1987) by shaping the governance of the electronic communications regulatory network. On the other hand, networks members, specially the mandatory party, make and foster strategic choices (Lewin, Weigely, & Emery, 2004) to position themselves within the fast changing EU regulatory co-ordination environment. As shown, however, changes are not only the result of potentially strategic choices by more or less powerful players in the network but also the consequence of a process of negotiation of multiple and, sometimes, contradicting choices.

As mentioned, changes in the form of governance of the European telecoms regulatory network is in agreement of Provan and Kenis (2008) life cycle linear incremental predictions. They argue that networks will tend to formalize and delegate co-ordinating activities as time evolves. In fact, our findings do coincide with their temporal predictions as with their design propositions. If IRG and BEREC are compared, their determining factors for network governance form apply. Thus, IRG seems to have high and distributed trust among members, moderate to high number of members (27), high goal consensus (to share information among NRAs), and a low need for network-level competences.

Such characteristics would call for a participant-shared governance form. In comparison, BEREC seems to have moderate trust (and intra-network activity monitored by the NAO), moderate to high number of members (27), moderate goal consensus (all NRAs agree that they have to advise
the EC when requested but the content of BEREC’s recommendations may be highly contested), and a need for high network-level competences (due to its increased responsibilities). BEREC’s governance form is then also congruent with Provan and Kenis (2008).

EC favoured a European regulatory agency (Kelemen & Tarrant, 2011; Levi-Faur, 2011). According to Levi-Faur (2011), BEREC is the compromise arrangement between the Commission and the NRAs. On the contrary, Keleman and Tarrant (2011) proposes that BEREC is a compromise between the EC and the Council. Nevertheless, Keleman and Tarrant (2011) do acknowledge that ‘once created, NRAs may become relevant actors in the debates over the allocation of powers, and they generally seek to maximize their own authority, either by resisting delegation to supranational bodies or by seeking to repatriate authority that had already been delegated to supranational authorities’. Both authors agree that the ‘institutional ecology is shaped by the preferences of the relevant political actors, mediated by the rules of decision making in the relevant sectors’ (Kelemen & Tarrant, 2011) but they differ in who are the relevant political actors (the Council or NRAs). From our interviews, NRAs consider themselves as key political figures in countering the EC’s proposal, and recognize that they got involved in political activity to achieve their goal. In fact, as early as in the 1999, the EC officially stated in its public consultation report that NRAs (not the Council) had objected to the creation of a formal NRA network (the HLCG). However, all NRA representatives recognized that they worked via the Council, who was neither very supportive of the EC’s proposal.

CONCLUSION

In this paper, we set out to explore the process by which public networks evolve in time. Specifically, we focused on how the governance form evolved in a European regulatory network. Based on organization theory and public management literatures, we identify a dialectical dynamic triggered by teleological evaluation cycles.

We find that the network’s governance system is determined by the dialectical tension between network members (NRAs) and an external very influential body (the EC). We also identify a second dialectical tension endogenous to the network: that between the status quo and an alternative group of members. The first tension unifies the group in the
classic external conflict-internal cohesion. The latter tension exists among members. The tensions are triggered by evaluations carried out by an external actor (the EC) with enough capacity to influence the network’s governance form.

In general, the process observed confirms the propositions that predict a formalizing of the governance as the network grows older. However, the development is neither linear nor continuous. We also point out how the form evolves as more responsibilities are assigned to the network. And we also see the effect of the ‘shadow of hierarchy’ on the levels of co-operation within the network.

**Limitations and Further Research**

As all studies, this one has various shortcomings. The main one is that we used a single-case study as our empirical material. We justify this due to the exploratory nature of the study, as well as with the depth and richness of the data that represented an adequate set in our endeavour to shed light on the development of the governance form of regulatory networks over time. However, a broader analysis of other regulatory networks among network industries at the European Union level will help researchers to establish a more comprehensive picture on the development of the governance form of this specific subset of goal-directed networks. Further research on regulatory networks, change in them and their governance form, will also shed light on the role played by resources dependencies and strategic choice in the context of regulatory co-ordination and how the governance form of networks is affected by any of them.

**REFERENCES**


The Development of the Governance of Regulatory Networks


