

Defining Relational Regulation: Through the Relational Work of the Regulator and the Regulated

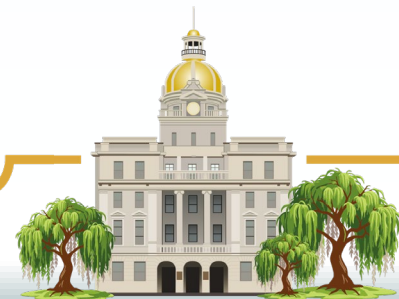
Carrie Wang | W. P. Carey School of Business
Arizona State University



Policy & regulation

- Prescriptions for actions
 - Regulated – A set of purposive and shared rules and norms
 - Regulator – Creative process of designing solutions for the societal good

Linder & Peters 1984; Ostrm, 1999; Schneider & Ingram, 1988; Turnbull, 2006; Wash, 2020



Policy & regulation

- Prescriptions for actions
 - Regulated – A set of purposive and shared rules and norms
 - Regulator – Creative process of designing solutions for the societal good
- Traditionally influenced by economists
 - Abstract, model-based, top-down
 - Rational, positivist, quantitative

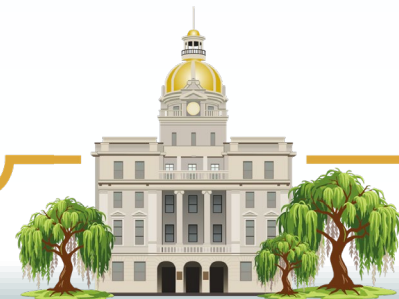
Linder & Peters 1984; Ostrm, 1999; Schneider & Ingram, 1988; Turnbull, 2006; Wash, 2020



“Anomalies”

- Deviating from formal goals and designs
- Discrepancies between prescription and implementation
 - Why and how do they occur?

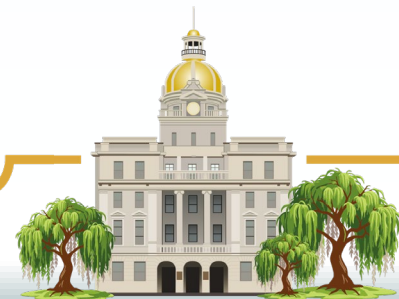
Lejano, 2020; Lindberg & Campbell, 1991; Weiss, 1988



“Anomalies”

- Deviating from formal goals and designs
- Discrepancies between prescription and implementation
 - Why and how do they occur?
- Rethink regulations as
 - Susceptible to individual interests and agencies
 - Highly strategic, politically charged
 - Subject to contestations and changes

Lejano, 2020; Lindberg & Campbell, 1991; Weiss, 1988

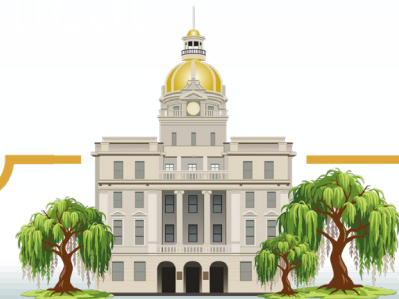


Towards a relational framework

Regulations are shaped and sustained through relationships, interactions, and social dynamics between the parties involved.

- Design – A discursive space where meaning is continually constructed and re-constructed
- Implementation and outcomes – The workings of relationships and interactions among policy actors

Ball, 1993; Lejano, 2021



Towards a relational framework

Regulations are shaped and sustained through relationships, interactions, and social dynamics between the parties involved.

- Design – A discursive space where meaning is continually constructed and re-constructed
- Implementation and outcomes – The workings of relationships and interactions among policy actors
- Negotiated and sanctioned by all involved parties
- Compliance is navigating a balance between the ideal and practical

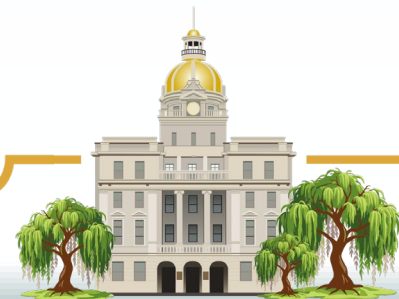
Ball, 1993; Lejano, 2021



Context of China

- Guanxi (关系) – An individual's social network of mutually beneficial relationships
 - Important element of conducting businesses

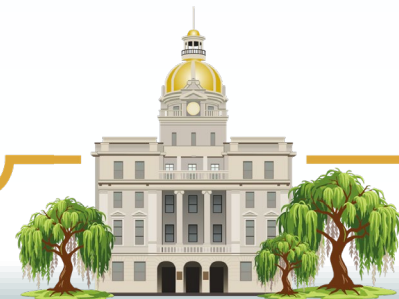
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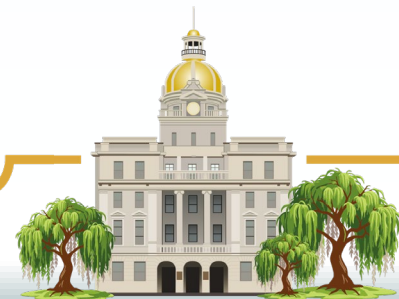
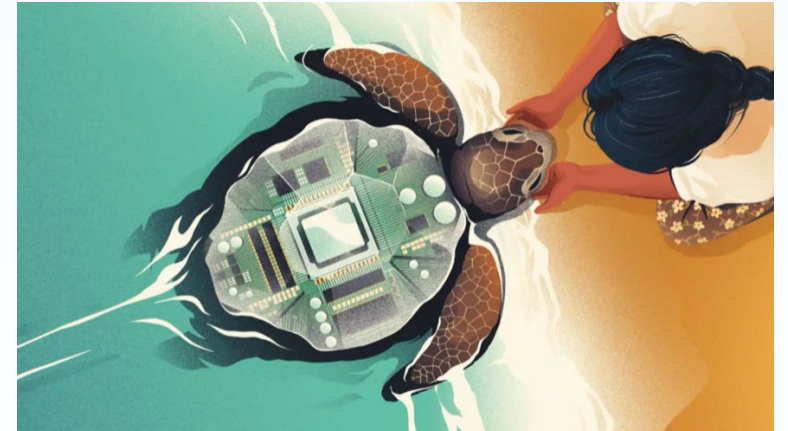
- Guanxi (关系) – An individual's social network of mutually beneficial relationships
 - Important element of conducting businesses
- Land expropriation and compensation in rural China
 - Clear regulations about the calculation of compensation
 - Real terms of compensation vary widely
 - Bargaining process between local landowners and higher officials

Yang, 1993; Fu, Tsui, & Dess, 2006; Luo, 1997; Wong & Zhao 1999



Research setting in China

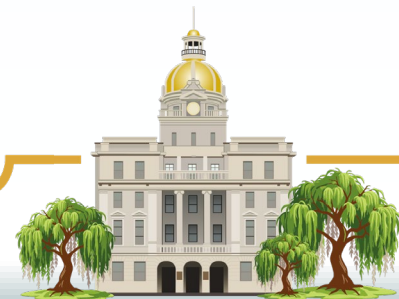
- Chinese returnees (海归)
 - Finished higher education abroad; worked extensively as scientists and managers
 - Returned to China to start entrepreneurship
 - Appealing gov't programs and policies
 - Funding, tax breaks
 - Subsidized housing, office space, manufacturing space
 - Pharmaceutical, biomedical, medical devices industries



Industry characteristics

- Still developing

*“China’s technology has been **lagging behind foreign countries** for many years now. A lot of projects that scientific units in China have asked us to do, we’ve done it a long time ago... These kinds of projects don’t take very long.” ENT3*



Industry characteristics

- Fast policy and regulatory changes

*“For some firms, especially those that deals with new materials, they **don’t know if the new materials are useful... only applying for patents to prevent other people from using them.** They don’t even use the patents themselves.” GOV1*

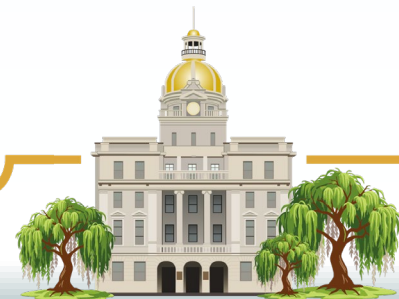


Industry characteristics

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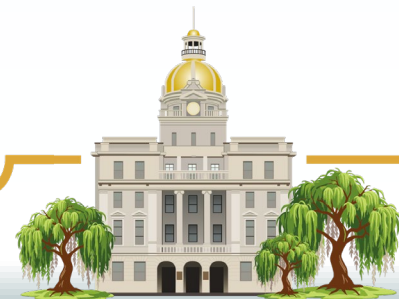
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The R&D director explained that *“the **regulations are always changing.** At one point you are allowed to do something, but after a change, you, all of the sudden, can’t. That’s the reality.”*



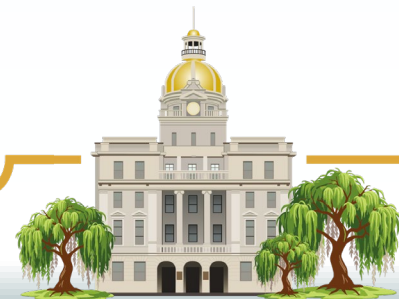
Local Chinese entrepreneurs

- Regulatory failures in protecting consumers
 - Products not adhering to their shelf-life guarantee



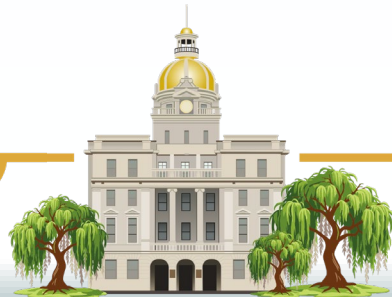
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 - Price products much lower on the market



Local Chinese entrepreneurs

- Regulatory failures in protecting consumers
 - Products not adhering to their shelf-life guarantee
 - Not adhering to quality control, falsifying data, overall cutting costs
 - Price products much lower on the market
 - *“[The regulators] care. Fewer companies are doing this and following the so-called international standards. [The regulators] will check... Some companies will be discovered, but **some will also survive through relationships.**” ENT4*

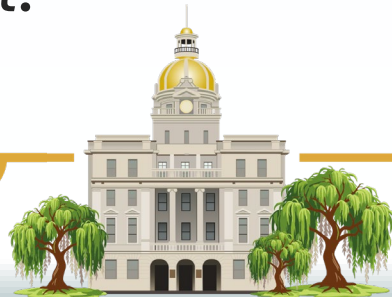


Returnee entrepreneurs

- Steadfast in their professional values

*“When we first started our business, some government officials said... ‘Your quality standards are too high. Hurry up and sell your products to make money’... [But], **if there is a problem with the product quality, we will definitely not release to the market.**” ENT4*

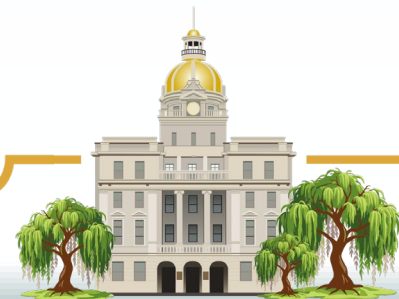
*“I am **sacrificing the competitiveness** of my products... [But] I want to **focus on the product’s quality**... the reward in the end is more satisfying. Customer satisfaction will eventually turn into well-deserved profit.” ENT2*



Returnee entrepreneurs

- Returnees depend on government officials and regulators to interpret regulations

An informant chose the location of his pharmaceutical startup based on the location of a regional office of the National Medical Products Administration (Chinese equivalent of FDA). ENT5

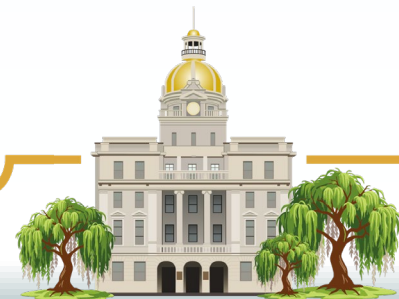


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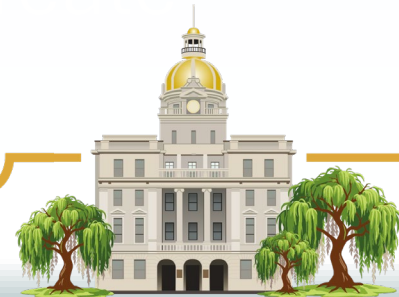
*“Because we have been abroad for so many years, **we are not very familiar with the Chinese laws and regulations...** [Guanxi] is not about cutting corners but avoiding mistakes.” ENT3*



Returnee entrepreneurs

- Embracing legitimate guanxi interactions and relationship building

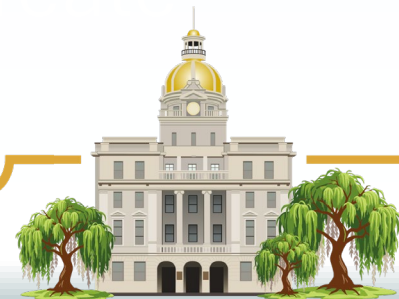
Regarding NMPA submissions, *"The truth is you have to practice guanxi with many people, because if you don't reciprocate, you wouldn't get support... If we persist, we will also be respected by people who know we don't rely on guanxi to build our firm... Although the government officials themselves are in these situations, but they will respect your integrity and come to truly understand you."*



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Entrepreneur persuaded the government officials to create a waste disposal process in the area



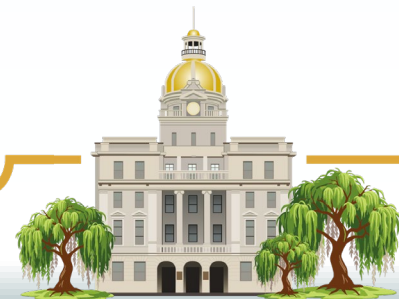
Chinese vs. U.S. Managers survey study

- Survey of Chinese and U.S. managers at all levels
- Reported 3 most useful business associates
 - *Government official, peer of their supervisor, etc.*
- Reasons for usefulness
 - *Connections in government, connections in key companies, etc.*
- Policy related outcomes
 - *Obtain an “exception” to a rule or policy, cope with governmental rule or requirement change*



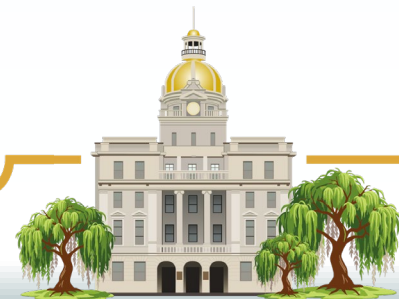
Personal dependence on gov't actors

- 1.1% of reported U.S. managers' connections ($N=528$) are with *government officials*
- 6.4% of reported Chinese managers' connections ($N=157$) are with *government officials*
- Chinese managers significantly depends more on government officials than U.S. managers ($p=.012$)



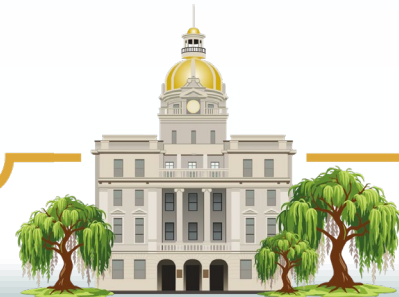
Usefulness due to connections to the govt

- 2.0% of the connections are useful for their *connections to the government* in the U.S.
- 6.4% of the connections are useful for their *connections to the government* in China
- Chinese managers significantly depends relationships that serve as connections to the government than U.S. managers ($p < .01$)



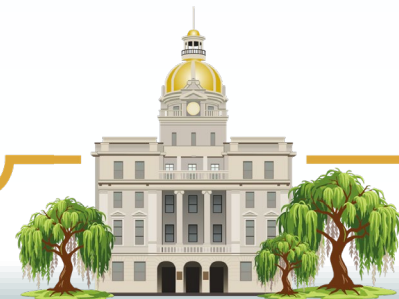
Assistance sought from gov't actors

- Chinese managers seek *government officials* for obtaining an “exception to a rule or policy ($p < .01$) and to cope with governmental rule or requirement change ($p < .01$)



Assistance sought from gov't actors

- Chinese managers seek *government officials for obtaining an “exception to a rule or policy ($p < .01$) and to cope with governmental rule or requirement change ($p < .01$)*
- U.S. managers seek those with *connections to the government to cope with governmental rule or requirement change ($p < .01$)*
- Chinese managers seek them for the same reason ($p < .01$)
- No significant difference ($p = .06$)

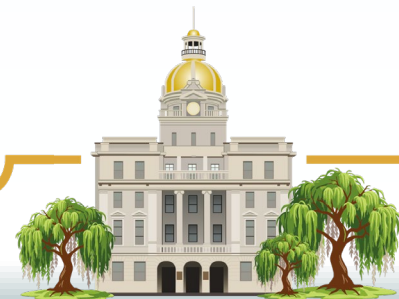


Why intermediaries?

- Direct and explicit leverage perceived as corruption
- Government officials may reject such attempts
- Manage government relationships discretely

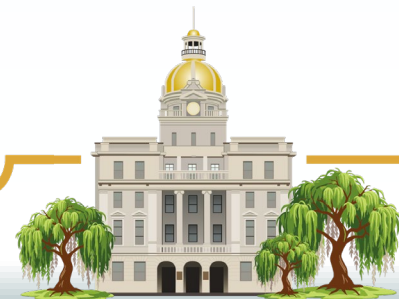


Jia, Markus, & Werner, 2023; Katic & Hillman, 2023



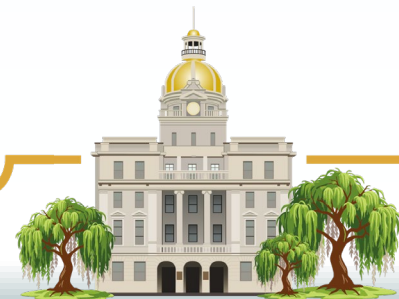
Research setting in U.S.

- Non-government entities but have regular interactions with local government actors
- Those who work in the government
- Focus on policy and regulatory issues that arise between government and businesses and solutions



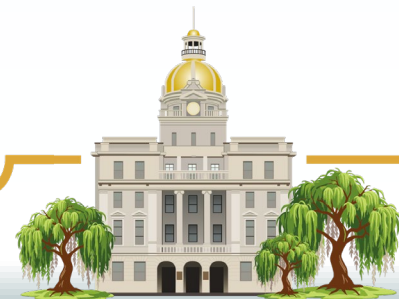
Misalignment between businesses and gov't

- “Government agencies are **insulated from the public** a lot of times.” (Richard)
- “I don't think that the local government in particular has a very good **understanding of what value** small businesses bring every day to this city, in providing job opportunities, in revitalizing commercial corridors, in providing better quality of life for the residents here.” (Steven)



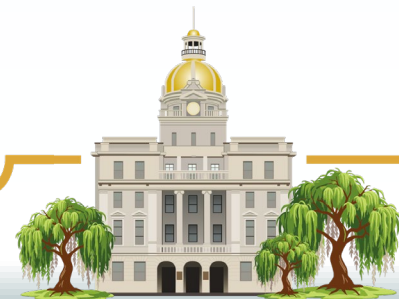
Misalignment between businesses and gov't

- *“I think there are a lot of politicians **who have no business experience**, or they've been lawyers all their life. That's a different world from somebody who is a small business owner who created this from nothing and **is just trying to be out there making enough money for themselves and their family**. There's an impression out there sometimes that, if you created your own business, you must be rich. And that's **not the reality** of a lot of business owners.” (James)*



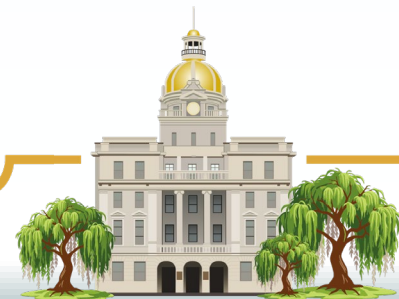
Relationship building with businesses

- *“It’s not, I’m just here to help the businesses... that’s probably their main focus. But they understand that there are housing issues. **There are other things that are going on.** For example, they may be involved in food distribution because that's just what is needed at the time. By doing that, they may **develop a relationship outside of the usual**, which they end up intersecting in more than just one way, hopefully, with people.” (Richard)*



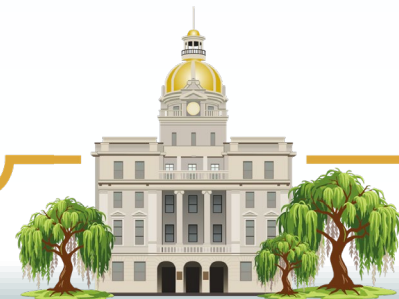
Direct communication with gov't

- *“There's an array of organizations that work with and on behalf of business communities, and we **consistently speak with them**. It's **frequent**, and it's **mostly informal**. We have very good relationships with folks that run those organizations. They know they can **pick up the phone or send us an email and we will be listening**” (Steven)*



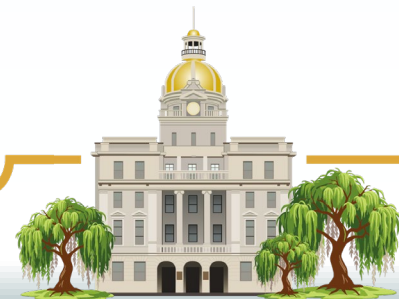
Effecting regulatory and policy changes

- *“A construction management firm doesn't do the construction work themselves. It's their job to pull together all of the specialists to do the work... But there was the question of, if you hire [minority-owned and women-owned construction management firms] for a project, **how much of that project can be considered diverse spend? They don't do the work. They have to hire others... But you're giving 100% of the money to a minority-owned, black-owned, Hispanic woman-owned business. So how do you categorize that?**”*
(Gary)



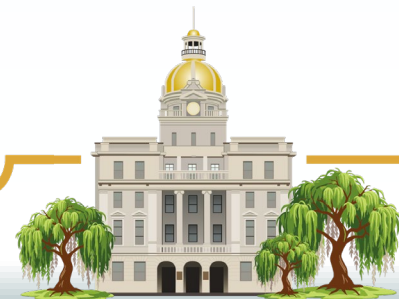
Effecting regulatory and policy changes

- “Conducted a series of **interviews with stakeholders**, minority businesses, people that run organizations, people within the government, people whose job it is to set up these EOP plans, and other regulators... we said, hey, what are you trying to accomplish? What are your thoughts on how this should be categorized? We **collected the opinions and ideas and created a series of notes** from these prominent people in the industry.” (Gary)



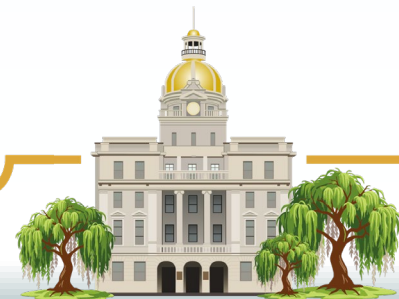
Effecting regulatory and policy changes

- *“I don't think that there will be a lot more negotiation because we've **already talked to most of the people that you would need to negotiate with.** They're aware of it. They've seen the documentation. They're comfortable with it, and **they've had a chance to add their perspectives.**” (Gary)*



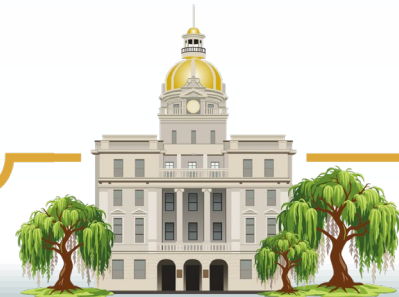
Blurring of Roles

- *“I think policy is informed by **expertise**, but it should also be **informed by what happens on the ground, which is relational**. So that's where the work is. [You can think that] this is a great policy, but somebody needs to go out on the street or into the community or talk to the people that are going to be impacted by that policy.” (James)*



Takeaways

- Relational regulation is about building relationships between the regulated and the regulator to enable the regulatory process
 - Open communication, mutual understanding
 - Accessibility
- Key outcomes
 - Regulatory failures, regulatory capture, compliance, and collaborative policymaking
 - Blurring of the roles between the regulator and the regulated
- More ubiquitous than recognized



Questions?

Carrie Wang | carriewang@asu.edu

