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## **Institutional Dynamics in a Re-ordering World**

*Marie-Laure Djelic and Kerstin Sahlin-Andersson*

Conclusion, Djelic and Sahlin-Andersson (eds), *Transnational Governance*, 2006, Cambridge University Press.

### **Introduction**

The chapters in this volume point to a profound re-definition of structuring frames for action and of normative and cognitive reference sets. All chapters, individually and as a whole, document in other words significant institutional transformation. The transnationalization of our world, sometimes hastily labeled “globalization”, is not only – and far from it – about flows of goods, capital or people. Nor is transnationalization simply a discourse even though it does have important discursive dimensions. Our transnationalizing world is a re-ordering world, a world where institutional rules of the game are in serious transition. Furthermore, the chapters in this volume clearly suggest – and many mundane contemporary experiences confirm it – that the impact of re-ordering processes is significant and consequential for our everyday lives.

Rather than focusing on impact, though, this volume wanted to contribute to our understanding of transformation processes. How are new modes of governance – rules and regulations and the organizing and monitoring activities that sustain, reproduce and control them – shaped and how do they come about? A defining theme for this volume has been the genesis and stabilization of transnational governance. We have applied a revisited field perspective to approach this theme. We understand transnational fields to be complex

combinations of institutional forces, spatial, and relational topographies and propose that those three dimensions are constitutive of transnational governance.

As a consequence, we have considered transnational governance in the making from three complementary angles. First, we have looked in Part I at the institutional forces that are, in the end, the fundamental rules of the game of the rule-making process in our world – the meaning and cultural structure that defines and shapes positions, patterns of activities and interactions. Second, we have considered the spatial dimension of transnational governance. Part II gives a sense of the dynamic topography of actors. The chapters show a profoundly evolving landscape where old actors in the regulatory game – and its associated organizing and monitoring activities – are being profoundly transformed and reinvented. At the same time, new types of actors progressively get involved. Third, and finally, we have looked into the relational dimension. Parts II and III display the dynamics of interaction associated with the re-ordering process. Contributions in Part III, in particular, are in-depth and generally longitudinal regulatory stories. They tell us about modes and logics of interaction and negotiation in complex constellations and reveal power plays and patterns of coalition building. They also provide evidence of multi-directional and dense interactions across many different boundaries – public/private, state/non-state, and national/transnational boundaries.

In this concluding chapter we start with a synthetic overview of the contemporary regulatory explosion and its main features as they emerge from reading together the contributions to this volume. We follow, then, with an elaboration of the meaning, spatial and relational dimensions of regulatory dynamics. We end with a focus on notions of power and interest as we see them playing out in our re-ordering world.

## **A Regulatory Explosion**

The contributions to this volume show indeed that our re-ordering world is marked by more – not less – rule-making activity. The intensity of the latter is such, in fact, that it would probably be more accurate to talk of regulatory “activism”. Regulatory activism can take the form of a re-regulation of certain spheres that had already been regulated before but generally at the national level. This is the case, for example, with education, health, labor markets (Jacobsson 2004) or accounting and financial reporting. All those spheres are increasingly subject to transnational regulatory activities and initiatives.

Regulatory activism also takes the form of an expansion into virgin territories – towards spheres of social life that were not regulated before. This is the case, for example, with environmental and pollution issues (Frank et al. 2000; McNichol and Bensedrine 2003; Power 2003); ethical, social and environmental aspects of corporate activities; the life and rights of animals (Forbes and Jermier 2002); administrative procedures (Brunsson and Jacobsson 2000; Beck and Walgenbach 2002) or with the structuring of love and intimate relationships (Frank and McEneaney 1999). The present world, indeed, is a “golden era of regulation” (Levi-Faur and Jordana 2005).

### *Soft regulation with potentially hard consequences*

With the transnationalization of regulatory activities, the nature of rule-making has changed significantly. In the introduction to this volume we distinguished between four dimensions of regulatory developments: who is regulating, the mode of regulation, the nature of rules, and

compliance mechanisms. We have found examples and illustrations, throughout this volume, of transformations along all four dimensions. Many new regulations are issued by states and by intergovernmental bodies but we have documented an expansion of regulating constellations that transcend the state/non state divide. We have also seen how parts of states are engaging in regulatory games so that state regulation ends up having a kaleidoscopic character. The development, in other words, cannot be described as a simple move from state to non-state regulation – but it is a development where state regulators are increasingly embedded in and interplay with many other regulatory actors.

With this development come changes in modes of regulation and compliance mechanisms. Many new rules are voluntary. This means that those who are to comply should be attracted to following the rules rather than forced to do so. Some of the new regulatory regimes are constituted as “markets” where the incentives for following rules are essentially financial. The new market for CO<sup>2</sup> emissions rights is a good illustration. Other rule systems are also structured as markets but with reputation, trust and legitimacy as a combined set of incentives. This is the case with accreditation and rankings in management education, forestry certification schemes or the UN global compact for corporate social responsibility. Compliance can also be obtained as new rules are presented as progressive and contributing to prosperity broadly understood rather than as controlling tools. Rules in this case tend to be framed by science and expertise.

Regulation and rule-making, in their contemporary form, come together with intense organizing and monitoring activities that sustain and reproduce emerging rules as well as targeting adoption and implementation. In the background to the multiplication of soft rules, we find the potential threat that states would come to issue harder rules – both more restrictive

and less open to interpretation and adjustment by those following rules. In fact soft rules can be either a way to buffer the field from harder forms of regulation or a first step towards harder forms of regulation. This suggests important dynamics where regulations develop and expand in response and reaction to each other. These dynamics clearly involve power relations and structures of authority, including when the latter are hidden under the apparent neutrality of references to science and expertise.

Even when they lean on the shoulders of potentially harder modes of controlling, soft rules are typically formed in general terms. They are open, as a consequence, to negotiations and translations by those who are regulated. In fact, this form of regulation requires the active participation of those being regulated during the phase of interpretation but also at the moment of elaboration or during monitoring. Soft rules are generally associated with complex procedures of self-presentation, self-reporting and self-monitoring. This was shown to be the case, for example, in higher education, forestry certification or corporate governance.

A direct consequence of extended soft regulation is therefore a multiplication of resources put on formalized systems of self presentation and monitoring in many organizations. This had been identified by Power (1997) in his studies of the audit society, and is confirmed by several chapters in this volume as well as in recent writings on the US Sarbanes-Oxley Act and its impact (e.g. Power 2004). So, what could appear to be at first sight a “softening” of the rule system in fact fosters most of the time extended re-regulation and increased organizing and formalization.

### *Governance with Governments*

There is often an assumption that transnationalization and the opening of the world mean drastic reduction of rules everywhere – competition favors the weakest governance orders. We do not find that. Instead, we provide the picture of a world where the intensity of rule-making activity is extremely high and if anything only increasing. Brought together, the contributions to this volume document an impressive overall progress of soft regulation, particularly with a transnational scope. They confirm that we have moved well beyond a Westphalian world, where sovereign isolates (nation-states) confront each other in an essentially anomic international arena. We also collectively show that states do not “withdraw” and remain very much involved in the regulatory game. But this regulatory game is profoundly changing and, in a process of close co-evolution, states are themselves going through significant re-invention. This book provides evidence of a transnational world characterized by increasing and intense “governance with government”.

We also find that the actors who interact in the process – both those regulating and those regulated – tend to develop common identities. States have reformed to become more business like as they incorporate management tools and modes of organizing (e.g. Hood 1991). Non profit and non governmental organizations are also restructuring to become more business like (e.g. Powell et al. 2006). Corporations on the other hand are expected to act as “citizens” of global society (e.g. Zadek 2001) and to claim and assume a degree of political power and responsibility. Distinctions between public and private sectors are getting blurred and a clear tendency is for those various kinds of actors to be all increasingly defined, controlled and governed as organizations (Brunsson and Sahlin-Andersson 2000).

With this degree of multi-polarity, expanded regulation reflects co-ordination and ordering ambitions. This is not a world where some units are assumed to have authority over others; instead relations among organizations are increasingly shaped in market terms. Monitoring tends to be done through mechanisms of socialization and on the basis of an increasingly rationalized global moral order. This soft path to regulation should, however and as noted above, not always be taken at face value. Control remains an objective but is increasingly hidden and neutralized behind references to science and expertise. There are clear power games and power stakes in transnational governance fields. A seemingly paradoxical example is that states may gain power and influence rather than “wither away” as assumed in a lot of the literature. As states form coalitions and constellations beyond their territories; as they increasingly rely on neutralized discursive references to expertise and science, they may gain in the process significant leverage both over local constituencies and in transnational arenas.

### *A Governance Spiral*

Transnational governance expands in part through a self-reinforcing spiral. Regulation and the monitoring, evaluating and auditing activities that come together with it only seem to breed greater needs and calls for still further regulation and governance. Many chapters in this volume document an apparently unstoppable escalation of regulation and governance. They point to three main mechanisms that altogether feed the governance spiral. These mechanisms are moved respectively by distrust, the question of responsibility and the search for control.

In line with previous research (Power 1997; 2004) we have shown that the movement towards expanded regulation is driven in part by a lack of trust. A diffuse distrust generates the need for activities that reveal, make transparent, and set rules, with a view to building more trust. Those activities, however, may in fact not only solve problems but also reveal and suggest



new problems and new questions. In the process, rather than building trust, they could be undermining it further, leading to still more requests for auditing, monitoring and regulation. The chapters in this volume suggest that this could be particularly true in the case of transnational governance as it is characterized by three specific features. First, the absence of a formal and sovereign holder of legitimacy in the transnational arena entails the relative fragility of rules and monitoring activities. There is competition out there for claims to authority and the regulatory arena can be described as a regulatory market – where demand and offer stimulate and reinforce each other. Some of it may even have the feel of a market (regulatory) bubble! Second, in the absence of other legitimacy holders, science and expertise tend to impose themselves. There is quite an ambivalent relationship to science, however, in our societies. While science in general is legitimate and legitimating, individual experts and individual pieces of expertise are often contested. Third, this contestation is reinforced by the trend towards deliberative and participative democracy, so characteristic of our transnationalizing world. Deliberative democracy means expanded claims to be involved and contribute in rule-making and rule-monitoring. Ultimately, this is bound to generate regulatory or governance “inflation” – where “your” regulation fosters “my” monitoring or counter-regulation, and so forth.

Hence, behind exploding regulatory and governance activities, one finds a distrust spiral that is fostered and reinforced by three defining and structuring forces of fields of transnational governance – scientization, marketization and deliberative democracy. Partially connected, we also find a “responsibility spiral”. Governance and regulation are in part about allocation of responsibility. When rules are precise and focused, responsibilities are relatively clear. With the multiplication of regulatory and governance activities, responsibilities get diffused and dispersed. The movement towards soft regulation has a tendency to reroute, furthermore,

responsibility away from rule-setters and towards rule-followers. Voluntary rules that are open to translation mean that those who choose to follow the rules and to follow them in certain ways are held responsible. This double blurring of responsibilities may drive the need for regulation and governance still further and at the local level expanded soft regulation may foster a culture of defensiveness (see Power 2004). Organizational representatives then have to allocate extended resources not only to follow rules but also to explain why they choose to follow certain rules in particular ways or why they should not be held responsible.

A third mechanism feeding the spiral evolves around the search for control. We have pictured the transnational world as a world in motion, with unclear and shifting boundaries and organizations in flux. On the regulatory market, the way to reach control or to react to regulations that are not favorable to one's position and strategy is essentially to organize and drive a competing regulatory set-up. We saw examples of this in the field of management education. When European business schools realized that US accreditation and ranking systems increasingly shaped the norms for what counted as good management education, they reacted. Feeling marginalized within the existing governance frame, they structured and defined competing and complementary ranking and accreditation systems. Similar control spirals have emerged in many areas, particularly with the development of the European union and of a European identity. In a world where transnational regulation is expanding, the way to seek control is not by avoiding regulation. A more promising strategy is active involvement to issue and support a satisfactory regulatory scheme.

### *Consequential Incrementalism*

All empirical stories in this volume underscore the important role of time and the highly progressive and bumpy road to transnational governance – with long moments of standstill,

periods of backlash and an undeniable role for historical opportunities and chance. Institutional rules of the game do not change according to a pattern of punctuated equilibrium and radical ruptures. Instead, the chapters in this volume show that institutional change is highly progressive and step-by-step, often inscribed in long historical developments and generally associated with resistance, struggles, conflicts, negotiations or cooperation. Institutional change is, in other words, an incremental process. However incrementalism does not imply that the transformations generated would be only minor adaptations; many chapters document the highly consequential and transformative impact of re-ordering processes. Institutional change as it characterizes our contemporary transnationalizing world is both incremental and highly consequential, with a profound transformative impact (see also Djelic and Quack 2003; Thelen and Streeck 2005).

We have pointed to a number of drivers for the literal explosion of regulatory and governance activities with a transnational scope. At a first level of analysis, that of the detailed description of a particular regulatory process or history, complexity is striking. All our empirical stories tell of multiple actors involved, shifting coalitions and unstable interests, long and bumpy historical developments with a multiplicity of stages, competing logics, conflicts and resistance, of *bricolage* and the varying presence of national solutions or parts thereof. Each regulatory story therefore tends to picture of a unique path, highly complex if not merely chaotic. The multiplication of stories, though, and their systematic confrontation and comparison, make it possible to identify important regularities behind this apparently extreme complexity.

## **Institutional Forces in Fields of Transnational Governance – The Meaning Dimension**

The regularities stem in great part from a set of institutional forces that increasingly and progressively structure transnational governance. Those institutional forces are powerful, and in a sense paradigmatic, rules of the game for contemporary regulation and associated organizing and monitoring activities.

The first such institutional force is scientization – the “extraordinary and expansive authority of modern scientific rationalization” as revealed in the overwhelming role and presence in our contemporary world of scientific agencies, scientists, scientific products and argumentation. A sub-dimension of scientization is the strong drive towards measurement and quantification. Expertise and the legitimacy of science have a tendency to express themselves in figures, measurement and statistical relations. The ontology, methods and models characteristic of mathematics, physics, and natural sciences have all but triumphed. They have a tendency to be purely and simply conflated with “science”, marginalizing as it were alternative understandings of the scientific endeavor.

A second institutional force, increasingly shaping fields of transnational governance, is marketization. The powerful contemporary marketization drive reflects a belief that markets are superior arrangements for the allocation of goods and resources and this in every sphere of economic, social or even cultural and moral life. This “belief” in markets is itself institutionalizing fast and, as a consequence, markets are increasingly defined and perceived as the “natural” way to organize and structure human interactions.

Organizing is a third institutional force highly structuring of fields of governance. Organizing is a way to create order transnationally in the absence of a world state and of a world culture. In our transnational world, it often takes the particular form of “meta-organizing” – coordination and control being largely of the “soft” kind.

A fourth institutional force is what we have called in this volume moral rationalization. Rationalized and scientized assessment and celebration of virtue and virtuosity become increasingly prominent in the transnational public realm and act as a powerful sustaining and structuring force of transnational governance.

Deliberative democracy is a fifth institutional force shaping the context of transnational governance and, as it were, the rules of the game of transnational regulation and monitoring. The transnational world is increasingly permeated by a view of democracy that emphasizes dialogue and deliberation and the autonomy of participating actors. A sub-dimension associated with deliberative and participative democracy is the explosion and expansion of soft forms of governance.

### *Reinforcing Interplays*

Those five institutional forces and the two associated sub-dimensions are closely intertwined; in fact they nurture and foster each other. Scientization, for example, is often an important background to the contemporary elaboration of soft regulation or the rationalized celebration of virtue and virtuosity. Meta-organizations rely on soft regulation – standardization in particular, often quite closely coupled with measurement and quantified objectives. Deliberative democracy and discussions around soft regulation generate “markets” for rules – and therefore reinforce the marketization trend. The progress of marketization has, in turn, a

tendency to rely on both formal organizing and scientized expertise as a two-dimensional backbone. The spread of markets and marketization in many different spheres of social life also suggests open participation and “free” or competitive involvement, pushing even further the trend towards deliberative democracy and soft regulation. The disclosure and transparency associated with deliberative democracy and soft regulation are often further rationalized and can even be articulated with formal celebrations of virtue and virtuosity. As to moral rationalization, it is generally revealed and expressed through sustained organizing efforts.

The close and mutually reinforcing interplay between those institutional forces generates, we propose, a highly structured and ordered world. Despite the absence of a world culture and political order, we find in fact a tight and constraining frame. Institutional forces should not be treated as external to the actors – as representing an environment to which actors are merely adapting. Rather, they are constitutive of the actors. Institutional forces frame and constitute organizations and individuals – their interests, values, structures, contents and meaning, activities and the nature and form of their interactions. There is another sense in which institutional forces are not external to actors and activities. If one adopts a long term perspective, they reflect and express the aggregation of strategies, interests and activities. They have been historically and progressively constructed, even if they tend today to function as an external and progressively hardening “iron cage” (Weber 1978).

### *From Battlefields to Stabilization?*

Ultimately, though, we are still talking about battlefields. The five institutional forces identified above and their two associated sub-dimensions are sometimes colliding and conflicting with other institutional sets – generally structured at a national level. Those national institutional systems are still powerful systems of constraints – localized ones for the

most part but with a potential reach in other geographical spaces (Westney 1987; Djelic 1998). Building again on the physics metaphor, we view this as the confrontation of different fields of forces. In some cases, forces will work in parallel or similar directions. In other cases, they will counter each other and there will be powerful resistance. Contributions to this volume nevertheless seem to suggest three things. First, the progress of the institutional forces identified above is quite fast on the whole and probably only accelerating because of the mutually reinforcing dynamics described before. Second, this institutional frame is not potent and powerful only in fields of transnational governance – its impact is progressively being felt, in both direct and indirect ways, in governance processes that remain for various reasons still strongly national or local. Third, behind those institutional forces, their competition and their struggles, there are individuals, groups, organizations or networks; sets of colliding and conflicting interests; interactions and power plays.

When considered together and in their interaction, these institutional forces are increasingly turning into meta-rules of the game for governance and rule-making in our world. The structuring we are talking about is essentially of a normative and cognitive kind. This meta-institutional frame sets and defines a “meaning” or “cultural” system that constrains the way we think and talk about governance, the way we undertake, negotiate and structure it, the way we sustain and reproduce it – across, between but also, increasingly, within national boundaries. This institutional frame, this meaning or cultural system, and its components as we described them in this volume, follow the route of all institutional sets. They progressively become taken for granted and as it were fade in the background and become “invisible”. This transnational culture increasingly sets and defines the “natural” way of doing, acting and being – and even resistance, reaction and protest activities tend to express and inscribe themselves within rather than outside the institutional frame.

It is interesting, in that respect, to consider the anti-globalization movements that define themselves as strong critiques of some of the logics of transnationalization described in this volume. Many features of anti-globalization movements in reality reinforce, rather than question, the advancing transnational meaning and cultural system presented here (see e.g. Keraghel and Sen 2004). Anti-globalization movements are highly organized, very much along meta-organization principles. Anti-globalization movements have appropriated, for themselves and their own functioning, claims to deliberative democracy and soft regulation and they even refer to expertise and science. Finally, they also make use of the tools associated with moral rationalization to build and diffuse their critique.

### **The Dynamic Topography of Transnational Governance – The Spatial Dimension**

Fields of transnational governance are undeniably fields of forces – and, as we showed in this volume, highly structured ones. Those fields, however, also have a spatial dimension.

#### *The notion of Space and its Evolution*

The notion of “governance space” could have two main dimensions. First, the term could refer to the space where governance is being constructed. Second, the term could refer to the space where governance applies. A clear analytical and empirical differentiation between those two dimensions would point towards a sharp separation between rule-makers and rule-followers. In a Westphalian world, this separation would tend to be particularly marked. In a Westphalian world, furthermore, the horizon would remain essentially national. The space



where governance was constructed would broadly follow the contours of the nation state and political administration. The space where governance applied would be tightly congruent with a particular national territory or subparts thereof.

In a transnationalizing world, the spatial dimension of governance appears to be much more complex, fluid and multi-dimensional. First, the notion of space is not always or systematically associated with a political and geographical territory. As the chapters in this volume document, there are governance spaces but those can range all the way from referring to a geographical and political territory, to an organizationally structured arena marked by a degree of physical reality (i.e. buildings) or, finally, to virtual spaces structured through a combination of technology and cognitive frames. Second, governance spaces are neither unitary nor centralized as this would be the case in a Westphalian scenario where the nation state would essentially represent the governance kernel. Rather governance spaces in a transnational world are decentered and multi-centred, or even fragmented. A multiplicity of governance initiatives are often going on in parallel – in complex patterns of cooperation, competition or simple juxtaposition. Third, governance spaces have a horizon that is not, by far, simply national. Actually, the chapters in this volume document a blurring of boundaries. Governance spaces span multiple levels – the subnational, the national, and the transnational – and a sharp differentiation between those levels becomes in fact increasingly less meaningful and useful. Fourth, and finally, the analytical separation between a space where governance is constructed and a space where governance applies becomes less relevant in a transnational world. There is, here also, a blurring of categories and boundaries. As the chapters in this volume illustrate, rules are increasingly being constructed, at least in part, by those who will then have to follow them.

At the same time, however, even if boundaries are blurring and easily crossed, those different levels remain a reality of a sort. They are always present – to be used and brought up when necessary in the interest of actors seeking influence, as tools to allocate blame and responsibility or as excuses to avoid difficulties and liabilities. Sub-national, national and international levels in other words largely become discursive categories at the disposal of actors, to be used as they take part in transnational, national or local governance games.

### *Who are the Actors?*

Transnational governance spaces are densely populated. There is a large and in appearance always increasing number of actors involved in regulation and associated organizing and monitoring activities. Regulation and governance breed even more regulation and governance. This in itself explains in part the explosion in the sheer numbers of actors involved. We have seen, though, that the evolution of regulatory modes, leading to the widespread diffusion of softer types of rules, fosters regulatory competition – and as such is also a factor explaining the multiplicity of actors involved.

Out of this diversity and multiplicity, we can still differentiate between four broad categories. The first category contains those actors that are parts of or directly associated with nation states and political administrations. States and political administrations are feeling the marketization impact and are in part reorganizing as internal “markets”, in part reconstituted as actors – or organizations – that compete on a transnational regulatory market. Hence, multiple agencies, administrative departments, public networks or group are active quite independently in many different governance spaces. States and administrative units have undeniably lost their monopoly position over regulation. Nevertheless, they remain powerfully involved in regulatory and governance processes. We even find two particular and

quite consequential roles for those types of actors. First, in many of our governance stories, an endorsement by states and/or administrative units gives much greater clout and strength to a set of rules, particularly when it comes to local and national adoption and implementation. Second, the threat of coercion undeniably remains a power resource in the hands of states even in times so clearly characterized by soft and interactive forms of regulation and governance.

In the second category, we can put international organizations of a public nature and transnational political constructions – the IMF, the World Bank, the GATT and later the WTO, the OECD, or the various avatars of the European Union amongst others. It is undeniable that the role, place and clout of this second category of actors have increased powerfully and significantly, particularly since the end of World War II. The progress of this category of actors on the world scene has been tightly associated with the increasing density of transnational governance. And this has gone in two directions. Those international or transnational arenas and organizations have fostered and stimulated the generation of transnational governance. The explosion of transnational governance has in turn stabilized and reinforced those actors, their power and reach.

A third category brings together what we call here “reinvented old actors”. A general trend is for former “rule-takers” and “rule-followers” to increasingly be involved in governance processes. A consequence is that many economic and societal actors have to reinvent themselves as active participants in transnational governance. Universities, corporations, the media or professions are striking exemplars of those actors who reinvent themselves. This reinvention is sometimes so profound as it give rise altogether to new types of actors. The horizon is changing radically and requires adaptation to new meta-rules of governance. From

rule-takers and rule-followers, who sometimes tried to bypass and go around externally imposed regulation and constraints – those actors have to turn into governance co-constructors in spaces that span multiple levels. This, of course, has profound implications for the features and competences that those actors need to develop.

The fourth category contains what we broadly call “new” actors. By “new” we essentially mean two things. Those actors – organizations, networks or entities – can be “new” in terms of their structures, features and qualities. They can also be “new” in the sense of having stood until then quite far away from regulatory and governance activities. They could as well naturally be “new” on both counts. Non governmental organizations, whether national or international, enter into this category. They are becoming increasingly important and powerful actors of transnational governance (Boli and Thomas 1999; Cutler et al. 1999; Mörth 2004). Standards or experts organizations, here again with a national and/or a transnational dimension, have also exploded (Brunsson and Jacobsson 2000), following upon and reinforcing at the same time the scientization trend identified above.

In Parts II and III of this volume, we also point to another type of “new” actors that we propose to call the “transnational community of interest”. The transnational network of central bankers, the International Competition Network, the International Accounting Standards Committee, the AACSB or efmd or the Forest Stewardship Council are all illustrations, we suggest, of “transnational communities of interest”. This type of entity is somewhere in between an epistemic and expert community, a profession and a meta-organization and a combination of all those. It has a transnational nature and dimension by construction and it spans and bridges national boundaries. Just like the Banyan tree, it has at the same time an overarching identity and multiple deep and solid local roots. The overarching identity tends to

be more cognitive, normative and cultural than physical and structural. In fact some of those transnational communities of interest can be close to virtual networks and organizations.

We propose that this type of actor is increasingly present and involved in processes of transnational governance. It has a tendency to bring its members together around a project, often a regulatory one. This type of entity or actor can bring together only public or state-related members – as in the case of the transnational network of central bankers. It can also bridge the boundaries between public and private spheres and actors – as the cases of the International Competition Network, the International Accounting Standards Committee and the efmd all illustrate. Finally, it can also bring together many different non-state members. Those transnational communities of interest can be more or less open or closed. They tend, though, to be expansive and missionary in the sense that their *raison d'être* is to rally around a project not only their members but also potentially well beyond. Interestingly, the expansive and sometimes highly inclusive nature of those “actors” means that they can turn, from regulatory actors, into regulatory spaces.

### **Institutional Dynamics of Transnational Governance – The Relational Dimension**

Transnational governance is both highly structured by powerful institutional forces and a richly populated spatial topography. This combination generates a partly paradoxical situation – where activities, interplays and interactions are extremely intense in what is ultimately a fairly constrained and rigid landscape.

### *Paradoxical Dynamics...*

Governance is characterized in our transnational world by intense activity and activism, by dense and multidirectional interplays and interactions. We have seen above some of the main mechanisms behind that level of activity. At the very same time, though, it appears that the more intense and dense activities and interplays become, the more they are working towards the strengthening and stabilization of those structuring institutional forces identified above.

There is, in fact, a paradoxical loop here. Meta-rules of the game, as they progressively stabilize foster the development of regulatory activities and the intensification of interplays. This happens through the diffusion of marketization, organizing, and deliberative democracy principles that justify and call for multiple and multidirectional involvements and initiatives. The movements thus generated can appear at first relatively chaotic. Steps are taken in many different directions and the rhythm seems to be constantly accelerating. However, the combination in this volume of different “stories” of transnational governance points to an emergent and stabilizing order. The intensity of activities and the density of interplays reinforce, in the end, the meta-rules of the game and the institutional “cage” in which transnational governance appears to be set. This means that a lot of what, at first sight, seems to be regulatory competition should ultimately be re-interpreted as many steps pushing in a parallel, if not the same, direction. Competition in the short term contributes, in other words, to the emergence of collective stabilization in the longer term.

We therefore propose a reading of transnational arenas of governance as highly constrained and constraining fields – if not monolithic ones – with an intense surface activity that tends to generate and reproduce order behind an appearance of complexity and competition. The longitudinal study of the re-ordering of the accounting standards field provides a great

illustration. At a first level, Botzem and Quack document a multiplicity of initiatives, competing actors and efforts, a lot of back and forth movement, resistance, conflicts, give and take. At the same time, they also point to standardization in the long term – accounting rules and standards progressively become more homogeneous, more similar and compatible across and between national boundaries. This process of standardization both emerges through and reinforces further the dense activity trend. Looking at the evolution of market and competition regulation, Djelic and Kleiner find more or less the same kind of progressive standardization under the guise of intense activity – partly competitive and even conflictual. McNichol's account of the emergence of certification programs in the forestry sector and Engels' analysis of the creation of a market for CO<sup>2</sup> emissions rights can also be read through such a lens.

*...Often Unrecognized*

A further finding is that this collective stabilizing tends not to be noticed by the actors involved while competitive pressures are being acutely perceived. In fact, we would propose that intense competition at an apparent and superficial level tends to blind both actors themselves and most observers to the profound ordering and stabilization associated with meta-rules of the game. There are many illustrations of that throughout Parts II and III in this volume. Disagreements, conflicts and competition between the representatives of two standardization systems in higher education – EQUIS and AACSB – tend to overemphasize differences and competition when both standardization frames in fact proceed of parallel logics and push the field, overall, in the same direction. If we look at it this way, then differences become only minor variations around a common theme. The same could be said about conflict and competition of standards in many other fields – the cases of accounting rules and competition regulation presented in this volume are two more illustrations.

The literature on “globalization” has a tendency to picture our world as being highly complex and unpredictable, if not on the verge of “chaos”. The emphasis on complexity and unpredictability appear in fact both in proselytising accounts and in more critical analyses of “globalization”. What we find is different. We propose that complexity, chaos and instability are there but only at a surface level. We document and provide evidence in this volume that our world is much more simple and orderly than it superficially appears. This order and simplicity emerge from and reflect meta-rules of the game, a set of powerfully structuring institutional forces.

The same applies, we propose, to the notion of diversity. At a first level the topography of transnational governance suggests a rich pool of actors concerned with and to a greater or lesser degree involved in governance. Behind multiplicity, however, we also provide evidence of significant progressive convergence. A central bank is much more like another central bank today than twenty years ago. NGOs increasingly look alike – including when some work for and others against the same project. Hence, multiplicity is not necessarily synonymous with diversity and we argue that our transnationalizing world is characterized by a double and partly contradictory trend. The number of actors involved in and concerned by regulation and governance has increased. However, each “species” or category of actors has had a tendency to become increasingly homogeneous, leaving less and less space to variation inside a given category. Even more homogenization happens also across categories. Actors all tend to be rationalized organizations with a will and an identity of their own (Brunsson and Sahlin-Andersson 2000; Meyer and Jepperson 2000).



### *The Expansive Network*

Those paradoxical dynamics reveal and express themselves increasingly in what we see as a cornerstone of contemporary governance – the “expansive” network. There is a parallel and reinforcing influence between the formalization of a governance issue and the structuration of an associated governance “network”. The process goes in fact both ways as most contributions in this volume show. The existence of a governance issue fosters the emergence and development of a governance network. But the structuration of a network can also transform a particular, often limited, project into a transnational governance issue.

We have seen above that the “communities of interest” structured around a particular governance theme hover somewhere in between governance actors and governance spaces. The tendency is for those communities of interest to be expansive networks with a view to diffuse the regulatory project and question at least as much as proposed standards and regulatory solutions. The expansion can take different forms. The network can remain closed but highly active in diffusion dynamics – through direct and mediated contacts, targeting various kinds of relays, investing socialization fora (e.g. training institutions or media outlets). This type of strategy is exemplified in this volume by the transnational network of central bankers.

The network can also choose the “variable geometry” strategy. A core group of members retains the high hand on governance dynamics while regularly opening itself, in the context of particular events, to concerned parties. This strategy is illustrated by the International Competition Network and to some extent also in the accounting standards case. This type of partial and ad hoc opening is a way to progressively co-opt concerned parties and related opinion makers. An associated strategy can be to foster the emergence and development of

parallel and relay networks. This is nicely illustrated in the case of the International Competition Network by the recent emergence of INSOC (the International Network of Civil Society Organisations on Competition) – a civil society network that follows and appropriates the missionary aims and ambitions of the ICN.

Finally, expansion can merely refer to the progressive opening up of the governance network to the point where, ultimately, all actors in a field could be integrated. The fields of higher management education and the processes of standard elaboration in the forestry sector seem to develop in this direction. This is also, one could argue, the apparent logic in the governance field that is structuring itself transnationally around the issue of corporate social responsibility.

The expansive nature of the network can go all the way towards including resistance and opposition groups. In this way, the expansive network combines perfectly with the paradoxical dynamics underscored above. Conflicts, competition and discussions are given significant space while all actors become progressively set and inscribed within the same structuring meta-rules – without always realizing it. The increasing multiplicity of actors involved can therefore come together with a progressive and rapid convergence and standardization – and hence in fact with less diversity. Meanwhile, the very structure of networks can evolve and they can develop their own organizing dynamics. While some networks will retain a fluid structure, others can transform over time and develop to become formal organizations.

### *A Representation of Institutional Dynamics*

To get at a real understanding of transnational governance, a challenge undeniably is to grasp how surface dynamics generate background stability and how the progress of background stability fosters surface dynamics – in a self-reinforcing loop. This finding is represented visually in figure 18:1, where we get a three strata cut on transnational governance fields. Those fields have a “dark side” – the set of increasingly powerful institutional forces. Those forces are active and generate dense activity at the surface of the field but with ultimately a stabilizing and reinforcing impact for themselves. The “dark side” is thus labeled because it has a tendency to be invisible, undetected, and taken for granted.

- Figure 18:1 about here -

Transnational governance has a highly dynamic “bright side”, bright in the sense here of visible – that can be mapped and described. This bright side is made up of dynamic topographies of actors that negotiate, enact, transform, resist, translate or embrace evolving rules of the game. The activity at that surface level is dense but increasingly powerfully set and embedded in, constrained and directed by, homogenizing meta-rules of the game. Institutional forces shape, constrain and embed both dynamic topographies of actors and surface regulation. In their rule-setting and governance activities, dynamic topographies of actors express and enact, spread, further, stabilize and reproduce but also try to resist and potentially bend the institutional “cage” in which they are more or less comfortably set and inscribed.

The struggle is increasingly unfair, though, we argue. On the bright side of the field, a lot of energy is spent on what are, ultimately, battles around minor variations. On the whole, the

impact of activities that run parallel to and follow the structuring logic of meta-institutional forces can be quite real. Headlong battles against the increasingly stabilized meta-institutional forces are getting increasingly difficult, on the other hand, if not doomed from the start.

### **Power, Influence and Hegemony in Transnational Governance**

As a last word, it seems important to go back and draw attention to issues of power, interests and influence. Fields of transnational governance tend to wrap themselves in discursive references to efficiency and best practices – legitimized by science and measurement or market mechanisms and validated through rational benchmarks and scales. The discourse and self-presentation of actors involved in transnational governance processes is often highly neutralized – void of references to issues of power and interests.

All chapters in this volume show that the institutional dynamics of regulation include in fact contestation, struggle, and power plays. The elaboration and development of new kinds of regulations are in great part interest-driven and reflect logics of power and control. Actors use the neutral language of science and expertise; they invoke co-ordination and a common good. When we consider governance processes in more details, however, and take in the longitudinal dimension in particular, we find that those processes evolve with struggles and conflicts between self-interested actors and through the formation of coalitions and counter movements. Many chapters in this volume also provide evidence that interests are not stable but that they are shaped and reshaped over time and across situations. The institutional embeddedness of actors – or the softness of actors – does not mean in other words that

interests are absent. Rather, what this suggests is that the shaping of interests and their evolution through time should also be subject to analysis.

Many chapters in this volume illustrate vividly the importance of interest- and power-driven logics including in highly institutionalized settings. It is quite clear from our empirical evidence that the complexity of the transnational world does not always, far from it, block individual interests and activities. We often find the opposite – organizations or networks and even individual persons can become extremely powerful and influential as they navigate through the densely organized transnational world and gain significant leverage in the process. A number of features, in this respect, appear to be particularly significant – amongst which size, centrality and resources are all unmistakable. We will only focus, though, as a concluding theme, on another dimension that appears to be key – what we call here the “first mover advantage”.

This first mover advantage can be declined at many levels. Those who set and define the rules early on – or at least are involved at an early stage – are more likely to be able to influence the emergent regulation to their advantage, to fit and serve their own interests and to increase their position of power and capacity to control. There is another way in which the first mover advantage plays itself out. Those participating in defining the rules of the game are more likely to better understand the rules and to be able to maneuver within and around them. Knowledge means control and power and understanding of the rules of the game gives a headstart to those actors that were involved early on in rule-setting.

At the macro and meta-level this takes on a particular dimension. Brought together, the contributions to this volume clearly show that there is a kind of meta- first mover advantage

in favor of the United States and of American actors. The detailed regulatory stories in Parts II and III document a unique and often powerful role and place of American actors and blueprints in regulatory processes – both at the origins and at critical and key moments. The transnational regulatory explosion is, already at this level, an “Americanization”. There is another sense, even more significant, in which the contemporary regulatory and governance explosion is a form of “Americanization”. The institutional forces, the fundamental rules of the game of the rule-making process in our world, as defined and described in Part I, also reflect undeniably the power and influence of American actors, groups, networks, organizations and cultural and cognitive blueprints. This power and influence is particularly linked historically to the post World War II period and is associated in part with the threading of an international organizational net – key nodes being the World Bank, the IMF, the OECD, the United Nations and its satellites, the GATT or the WTO.

The important consequence, naturally, is that American actors, organizations and networks often have a headstart in transnational governance fields that are shaped according to institutional principles with which they are in a sense “genetically” familiar. The concept of hegemony (Gramsci 1971) is applicable here or as Foucault would put it “power is everywhere; not because it embraces everything, but because it comes from everywhere” (Foucault 1990[1978]: 93). This volume, however, should encourage us to go beyond simple conceptions of power and/or hegemony. We should be looking further into the complex interplay of hegemonic logics and more classical and “visible” resource and interest-based power games. There lays, we suggest, an important dimension of the institutional dynamics of contemporary regulation and governance.