

Governance and its Transnational Dynamics: Towards a Re-ordering of our World?

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Introduction

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. Together with others, we suggest that our transnationalizing world is also defined by powerful dynamics of re-ordering. Some contributions point to the emergence of an “audit society” where accounting and control become powerful social and institutional practices with an increasingly transnational scope (Hopwood and Miller 1994, Power 1999). Other contributions document the emergence and increasing density of a “world of standards” (Brunsson and Jacobsson 2000; Tamm Hallström 2004). Others still provide evidence of a “golden era of regulation” and regulatory activities (Levi-Faur and Jordana 2005; Djelic and Sahlin-Andersson 2006; Graz and Nölke 2008). All in all, what we witness is a profound re-definition of structuring frames for action and of normative and cognitive reference sets. Our transnationalizing world is a world where institutional rules of the game are in serious transition.

This chapter proposes an analytic reading of this powerful contemporary trend. We do emphasize the complex, progressive and historical nature of this re-ordering process – a process still very much in the making. Our objective in this chapter, though, is to suggest that there are identifiable and shared mechanisms underlying transnational regulatory and governance dynamics – over and beyond the specifics of each regulatory story. Sections 1 and 2 explore some of the existing literature and draw from there important theoretical insights. Section 1 suggests, in particular, the consequential impact on regulatory and governance dynamics of three related self-reinforcing spirals. Section 2 proposes to re-appropriate the concept of field as a useful tool to capture the multi-level nature of regulatory and governance dynamics. In section 3, we apply those structuring concepts to the phenomenon of transnational regulation and governance. This allows us to bring forward and describe some

of the key and shared mechanisms characteristic of transnational regulatory dynamics. We end, in the conclusion, with a foray into notions of power and interest as we see them playing out in our re-ordering world.

1. Regulatory Activism

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”. The proliferation of regulatory activities, actors, networks or constellations leads to an explosion of rules and to the profound re-ordering of our world. An increasing share of this intense governance activity takes place between and across nations. Regulatory boundaries do not necessarily coincide anymore with national boundaries.

Regulatory activism with a transnational scope can go in at least two main directions. First, it can go towards the re-regulation of spheres of human action and interaction that had been regulated before at the national level. Second, it can mean the regulation of previously virgin territories.

The emergence and development of global standards for accounting and financial reporting is an interesting illustration of the first direction.¹ At the end of the Second World War, accounting standards were national sets of hard rules (and quite often in fact part of the formal code law system). In this sense they were important dimensions of national business systems and varied across states and regions of the world (Whitley 1999, Botzem and Quack 2006). There had already been some discussion around the harmonization of accounting standards in the early part of the twentieth century but with little result on the whole. After World War II, those discussions intensified and the next sixty years tell the story of the progressive and complex emergence and structuration of a transnational field of governance around accounting standards. This field proved multi-nodal and extremely fluid through time. Professional bodies and associations played an important role. But so did key private actors and accounting firms. Regulatory agencies, such as the Securities and Exchange Commission (SEC), international organizations like the OECD or a supranational construction like the

¹ This account is a brief summary of a long and complicated history. We build primarily on the empirical work done by Tamm Hallström (2004) and Botzem and Quack (2006) to structure this account.

European Union were all also closely involved (Hopwood 1994; Botzem and Quack 2006). Throughout this period, multilevel interaction – where national regulators and actors met an emerging transnational body and logic – was a defining feature of the process (Botzem and Quack 2006, Loft et al. 2006)). Ultimately, by the early years of the new millennium, new international accounting standards had been constructed and agreed upon – the International Financial Reporting Standards (IFRS). A few years later, those standards had spread throughout Europe and were poised to profoundly transform and even possibly displace national standards and codes of law (Botzem and Quack 2006). The main regulator today for accounting standards is transnational. The International Accounting Standards Board (IASB) is a London-based organization. It is privately funded and committed to developing, in the interest of the public, a set of high quality, understandable and enforceable global accounting standards. The story is not over, though, and the main focus of a still fluid and multi-nodal field of governance has moved to the complex questions of implementation, interpretation, homogenization, community building and the management of conflicts. National laws are being transformed to reflect those standards. And as national laws are being transformed, transnational standards may be adapted and hence in part translated and reworked to fit local specificities and contextualities. Hence, the current situation is one in which complex nets of regulators and regulations evolve in response and reactions to each other. This pattern of transnational regulatory formation is far from being specific to the accounting field. Rather, the emergence and development of transnational accounting standards is a typical illustration of contemporary regulatory dynamics. Parallel processes are at work in many other spheres of human action and interaction – such as education (Engwall and Morgan 1999, Hedmo and Wedlin 2008), health (Blomgren 2007), labour markets (Jacobsson 2004) or competition (Djelic and Kleiner 2006).

Regulatory activism could go in a second direction. It might mean 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; Engels 2006; Buhr 2008); ethical, social and environmental aspects of corporate activities (e.g. Cutler et al. 1999; Kirton and Trebilcock 2004); 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 (Franck and McEneaney 1999).

Soft regulation with potentially hard consequences

Contemporary regulatory activism with a transnational scope is associated with a profound transformation of the nature of rule-making (Braithwaite and Drahos 2000). In a number of areas, the decline of state-centered control has tended to combine with the rise of an “age of legalism” (Schmidt 2004). New regulatory modes – such as contractual arrangements, standards, rankings and monitoring frames – are taking over and are increasingly being used by states themselves (Hood et al. 1999). In order to characterize more precisely this transformation, we can distinguish between four dimensions of regulatory developments: who is regulating, the mode of regulation, the nature of rules, and the nature of compliance mechanisms (cf. Baldwin et al. 1998). There have been developments and transformations along all four dimensions.

Firstly, we note the multiplication of regulatory actors. Many new regulations are issued by states and intergovernmental bodies but there is an unmistakable expansion of regulatory constellations that transcend the state/non state divide. This development 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. If we go back to the illustrative example of accounting standards, developments there clearly show the complexity of the regulatory constellation. The list of groups and organizations that have been involved through time is quite long! What is more the process itself led to the transformation of groups and organizations and even to the formation and structuration of new groups, committees, organizations that then became actively involved. Amongst those “new” actors, we naturally find the International Accounting Standards Committee (IASC – later IASB) but also the OECD Working Group on Accounting Standards, the UN Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the EU's Accounting Advisory Forum, the International Federation of Accountants (IFAC), the International Organization of Securities Commissions (IOSCO) or the Federation des Experts Comptables Européens (FEE) (Hopwood 1994).

With this development come changes in modes of regulation, in the nature of rules but also in the nature of compliance mechanisms. Regulation and rule-making in their contemporary form tend to emerge from complex and multi-nodal processes, where competition combines with collaboration and where negotiation plays an important role. The consequence is an explosion of “soft rules” and “soft law” (Mörth 2004). “Soft law” does not displace “hard

law” – rather it adds on, complements, modifies or reinforces it. Contemporary rule-making comes together with intense organizing and monitoring activities that sustain and reproduce emerging rules but also target adoption and implementation.

Many new rules are voluntary (Brunsson and Jacobsson 2000; Mörth 2004). This implies 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 CO² emissions rights is a good illustration (Engels 2006). 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 (Hedmo et al. 2006), forestry certification schemes (McNichol 2006) or the UN global compact for corporate social responsibility (Sahlin-Andersson 2004). Compliance can also be obtained as new rules are presented as progressive and contributing to prosperity broadly understood – usually with reference to science and expertise – rather than as controlling tools. Quite often, compliance will also rest on socialization, acculturation or normative pressures (cf. Scott 2004).

Even though soft rules are often voluntary, we still find in the background to their explosion 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 and during monitoring. Soft rules are generally associated with complex procedures of self-presentation, self-reporting and self-monitoring.

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, as well as in recent writings on the US Sarbanes-Oxley Act and its impact (e.g. Power 2004, 2008). 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 should favor the weakest governance orders. Evidence, though, does not confirm this (Brunsson and Jacobsson 2000; Levi-Faur and Jordana 2005; Djelic and Sahlin-Andersson 2006; Graz and Nölke 2008). Instead, as described above, the intensity of rule-making activity is high and if anything only increasing with an impressive overall progress of soft regulation, particularly with a transnational scope. We have moved well beyond a Westphalian world, where sovereign isolates (nation-states) confront each other in an essentially anomic international arena. States, however, do not “withdraw” but remain very much involved in what appears to be a profoundly changing regulatory game. The transnational world is characterized by increasing and intense “governance with government”. Naturally, the recent financial crisis is likely to intensify this trend. Everywhere, the crisis is generating calls for even more regulation – and if possible regulation with more “bite”. These calls are being heard within nation-states but also in regional and transnational settings. They are being heard within both private and public spheres.

As they interact, the various kinds of actors involved in processes of rule-making tend to develop common forms and common identities. In the process, states are going through significant transformation. They become more business-like as they incorporate management tools and modes of organizing (eg. Hood 1991). Non profit and non governmental organizations are also restructuring to become more business-like (eg. Powell et al. 2006). Corporations, on the other hand, are expected to act as “citizens” of global society (eg. Zadek 2001). They are expected to claim and assume a degree of political power and responsibility. In general the distinction between public and private (actors or sectors) is getting blurred and

a clear tendency is for all actors involved to be 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 (Djelic 2006). Monitoring tends to be done through mechanisms of socialization and on the basis of an increasingly rationalized global moral order (Boli 2006). This soft path to regulation should, however and as noted above, not always be taken at face value. Control remains an objective but is often hidden behind references to science and expertise (Drori and Meyer 2006). There are clear power games and power stakes in transnational governance fields. We certainly should neither miss nor neglect those. A seemingly paradoxical illustration is that states may in fact be increasing their power and influence, rather than “withering away” as the literature often assumes. Indeed, as states form coalitions and constellations beyond their own borders; as they increasingly rely on neutralized discursive references to expertise and science, they can gain leverage both over local constituencies and in transnational arenas.

Consequential Incrementalism and Regulatory Spirals

This expanding regulatory activity with a transnational scope develops along a road that is both progressive and bumpy – 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 this institutional change is often step-by-step, inscribed in long historical developments and generally associated with resistance, struggles, conflicts, negotiation and cooperation. Institutional change is, in other words, an incremental process. However incrementalism does not imply that the transformations generated would be only minor adaptations. 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).

Transnational rule-making expands in part through self-reinforcing spirals. Regulation and the monitoring, evaluating and auditing activities that come together with it only seem to breed greater needs and calls for still further rules and regulation. We identify three main associated spirals that altogether contribute to and feed the explosion of regulatory activity and activism.

These three spirals are moved respectively by distrust, the question of responsibility and the associated search for control.

In line with previous research (Power 1997, 2004) we find 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 (Shapiro 1987). In the process, rather than building trust, they could be undermining it further, leading to still more requests for auditing, monitoring and regulation. We 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 makes for 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 expressions 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 (Power 1997, 2004). 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 2008). 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 has to do with the search for control. The transnational world is 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 find examples of this in the field of management education (Hedmo et al. 2006). 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 an alternative and more satisfactory regulatory scheme!

2. Capturing Multi-level Dynamics – The Field Concept

The expansive and self-reinforcing spirals identified above are fed by a number of mechanisms that reflect at one extreme individual, localized action and at another broad macro-institutional pressure. To go further in our understanding of those mechanisms, we therefore need a conceptual framework that can capture the multi-level dynamics of transnational rule-making. We suggest that the concept of field, if properly used, can be a useful theoretical tool allowing us indeed to capture interplays across levels.

Although the concept of field has become immensely popular in social sciences, it is rarely scrutinized in details (but see Martin 2003; Mohr 2005). In practice, many studies tend to reduce fields to networks of actors and interactions. This, we argue, is neither enough nor satisfying. We need to find ways to combine and integrate studies of individual behaviors, studies of interactions and processes, together with studies of institutional and cultural forces – the latter shaping and structuring both patterns of behaviors and patterns of interactions. We

find guidance and insight in the exploration of different but complementary meanings of the field concept that have been developed and used in social sciences.

Fields as Spatial and Relational Topographies

Variants of the field concept reveal inspiration from different disciplines. Kurt Lewin (1936, 1951) was a pioneer of the introduction of the field concept into the social sciences. His socio-psychological conceptualization built upon a combination of insights drawn from *gestalt* theory and theoretical physics. Striving to embrace the complexity of the world, he defined fields as the “totality of coexisting facts which are conceived of as mutually interdependent” (Lewin, 1951: 240). Physics inspired him to develop a topological model—a spatial view—that could depict this mutual interdependence and enable him to identify “everything that affects behaviour at a given time” (1951: 241).

From there, one line of development has been towards the modelization of topographies understood essentially as relational fields. While we certainly acknowledge the methodological contribution of complex mathematical modelization (see also Martin 2003 and Mohr 2005), we argue that it is important not to close the conceptual black box too early. A formalization that comes too early may lead us to disregard rather than embrace complexity, all the more if that complexity is dynamic.

The introduction of the notion of organization has been another way to go. A topography populated by organizations is – to use a concept developed by Emery and Trist (1965) – a “ground in motion” and should not be reduced to a mere geographical and relational space. Warren (1967), following upon Emery and Trist (1965), coined the concept of interorganizational field and outlined the complex texture of interactions and relations in fields where organizations shape and structure individual decisions and behaviors. With a focus on community-level planning organizations in three cities, however, his field concept became closely associated with the notion of territory and geographical space. His topography remained mostly a relational one. Furthermore, Warren’s perspective on the interorganizational field still started from a focus on organizations and their importance. Studies of fields have in fact only rarely considered the organizing aspects of fields – over and beyond organizations and their interactions (cf Greenwood et al 2008). Hence, we still need to

know more about field-level organizing processes, how they develop and how they come to have an impact on fields and their members.

Bringing in the Missing Dimension – The Notion of Force

On the whole, this limited understanding of topography – in its spatial and relational dimensions – has had a tendency to prevail in social scientific uses of the concept of field. However, if we take the notion of field seriously, then this limited understanding is not satisfying. We need to develop a theoretical toolbox allowing us to find how spatial and relational dimensions in field topography relate to the other key notion running through field theories in physics – the notion of force. In physics, the notion of force goes back to Newton's work on gravity and Maxwell's formalization of the electromagnetic field (Pire 2000; Martin 2003). In social sciences, this notion was creatively blended with a focus on cultural and meaning aspects – first by Kurt Lewin and Pierre Bourdieu, soon relayed by certain strands of neo-institutional theory.

Bourdieu (1977, 1984) argued that fields were held together by common beliefs in the importance of certain activities. Coherent patterns of action and meaning thus developed, even without any single actor or group of actors intentionally striving for coherence or conformity. Fields, however, are also systems of relationships and resources where dominant actors occupy central positions whilst peripheral actors continuously seek greater influence and a more central position. The struggle is in great part about and around what are and/or what will be the structuring patterns of meaning and action, the dominant frames and understandings in the field. Peripheral actors challenge dominant understandings, which they try to modify and/or displace. Central actors have a tendency to protect and defend the status quo. They may envision to bend and adapt dominant understandings somewhat, if only to anchor and stabilize them further.

When the notion of force was brought into the neo-institutional theoretical fold, it was often in association with Weberian ideas of rationalization, “iron cage” and spheres of value. Meyer and Rowan (1977) and DiMaggio and Powell (1983), the latter explicitly using the terminology of iron cage and field, emphasized the fact that organizations may have a great deal in common and develop in similar ways without ever being in direct contact with one another. Thus, the analysis of organizational and institutional change should not focus only on

interactions between organizations but also on those cultural and normative forces that foster homogenization in a more indirect and diffuse manner. Scott and Meyer (1983) revisited and recombined Warren's (1967, 1972) work on interorganizational fields to talk about the duality of space and meaning associated with the organization and development of societal sectors.

The neo-institutionalist project has from there evolved essentially in two directions. On the one hand, in a significant number of studies, the focus on meaning has been lost. As Mohr (2005:22) put it, commenting on this evolution:

While the project as a whole is conditioned on the assumption that it is the meaningfulness of space that matters, in its implementation it is the space itself (seen now as system of communicative structures) which is actually revealed through empirical analysis. Demonstrations of the homogenization of organizational structure are used again and again as a way to prove the existence and efficacy of these communicative pathways. The meanings embedded inside these institutional objects are left unexamined.

A partial explanation to this evolution is probably a methodological one. Territories, interactions and relationships are (relatively) easy to observe and measure while cultural frames and patterns of meaning are more complex to capture. As a consequence, there is a distinct tendency in neo-institutional literature to “create a spatial metaphor that privileges the structures of communication over the actual meanings that flow through these structures. As a result, the communicative channels in an organizational field are not analyzed in a way that enables these meanings to be treated as constitutive of the field itself” (Mohr 2005:22).

While this has clearly been the dominant trend, there is nevertheless another path – and this is to focus on meanings. Certain institutionalists have tried, in particular, to understand how cultural frames, ideas or patterns of meaning shape and constitute new structures and new modes of action and interaction across the world (e.g. Meyer and Scott 1983; Thomas et al. 1987; Meyer et al. 1997). The risk there, as Mohr also notes, is for spatial and relational dimensions to disappear and be evacuated. The very existence of a spatial field and the role of networks and relational patterns are in a sense wiped out by the strength and power of diffuse cultural and meaning templates.

Ultimately, it seems that we still lack the conceptual tools to investigate the duality and interplay of meaning and space as constitutive of fields. There is a need to revive the

institutionalist focus on this duality. In fact, we propose to go one step further. We understand fields as complex combinations of spatial and relational topographies with powerful structuring forces in the form of cultural frames or patterns of meaning. Hence, we see the need to integrate and combine three (and not two) dimensions as constitutive of fields – the spatial, the relational and the meaning dimensions.

3. Institutional Dynamics in Fields of Transnational Governance

We propose to look at transnational regulation and governance in the making through a revisited field perspective. Fields do have spatial dimensions. However, in fields of transnational regulation and governance, spatial topographies are both complex and fluid. Spatial topographies in this context cross over traditional territorial boundaries, rendering obsolete older lines of demarcation in particular between local, national and transnational spaces. Spatial topographies in fields of transnational governance look like patchworks, or even better, kaleidoscopes. They are fragmented rather than unified; a juxtaposition of multiple sub-topographies that collide and sometimes overlap. They are also highly fluid and constantly evolving. Furthermore, those spatial dimensions are not necessarily territorial. There is, for example, a spatial dimension to negotiations structured by international organizations that is by nature extra-territorial.

Fields of transnational governance are also relational topographies. They imply, reflect and are partly constituted by and through networks. In that context the meanings of “networks” and “relational topographies” are broad and highly encompassing. First, networks do not connect only individuals, but also organizations, groups or even networks. While we should not disregard the importance of interpersonal networks, including in a transnational world, we should also wonder how those interpersonal networks articulate with other types of networks (connecting organizations, groups or networks) – the result being complex and multi-dimensional relational topographies. Moreover, relational topographies can imply varying degrees of direct contact and interaction. In fields of transnational governance, relational topographies could be combinations of tightly-knit kin or family clans with virtual networks where members may never meet or exchange and are only indirectly connected.

Finally, fields of transnational governance are fields of forces. Those fields are crossed and structured by powerful institutional forces that altogether constitute, we propose, a transnational culture or meaning system.

Just like any other, fields of transnational governance are naturally also battlefields. Building upon Bourdieu, we want to move away from the idea of benign cooperation generally associated with the concept of networks. Instead, we underscore the power and struggle dimensions of relational topographies where dominant actors occupy central positions and peripheral actors constantly struggle for greater influence and power. At the same time, these power struggles are framed by institutional forces and dynamics that can reflect hegemonic logics (Gramsci 1970; Foucault 1991). Hence, relational power games need to be looked at in the context of structuring fights for hegemony building.

Institutional Forces or the Meaning Dimension

The regularities of transnational regulatory dynamics stem in great part from a set of institutional forces that increasingly and progressively structure fields of transnational governance. Those institutional forces are powerful, and in a sense paradigmatic, rules of the game for contemporary regulatory 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 (Drori and Meyer 2006). 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 scientific endeavor.

A second institutional force, increasingly shaping fields of transnational governance and transnational regulatory dynamics, is marketization (Djelic 2006). 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. The recent financial and economic crisis certainly represents a challenge to this marketization trend. It might altogether, and quite radically, lead to a reorientation towards alternative forms of economic organization and coordination. More likely, though, markets are there to stay but they will have to combine with, and accept, to a greater extent, external forms of regulation and control.

Organizing is a third institutional force highly structuring of fields of transnational governance and of regulatory dynamics. Organizing is a way to create order transnationally in the absence of a world state and of a world culture (Ahrne and Brunsson 2006). In our transnational world, it often takes the particular form of “meta-organizing”, where organizations are structured, coordinated and controlled largely through “soft” kinds of rules and regulatory processes.

A fourth institutional force we term 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 and regulatory dynamics (Boli 2006).

Deliberative democracy is a fifth institutional force shaping the context of transnational governance and regulatory dynamics. The transnational world is increasingly permeated by a view of democracy that emphasizes dialogue and deliberation and the autonomy of participating actors (Mörth 2006). 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 (Boli 2006). 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 of multiple individuals and groups through time. 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?

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, at least for some, 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. Altogether, though, we identify three broad tendencies in the dynamics of institutional forces today. First, the progress of the five institutional forces identified above is

quite fast on the whole and probably only accelerating because of the mutually reinforcing interplays described before. Second, this institutional frame is not potent and powerful only in fields of transnational governance and in the context of transnational regulatory dynamics. 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. Thus, these institutional forces and dynamics also frame and shape the more visible power struggles that we can identify and document as we study interactions among people, organizations and nations. This institutional frame, this meaning or cultural system and its components follow the route of all institutional sets. They progressively become taken for granted and as it were fade in the background and become “invisible”.² 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 the logics of transnationalization. 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

² Robert K. Merton (1957) talked about « obliteration by incorporation » to describe very similar dynamics of knowledge appropriation and assimilation.

science. Finally, they also make use of the tools associated with moral rationalization to build and diffuse their critique.

Topography or the Spatial Dimension

Fields of transnational governance are undeniably fields of forces – and, as we discussed above, 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 and regulatory dynamics 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. Governance spaces 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 and regulatory 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. The boundaries of governance are increasingly porous and blurred. 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. Rules are increasingly being constructed, at least in part, by those who will then have to follow them. The active involvement, if not dominance, of large accounting firms in developing and harmonizing accounting standards may be the clearest example of this (Botzem and Quack 2006, Hopwood 1994).

At the same time, however, even if boundaries are blurring and easily crossed, those different levels remain a reality of 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 administrative units have undeniably lost their monopoly position over regulation (Knill and Lemkuhl 2002; Jacobsson and Sahlin-Andersson 2006). 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 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. In the story of accounting

standards recounted above, what was originally soft-rule was hardened when the European Union rendered compliance mandatory (for January 2005). Then, the relay at the level of nation-states was undeniably important and increased the legitimacy of this major regulatory revolution. Second, the threat of coercion undeniably remains a 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 of actors, 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. 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 their 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. 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 (e.g. Morgan 2006; Botzem and Quack 2006).

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. We would also like to point to another type of “new” actors that we propose to call “transnational communities of interest”. The International Accounting Standards Committee, IASC – later Board, IASB (Bozem and Quack 2006) is one such actor that played a crucial if not dominant role in developing and spreading global accounting standards. We find similar transnational communities of interest in other areas of transnational governance – the community of central banks and central bankers (Marcussen 2006), the International Competition Network (Djelic and Kleiner 2006), the AACSB or efmd (Hedmo et al. 2006) or the Forest Stewardship Council (McNichol 2006). 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.

We propose that this type of actor is an important element of contemporary regulatory dynamics. Transnational communities of interest can 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. Those transnational communities of interest tend 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.

The Relational Dimension

Transnational regulatory dynamics are hence highly structured by institutional forces. But they also reflect 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 and rule-making are 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 sight relatively chaotic. Steps are taken in many different directions and the rhythm seems to be constantly accelerating. However, the combination of different transnational regulatory stories 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 regulatory arenas 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 vivid illustration of this. At a first level, Botzem and Quack (2006) 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 intensity of activity.

...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. If we look at it this way, differences tend to become limited variations around a common theme. This is true of apparent conflict and competition of standards in a number of different fields – the case of accounting standards (Botzem and Quack 2006) or that of competition regulation (Djelic and Kleiner 2006) are two clear illustrations of this.

The literature on “globalization” has had 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 proselytizing accounts and in more critical analyses of “globalization”. What we find is different. We find a world which is much more simple and orderly than it superficially appears. This order and simplicity stem from, and reflect, meta-rules of the game, a set of structuring institutional forces. Surface interactions and chaos are in fact deeply framed and tamed by those institutional forces. Complexity remains possible but it should be associated rather with developments that do not seem to be in focus with the structuring frame – and hence have the potential to question and disturb its progress. Unpredictability and chaos are also possibilities. As we understand it, though, they would seem to follow from radical contradiction and undermining of structuring forces rather than from visible power games in relational battlefields. It is still to be seen whether the recent crisis generates indeed such a radical rupture.

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 find significant progressive convergence. A central bank is much more like another central bank today than twenty years ago (Marcussen 2006). 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 become rationalized organizations with a will and an identity of their own (Brunsson and Sahlin-Andersson 2000; Meyer and Jepperson 2000).

A Representation of Institutional Dynamics

To get at a real understanding of transnational regulatory dynamics, a challenge undeniably is to grasp how surface activity or activism generates background stability and how the progress of background stability fosters surface activity – 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” or to use Merton’s (1957) words the “obliterated side” is thus labeled because it has a tendency to be invisible, undetected, and taken for granted.

- Figure1 about here -

Transnational governance fields have on the other hand 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.

Concluding Remarks: 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 and transnational regulatory dynamics 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.

We have emphasized, throughout this paper, however, that the transnational dynamics of regulation include in fact contestation, struggle, and power plays. The elaboration and deployment of new types of regulatory frames 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. Such processual studies 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 to use a term coined by John Meyer (Meyer 1996) – 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 scrutiny and analysis. The background to relational forms of power itself reveals other forms of power and control, more indirect ones with a hegemonic potential. What is interesting and necessary in that context it to be able to combine a focus on power in its relational dimension with an interest for background hegemonic forms of control. Power relations are multi-layered and we need to understand how those different layers of power – at the relational and institutional level – contradict or reinforce, mutually shape and transform each other.

It is 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. There can be different explanations to the strength of particular actors – size, network centrality, resources are all possibilities. As a concluding remark, though, we focus only on one other possible explanation that we label here the “first mover advantage”.

This notion of “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 the definition of 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 an 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, we argue. There is a fair amount of evidence pointing to a “first mover advantage” for the United States and for American actors in many fields of transnational governance. Detailed regulatory stories 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. Those stories also tell of reinforcing mechanisms whereby non-US actors often construe American blueprints as “models” of development or modernization or see those blueprints as a path towards and a “promise of” international legitimacy and recognition.

Hence, 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 have developed originally from within North-American society and system and thus their transnational diffusion also reflects 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). These concluding reflections 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.

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