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Transnational business governance interactions: Conceptualization and framework for analysis

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Abstract

This special issue demonstrates the importance of *interactions* in transnational business governance. The number of schemes applying non-state authority to govern business conduct across borders has vastly expanded in numerous issue areas. As these initiatives proliferate, they increasingly interact with one another and with state-based regimes. The key challenge is to understand the implications of these interactions for regulatory capacity and performance, and ultimately for social and environmental impact. In this introduction, we propose an analytical framework for the study of transnational business governance interactions. The framework disaggregates the regulatory process to identify potential points of interaction, and suggests analytical questions that probe the key features of interactions at each point.

Keywords: global business, interactions, non-state authority, regulatory process, transnational governance.

1. Introduction

An increasing portion of business regulation emanates not from conventional state and inter-state institutions, but from an array of private sector, civil society, multi-stakeholder and hybrid public–private institutions operating in a dynamic, transnational regulatory space.

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Accounting standards, fair trade labels, forestry certification schemes, labor rights monitoring, transparency standards, and many more: *transnational business governance* (TBG) has grown in scope and importance as production, consumption, and their impacts globalize and as states reconsider established modes of regulation. Scholars have devoted substantial attention to individual TBG initiatives. As TBG schemes proliferate, however, they do not operate in isolation. Rather, they *interact* with one another, and with state-based regimes, in diverse ways.

The articles in this special issue consider TBG interactions in several empirical domains, notably forestry (Bartley 2014; Cashore & Stone 2014; Gulbrandsen 2014; Overdevest & Zeitlin 2014), fisheries (Gulbrandsen 2014), and financial markets (Porter 2014). Forestry is among the most mature and well-studied TBG domain and presents a fruitful context for studying TBG interactions. Industry-based certification schemes have emerged alongside the more NGO-centric Forest Stewardship Council (FSC). Interactions between these schemes are often competitive (Meidinger 1999; Cashore *et al.* 2004; Overdevest 2010), but also exhibit coordination and institutional mimicry (Gulbrandsen 2010; Fransen 2012). While forestry certification schemes have long interacted with state regulation (Meidinger 2001), recent European and American legislation requiring that imported wood products be harvested lawfully has created new relationships.

As the forestry example suggests, *transnational business governance interactions* (TBGI) are ripe for systematic attention. By “interactions” we mean the myriad ways in which governance actors and institutions engage with and react to one another. Researchers have examined isolated aspects of the phenomenon. However, our knowledge of interactions and their role in regulatory systems remains incomplete. What are the drivers, mechanisms, and pathways of interaction? What are its outputs, outcomes, and impacts? Without addressing such questions, it is impossible to assess the full implications of TBG for regulatory governance.

In this Introduction, we propose a framework for analyzing TBGI. Our framework disaggregates the regulatory governance process and proposes analytical questions relevant to each point in that process. The framework is designed to accommodate varied theoretical approaches. Such flexibility is essential. TBG is characterized by heterogeneous actors that possess varying regulatory capacities, act within diverse institutional contexts, and seek both to influence the exercise of regulatory authority and to perform regulatory tasks throughout the policy cycle. These characteristics produce frequent interactions, which take place at multiple levels (e.g. among actors and TBG schemes, vis-à-vis state regulation, in governance complexes), take many forms (e.g. competition, imitation, steering), have varied effects on regulatory outputs, outcomes, and impacts, and exhibit diverse temporal dynamics (e.g. diffusion, divergence, adaptation).

No single theoretical approach can encompass the diversity of TBGI. Our framework aims to mobilize and facilitate the application of varied approaches in a shared research program, while increasing the comparability of studies reflecting different perspectives. The framework allows scholars to investigate the drivers, forms, causal mechanisms, and pathways of TBGI, as well as effects on regulatory capacity, performance, and outcomes. The papers in this special issue advance the TBGI research agenda, illustrating the applicability of the framework within rich empirical contexts.

Section 2 of this article defines TBG (2.1) and TBG interactions (2.2). Section 3 reviews recent scholarship on TBG (3.1) and TBGI (3.2), extracting implications for our research program (3.3). Section 4, the core of the article, presents our analytical framework. Section 5 briefly concludes.

2. Transnational business governance interactions (TBGI):

The nature of the beast

2.1. Transnational business governance (TBG)

Building on standard accounts of transnational relations (Keohane & Nye 1971; Risse-Kappen 1995; Hale & Held 2011), transnational business governance (TBG) refers to *systematic efforts to regulate business conduct that involve a significant degree of non-state authority in the performance of regulatory functions across national borders*. TBG is long-standing in domains including accounting (Camfferman & Zeff 2006), electricity (Büthe 2010b), product standards (Perry 1955), and kosher food (Starobin & Weinthal 2010). Since World War II, TBG initiatives have expanded beyond “technical” standards aimed at reducing transaction costs, to encompass “regulatory” standards aimed at reducing externalities (Abbott & Snidal 2001). These range from food safety risks to poor working conditions and environmental harms. As their scope has broadened, moreover, transnational codes of conduct, certification and labeling schemes, and other TBG initiatives have proliferated.

“Transnational” arrangements cross national borders and involve significant non-state authority. In this regard, “state” denotes all institutions of the state, including intergovernmental, supranational, and trans-governmental structures. We focus on initiatives in which non-state actors exercise significant authority to perform regulatory functions, alone or with state actors (Risse-Kappen 1995; Meidinger 1997; Black 2001; Cashore 2002; Abbott & Snidal 2009a,b, 2010).

“Business” denotes a focus on the regulation of commercial activity in pursuit of socially defined goals. That includes regulation of ultimate targets, intermediaries (e.g. financial institutions) capable of influencing targets’ behavior, and even meta-regulation of regulation. While regulation is always “co-produced” insofar as targets must implement regulations (Black 2001), in TBG, firms also exercise regulatory authority, performing functions such as agenda setting and rulemaking.

Finally, “governance” denotes “regulatory governance,” that is, governance that involves *regulation*: organized and sustained attempts to change the behavior of target actors to further a collective end, through rules or norms and means of implementation and enforcement (Hale & Held 2011, p. 12). Because “regulation” is often associated with state action and binding legal rules, however, we use “regulatory governance” to encompass non-state action and “soft” norms (Levi-Faur 2011).

2.2. TBG interactions

Our research program is distinctive in focusing on governance interactions. This focus is animated partly by the empirical observation of increasingly frequent, intense, and varied TBG interactions; and partly by the theoretically informed expectation that increasingly dense and complex transnational regulatory governance will produce novel, problematic, or impactful interactions (Alter & Meunier 2009; Gehring & Oberthür 2009).

TBG schemes involve heterogeneous actors – from individuals to organizations, technical experts to political entrepreneurs, NGOs to business firms to government agencies. Pursuing diverse interests, values, and beliefs, these actors establish institutions that take highly varied forms, and take on virtually all of the tasks that constitute regulatory governance (Black 2002, 2003; Abbott & Snidal 2009a). As these schemes multiply, they interact with one another and with state institutions in varied ways. Interactions may be symmetrical or asymmetrical, antagonistic or synergistic, intentional or unintentional. Interactions frequently occur within specific sectors or issue areas, but may also cross domains, as between trade and the environment (Raustiala & Victor 2004; Gehring 2011).

Where actors with differing regulatory goals create multiple institutions, competition, sometimes shading into conflict or domination, often results. In forestry, for example, industry- and NGO-led certification programs compete for users and legitimacy – while all intersect with state (e.g. legality requirements) and international regulation (e.g. international trade law). Interactions may instead be cooperative: schemes addressing extractive industries have converged on disclosure and transparency norms (Hauffer 2012). TBG schemes may also exhibit a division of labor, as in food safety (Meidinger 2009).

3. TBG scholarship

Most scholarship on TBG has focused on particular TBG schemes or types of schemes (3.1). More recently, scholars have begun to address interactions, applying a range of theoretical perspectives (3.2). This research has significant implications for the TBGI research agenda (3.3).

3.1. Scholarship on TBG

Research on TBG has focused on defining the phenomenon, identifying conditions for its emergence, and evaluating its legitimacy or effectiveness (Cutler *et al.* 1999; Hall & Biersteker 2002; Djelic & Sahlin-Andersson 2006; Dingwerth 2007; Graz & Nölke 2008; Vogel 2009; Büthe 2010a). Most studies examine individual initiatives (Tamm Hallström 2004; Gulbrandsen 2008, 2010), or particular forms, especially state/non-state partnerships (Börzel & Risse 2005; Bäckstrand 2008; Schäferhoff *et al.* 2009; Pattberg 2010) and multi-stakeholder collaborations (Abbott & Snidal 2009a,b; Dilling 2012). Others focus on firms' motivations to adopt voluntary TBG norms (Potoski & Prakash 2005; Fransen & Burgoon 2012). An important literature addresses the processes through which TBG initiatives acquire or lose regulatory authority and legitimacy (Tamm Hallström 2004; Wood 2005; Bernstein & Cashore 2007; Black 2008; Meidinger 2008; Quack 2010; Casey & Scott 2011; Richardson & Eberlein 2011). Taken together, this research provides important insights into the nature of TBG, but does not adequately address interactions among TBG schemes and with other regulators.

3.2. Scholarship on interactions

Scholarly interest in TBGI has been preoccupied with relationships between TBG and state regulation (e.g. Meidinger 2001; Wood 2003; Kingsbury *et al.* 2005; Schepel 2005; Trubek & Trubek 2007; Eberlein & Newman 2008; Wood & Johannson 2008; Bartley 2011b). Recent research, however, examines TBGI more broadly, applying nearly the full spectrum of theoretical orientations in the social sciences.

Rationalist approaches examine TBGI in terms of bargaining among rational actors shaped by power. Abbott and Snidal's (2009a,b) work on state–business–NGO interactions in the “governance triangle” is an example. Regime complexity theories highlight relationships among nested, overlapping, and parallel regimes (Aggarwal 1998; Helfer 2004; Raustiala & Victor 2004). Analyses of institutional “interplay” address institutions' effects on one another, through varied pathways (Gehring & Oberthür 2008, 2009; Oberthür & Stokke 2011). However, regime complexity and interplay research focus primarily on intergovernmental arrangements (Alter & Meunier 2009, p. 13), albeit with exceptions (Kelley 2009; Auld & Green 2011; Abbott 2012).

Sociological approaches emphasize the significance of legitimation in shaping interactions (Wood 2005; Bernstein & Cashore 2007; Black 2008; Fransen 2012; Gulbrandsen 2014), or employ network theory to analyze inter-organizational and interpersonal relationships (Richardson 2009; Koppell 2010; Smith & Fischlein 2010). New Institutional accounts focus

on interactions driven by structural forces arising within organizational fields (Bartley 2007b; Dingwerth & Pattberg 2009). Bartley's work on labor and environmental standards (Bartley 2003, 2005, 2007a, 2011a) examines how these "socially constructed arena(s) of self-referencing, mutually dependent organizations" structure and are structured by TBGI (2007a, p. 231).

Perez (2011) introduces the concept of "ensemble regulation" to characterize regulatory formations constituted by multiple links and cross-sensitivities. He argues that ensembles produce positive enforcement and normative externalities, but limit the possibility for radical critique. Meidinger (2009) refers to "regulatory ecosystems" in which programs occupy different governance niches reflecting their respective capacities and interests, regularly competing, accommodating, exchanging resources with, and mimicking each other. Bomhoff and Meuwese (2011) apply concepts of meta-regulation and inter-systemic conflicts to analyze how transnational regulatory initiatives interact with other normative orders (compare Parker 2002). Herberg (2008) applies the concept of "interlegality" (Santos 2002), emphasizing the ideational and cultural dimensions of TBG. Other scholars in this vein emphasize interaction through symbols, concepts, and discourses, including "master metaphors," such as sustainability and ecosystem health (Meidinger 1999).

An important line of research considers the implications of interactions for regulatory effectiveness (Bernauer 1995; Underdal & Young 2004). Many analysts emphasize competition, but disagree whether it produces a race to the bottom or the top. For Cashore *et al.* (2004, p. 5), the answer varies with industry structure, while Overdevest (2004, 2010) argues that public pressure can ratchet up standards via regulatory competition. Smith and Fischlein (2010) see competition inducing rule convergence, but also promoting innovative solutions. Meidinger (2008) speculates that competition for acceptance might pressure schemes to respond to or even anticipate public demands, making TBG more transparent, participatory, ambitious, and effective. Others are more pessimistic. Fransen (2011, 2012) and Gulbrandsen (2005, 2010) argue that upward convergence is largely superficial, masking substantial divergence in standards and performance. The regime complexity literature emphasizes negative consequences of interaction, including rule inconsistencies and strategic behavior, such as forum shopping (Helfer 2004; Raustiala & Victor 2004; Alter & Meunier 2009).

A growing literature explores "steering" mechanisms to promote desired outcomes. Braithwaite and Drahos (2000) use Latour and Woolgar's (1986) notion of "enrolment" to describe the construction of TBG regimes. Black (2002, 2003) combines enrolment and regulatory capacity to analyze interactions in transnational finance. Wood (2003, 2005) employs a governmentality framework to examine steering in the field of environmental management. Abbott and Snidal (2009b, 2010; Abbott *et al.* 2011; Abbott 2012) explore how governance actors "orchestrate" interactions to improve regulatory performance. Other scholars emphasize experimentalist processes of benchmarking and learning (Overdevest & Zeitlin 2014). Callies and Zumbansen (2010) suggest a decentralized dynamic in which TBG and state regulators identify an evolving "rough consensus," in light of which they put forward regulatory experiments, which constitute a "running code" that adapts through cross-fertilization, co-evolution, competition and other "intricate collision[s]" (Zumbansen 2011, p. 69).

3.3. Implications for TBGI research

This survey confirms that TBGI constitutes a "most promising research programme" (Herberg 2008, p. 20). A diverse body of TBGI scholarship is emerging, yet we still "know too little about these interplays to know what configurations are stable or potent," or how regulatory forms co-evolve, hybridize, compete, and reshape organizational behavior (Schneiberg & Bartley 2008,

pp. 51–52). This review also demonstrates that exploring interactions poses significant analytical challenges:

- Interactions take place at multiple levels of analysis: the “micro” level of the individuals and organizations that create and act within TBG schemes; the “meso” level of schemes themselves; and the “macro” level of regulatory complexes (cf. Cafaggi 2012). Similarly, units of analysis can vary from dyadic interactions (Gehring & Oberthür 2009) to wider interactions within public–private regime complexes (Abbott 2012).
- Interactions can be studied as outcomes and as causal factors. As outcomes, one would ask what drives and shapes interactions; as causal factors, what effects interactions have on TBG schemes, regulatory complexes and regulatory outputs, outcomes, and impacts. In either case, varied mechanisms and pathways of influence may come into play (Hedström & Swedberg 1998).
- Interactions are dynamic. Interaction patterns in the early days of a scheme may differ significantly from those that appear once it is firmly institutionalized. The entry of new players also modifies interaction patterns.

Diverse theoretical and methodological approaches can be used to study TBGI. These range from rationalist, actor-centered accounts, to structuralist approaches that emphasize system properties, to approaches that seek to transcend the agency/structure divide. The state of theoretical development in this area is such, we suggest, that no single approach or theory can encompass the full complexity of the phenomena. Rather than try to develop one here, we focus on creating a framework to facilitate analytical clarity, though as we indicate below, it does have a broad theoretical premise grounded in regulatory governance theory.

4. A framework for analysis

This section introduces our analytical framework, which is designed to respond to the challenges described above. Our framework takes regulatory governance as its starting point. We disaggregate regulatory governance into six components: (i) framing the regulatory agenda and setting objectives; (ii) formulating rules or norms; (iii) implementing rules within targets; (iv) gathering information and monitoring behavior; (v) responding to non-compliance via sanctions and other forms of enforcement; and (vi) evaluating policy and providing feedback, including review of rules (cf. Black 2002, 2003; Abbott & Snidal 2009a). Each component demands a different portfolio of resources or capacities, including financial resources, organizational capacity, expertise, legitimacy, and strategic position. Different actors can perform each function, but actors vary widely in terms of regulatory capacities.

For each component of the regulatory governance process, we identify six questions that are crucial in analyzing interactions: (i) who or what is interacting; (ii) what drives and shapes the interactions; (iii) what are the mechanisms and pathways of interaction; (iv) what is the character of the interactions; (v) what are the effects of interaction; and (vi) how do interactions change over time? These questions are not exhaustive, and no single study must address all of them. In our view, however, they isolate the key dimensions of the phenomenon and respond to the major analytical challenges, including diverse actors and organizations, multiple levels of analysis, mechanisms and pathways, interactions as both outcomes and causes, and interaction dynamics. Table 1 depicts our analytical framework in matrix form.

An alternative analytical framework might “pick a winner,” attempting to identify the most analytically fruitful feature of TBG interactions, the most telling unit of analysis or the most

Table 1 Transnational business governance (TBC) interactions: An analytical framework

Dimension of interaction	Component of regulatory governance					
	Goal/agenda setting	Rule formation	Implementation	Monitoring, information gathering	Compliance promotion, enforcement	Evaluation, review
Who or what interacts						
Drivers and shapers						
Mechanisms and pathways						
Character of interaction						
Effects of interaction						
Change over time						

potent theoretical perspective. Such a framework might have stronger theoretical “bite,” but it would be inappropriate. TBG interactions are too complex, and interactions scholarship still too underdeveloped, to foreclose significant analytical paths. Our framework is, therefore, intended to accommodate diverse theoretical approaches and methodologies. Yet it is also rooted in a distinct regulatory governance perspective that disaggregates the regulatory process. As such, it not only foregrounds dynamic processes (including evaluation and feedback loops), but also highlights the importance of regulatory tasks and techniques as mechanisms to explain the specific trajectory of interactions and their outcomes – whereas other approaches tend to focus on broad explanatory variables, such as institutions, interests, and ideas to account for regulatory developments and outcomes.

Our framework makes two essential contributions to organizing an emerging field of inquiry. First, by defining the analytical space associated with TBGI, the framework guides scholars to make considered and transparent choices in framing their research, without losing sight of the whole. Note that any given research project is likely to address only a subset of the 36 cells in our matrix. Second, the framework facilitates comparability among scholarly analyses that apply different perspectives or engage different empirical domains, enabling progressive development of the TBGI research program.

The remainder of this section elaborates on the central questions in the framework.

4.1. Who or what is interacting?

Studies of TBGI can focus on varied levels and units of analysis. This challenge is complicated by the fact that numerous TBG schemes (and their participants) are organizations of organizations, and are, thus, arenas in which interactions occur. TBG schemes also participate in broader institutions. For example, FSC and other certification schemes are members of the International Social and Environmental Accreditation and Labeling (ISEAL) Alliance, a meta-regulatory initiative that sets standards for social and environmental standards setters.

We can distinguish three broad levels of analysis:

- Micro-level approaches address interactions among individuals and organizations, such as firms and NGOs, in creating and governing TBG schemes. Such an approach might examine interactions within a single scheme – including among actors that set standards, implement them, and certify compliance. Scholars may need to disaggregate categories, such as “business” and “civil society” to distinguish, for example, retailers from primary producers, transnational corporations from small businesses, or global from local NGOs.
- Meso-level analyses address interactions among TBG schemes, and between them and state-based regulators. Such an approach might, for example, examine interactions among schemes that address different issues within a single sector (e.g. legality and sustainability in forestry, Bartley 2014; Cashore & Stone 2014; Overdevest & Zeitlin 2014; conflict and corruption in mining, Haufler 2012).
- Macro-level approaches address interactions among regulatory complexes. Such an approach might examine, for example, how a complex of organizational fields, norms, and discourses within one domain (e.g. labor rights) intersects with complexes in other domains (e.g. international trade).

At this stage in the research program, we believe that meso-level research can most easily render the complexity of TBGI tractable. This level provides sufficient abstraction to identify patterns and trends, without sacrificing empirical detail. While recognizing that TBG schemes

are arenas of interaction that operate within regulatory complexes, it views these relationships from the vantage point of interactions among the schemes themselves.

Approaches that conceptualize interactions in dyadic terms, such as “target/source” (Gehring & Oberthür 2009) or “principal/agent,” provide valuable insights, but cannot capture multiple, dynamic interactions. Moreover, TBG schemes rarely emerge in ungoverned domains (Bartley 2011b). They must navigate around existing initiatives, including technical systems (Porter 2014), often attempting to modify them (Gulbrandsen 2014). Thus, approaches that emphasize polycentricity and hybridity should be particularly fruitful.

“Horizontal” meso-level analyses examine interactions among TBG schemes, such as coordination or competition for users. “Vertical” analyses examine interactions between a scheme and its constituent actors, or between it and a regulatory complex. Vertical analyses might address “upward” processes of interest aggregation or rule formation (e.g. Cashore & Stone 2014) or “downward” processes that influence actors’ perceptions, decisions, or behavior.

Our analytical framework is actor-centered, in that it emphasizes interactions between actors in different TBG schemes, but is broadly institutionalist as it assumes that the interests and preferences that actors pursue are endogenously formed. It contemplates interactions among institutional aspects of the schemes themselves, for example, between private law rules and TBG standards. It, thus, occupies a middle ground between a purely constructivist pole, which would exclusively emphasize interacting discourses and systems, and a purely rationalist pole, which would consider only the interactions of individual calculating actors.

4.2. What drives and shapes interactions?

A variety of factors drive and shape interactions. Problem structure is one. Complex global problems, like climate change, create different possibilities and challenges than localized problems, like freshwater pollution. As Haufler (2012) shows, physical features, such as the distribution of minerals, may also shape interactions.

Other drivers operate at the actor level, including actors’ interests, values, perceptions, knowledge, resources, and the legal and operational limits of their jurisdictions. The papers in this issue illustrate how interest and value alignment enables cooperation, while misalignment produces conflict. Asymmetrical distributions of information and resources also influence the likelihood and character of interaction. System-level drivers include the proliferation and density of governance organizations in an issue area, as well as their degree of overlap and consistency. Schemes may overlap in terms of members, rules, issue focus, addressees, regulatory functions, and other features. Timing is also important: early movers shape the space for others (Haufler 2012). While some literature emphasizes destructive interactions, experimentalist and legal pluralist scholarship shows that overlap and inconsistency can be productive (Overdevest & Zeitlin 2014).

Industry characteristics are important drivers. Ownership concentration, value chain integration, average firm size, vulnerability to reputational pressures, maturity, and other features can promote different interactions, leading to concentrated or fragmented regimes (Cashore *et al.* 2004). Social, economic, technological, and political structures similarly shape interactions (Callon 1998; Law & Hassard 1999). Porter (2014) argues that the technological structure of the derivatives market drives the emergence of a single dominant regime. Social networks, lasting patterns of relationships that channel transfers of material or symbolic resources (Thompson 2003), can be important drivers. Braithwaite and Drahos (2000) highlight professional networks, particularly “model mongers” and “model mercenaries,” in explaining the homogenization of global business regimes (compare Overdevest & Zeitlin 2014).

Finally, cultures, discourses, mentalities, epistemic communities, and other ideational factors can condition the possibilities for and the character of interactions, though, as noted above, the extent to which researchers allow for this possibility will depend where they stand on the agency–structure spectrum. Regulatory problems are themselves products of social interactions (Wood 2005). Forest governance interactions, for example, focus partly on defining the forest sustainability as a condition for creating and legitimating governance solutions. Such interactions are influenced by shared understandings of proper forest management, sustainability, and community stability. Understandings can be constructed to create Baptist–bootlegger coalitions. Cashore & Stone (2014) show how the discourse of “supporting illegal logging” enabled such an alliance, leading to legislation that requires legality verification for imported timber. Importantly, taken-for-granted concepts and discourses – such as sustainable development and free markets – may both favor and be deployed by powerful actors (Levy & Newell 2002; Fuchs & Kalfagianni 2010).

4.3. What are the mechanisms and pathways of interaction?

Analyses of TBGI can produce deeper understanding by exploring the specific mechanisms and pathways through which causal factors operate (Hedström & Swedberg 1998; Abbott & Snidal 2013). Mechanisms and pathways arise differentially within organizations (Williamson 1985; Reed 2003), involving factors such as overlapping memberships (Haufler 2012); markets (North 1990); networks (Thompson 2003; Overdevest & Zeitlin 2014); and communities (Djelic & Quack 2010), including epistemic communities (Haas 1992) – each with its own logic. Mechanisms and pathways also operate at different points in the regulatory process. As Overdevest and Zeitlin demonstrate, cross-memberships and networks may be influential in framing regulatory agendas, designing standard-setting procedures, and determining core elements of TBG schemes. Other mechanisms influence outcomes and on-the-ground impacts (Gehring & Oberthür 2009).

Communication by individuals or organizations acting as norm entrepreneurs or mediators constitutes an important pathway. Overdevest and Zeitlin show how NGOs mediate competition between forestry schemes by publicly comparing and benchmarking them. Cognitive pathways, such as mimicry and learning, also influence interactions, as information, knowledge, or ideas from one institution modify the perceptions of decisionmakers in others (Gulbrandsen 2014). TBG schemes also use evidence from other institutions in defining and performing their own roles, pushing issues onto policy agendas, mollifying group pressures, identifying policy solutions, and creating legitimacy (Bennett & Howlett 1992; Rose 1993; Dolowitz & Marsh 2000). The information TBG schemes produce is, thus, crucial to interactions.

A range of actors including NGOs, consultants, and certification bodies function as pathways of policy diffusion. These actors select and interpret evidence from particular schemes, adapt it to their ends, and transmit it to others. In Dorf and Sabel’s (1998) experimentalist model (applied by Overdevest and Zeitlin), TBG schemes may be designed, or perceived, as experiments; a meta-level overseer evaluates their performance, taking the best ideas from each.

Our analytical perspective highlights an important set of mechanisms often overlooked in the TBG literature: the tools and techniques of regulatory governance. Meta-regulatory standards for standard setting, auditing, accreditation, and certification, promulgated by organizations such as ISEAL, International Organization for Standardization (ISO), and the World Trade Organization (WTO), are one example; others include “new governance” techniques through which state and non-state organizations are enrolled to produce hybrid governance (Black 2002; Scott 2004; Abbott & Snidal 2009b, 2010). Regulators often adopt standards from other schemes:

the EU has adopted International Accounting Standards Board (IASB) accounting rules; labor schemes reference International Labor Organization (ILO) rules; and state regulations incorporate ISO and Codex Alimentarius standards.

A related form of interaction is conditional referencing: “if you comply with X’s rule, that will constitute compliance with mine.” For example, state procurement policies may make supplier eligibility contingent on compliance with other regulatory regimes. Conditional rule referencing can produce myriad interactions. Cashore and Stone and Gulbrandsen highlight referencing as a significant mechanism of interaction between TBG schemes and state regimes, creating interdependencies that can enhance the capacity of each: TBG schemes gain the state’s enforcement capacity; the state gains the schemes’ norm-generating capacity; and each gains symbolic resources from the other.

Rule referencing is likewise central to forestry legality verification under the Lacey Act and the EU Forest Law, Enforcement, Governance and Trade (FLEGT) regime. Cashore and Stone, Overdeest and Zeitlin and Bartley all highlight the importance of legality verification for regulatory interactions. Monitoring and accountability procedures, including peer review, are also mechanisms of interaction: Overdeest and Zeitlin highlight benchmarking, while Bartley argues that the private nature of legality verification will reduce accountability, limiting the potential for state–TBG interactions.

At the implementation stage, meso-level interactions arise when suppliers face buyer demands to conform to multiple schemes; in response, suppliers may adopt the most demanding standard for all their operations, displacing others. Firms that provide certification services for multiple regimes (TBG or state), however, may promote certification to the weaker standard (Bartley). Cashore and Stone, echoing Porter’s emphasis on technical systems, point to tracking technologies as potentially producing state–TBG interactions.

Interactions also arise when firms must comply with multiple state and/or TBG standards, which together produce adverse outcomes. For example, banks in the EU must comply with both the IASB and the Basle Committee on Banking Supervision rules; in the 2008 financial crisis, this double requirement created a vicious cycle, significantly worsening outcomes (Black 2012). Such impacts also prompt interactions between regulators (in this case, the Basle Committee urged IASB to change its rules).

As Abbott and Snidal (2013) observe, mechanisms and pathways are often complex and intertwined, requiring the development of stylized facts so that descriptive detail does not obscure analytical insight. Yet a focus on mechanisms allows analysts to move beyond conjecture and produce clear, generalizable accounts of interactions and the link between them and regulatory outcomes.

4.4. What is the character of interaction?

Most scholars of TBG emphasize competitive interactions. Yet interactions take numerous forms, falling roughly into four categories:

- **Competition:** for regulatory “turf,” revenue, reputation, legitimacy, adherents, or other benefits. Schemes compete on price (e.g. certification costs), product differentiation (e.g. more or less stringent requirements), and other bases. Competition may also be non-market, for example, for authority to define key terms.
- **Coordination:** from emulation and mimesis, to deliberate collaboration, to conscious division of labor. Coordination occurs as TBG schemes strive for legitimacy and policy relevance, learn from one another, and copy proven “recipes for success.”

- Cooptation: from convergence on norms and activities, to meta-regulation, hegemony, or dominance, where certain initiatives achieve a quasi-monopolistic position (Büthe 2010b).
- Chaos: unpredictable, undirected interactions, sensitive to perturbations and displaying no clear pattern.

Interactions among TBG schemes in a TBG domain may simultaneously take multiple forms – such as “co-opetition” (Koppell 2010), or interdependence and strategic uncertainty, particularly between TBG and state authorities (Overdevest & Zeitlin 2014). Moreover, interactions may change forms: chaos may develop into competition as schemes vie for adherents, then to coordination as they converge on standard models, and finally, to cooptation as one corners the regulatory market. Equally, coordination might devolve into competition or chaos. Distinct interactions may arise at different institutional levels: even if TBG schemes do not actively compete, their local units may compete fiercely for adherents, ultimately influencing higher-level interactions.

The TBG literature tends to highlight competitive strategies, for example, appeals to the profit motives of targets or the values of broader audiences (Bernstein & Cashore 2007; Gulbrandsen 2010). However, the papers in this issue show that interactions are often characterized by interdependencies, particularly between TBG and state authorities, which can lead to coordination or co-optation. Direct coordination takes place through networks and peer-to-peer interactions. Coordination may also be indirect, through common cognitive framing of problems or goals. Certain mechanisms, such as overlapping memberships, may feature more coordination than competition (Haufler 2012).

Hierarchical arrangements can also produce coordination via “nested” relationships (Aggarwal 1998). Indeed, coherence is easy to achieve in these cases, as the superior regime can resolve conflicts (e.g. WTO rules may shape TBG and state regimes). Hierarchy may combine with networked or peer-to-peer interactions. For example, TBG schemes may be in a hierarchical relationship with a third-party certification organization, but in peer-to-peer relationships with one another.

Coordination is frequently achieved by schemes that “carve out” niches among other institutions (Wood 2003, 2005). Gulbrandsen (2014), for example, shows how the Marine Stewardship Council (MSC) situated itself vis-à-vis the pre-existing Food and Agriculture Organization (FAO). Carving out is asymmetric, and need not be managed by a “meta” orchestrator.

In cooptation interactions, one or more schemes adopt the rules of another through referencing or certification; for example, an accreditation body may follow ISO standards for accreditation. Widespread cooptation can produce *de facto* domination, as with many ISO standards. Domination may be deliberate, with a scheme maneuvering itself into recognition by an international body, as Codex Alimentarius has done with the WTO (Büthe 2009).

Finally, interactions can simply be chaotic. Schemes in a domain may overlap, each claiming authority and intersecting with others on multiple issues, producing not only confusion, but “substantial impacts on each other in the process” (Young 1996, p. 6). Whether chaos evolves into another mode likely depends on whether organizations work at cross-purposes or pursue similar goals, adopt compatible rules, and perform complementary functions.

4.5. What are the effects of interactions?

Scholars have employed varied analytical frameworks to examine the effects of TBGI. As discussed above, several studies question whether competition produces a “race to the bottom” or

to the top in terms of stringency (Cashore *et al.* 2004; Overdevest 2004; Bartley 2007b; Smith & Fischlein 2010). Such outcomes are difficult to predict: both Overdevest and Zeitlin (2014) and Cashore and Stone (2014) predict that legality verification will strengthen TBG in forestry, but Bartley is more skeptical, arguing that legality verification re-centers the state in ways that constrict the space for private authority. However, this may not be a “bad thing:” state power may produce a more effective regime. Other scholars emphasize effects such as homogenization, asking whether and why significant differences between schemes persist (Dingwerth & Pattberg 2009; Bartley 2011a). Still others focus on whether regimes are monopolistic or fragmented, or are characterized by hard or soft law (Porter 2014). Finally, the impact of TBGI may also relate to the degree of translation of transnational regulatory approaches into domestic or international rules and norms.

Impacts on social or environmental conditions are, of course, the ultimate concern. The familiar division between outputs, outcomes, and impacts is a useful starting point (Underdal 2004). Impacts are particularly difficult to isolate and quantify, as a result of the many variables in play and the complexity of causal chains. More immediate effects are more tractable. Analysis might focus, for example, on regulatory outputs, such as institutional design or standards, or on regulatory outcomes, such as changes in target behavior.

We suggest an intermediate inquiry: the effects of interactions on the regulatory capacity and performance of actors in a regulatory space. Gulbrandsen (2014) argues, for example, that state–TBG interactions through procurement policies enhance the regulatory capacity of both institutions. Similarly, one might ask how processes of enrolling, mobilizing, or orchestrating actors contribute to regulatory capacity and performance of actors, schemes, and larger regulatory complexes. In addition, recent regime complexity scholarship highlights positive interaction effects, including innovation and experimentation, adaptability and flexibility (Sabel & Zeitlin 2008; Keohane & Victor 2011; Overdevest & Zeitlin 2014).

In institutionally dense environments, TBG schemes frequently compete. Yet synergies among them – and with state regulation – may increase over time as they facilitate actor choice, complement public standards, and address problems in diverse ways (Abbott 2012). Multiple schemes may attract new constituencies, enhancing overall regulatory capacity, or prompt greater uptake of standards by producers and other market actors. Interactions may also generate common cognitive framings and discourses that broaden engagement. On the other hand, as Bartley’s sober assessment of legality verification suggests, multiplicity may dilute regulatory capacity and performance, as schemes work at cross-purposes and targets seek out the least demanding rules.

4.6. How do interactions change over time?

Interactions are fluid and dynamic; a snapshot has little analytical value. As the articles in this issue suggest, interaction may lead TBG schemes to converge or diverge in institutional design, standards, and other parameters. It may diffuse ideas and practices across schemes and sectors, spurring adaptation and learning. It may result in concentration or fragmentation, proliferation or withering away of TBG schemes. Standards may become more or less stringent, enforcement more or less formal and legalistic. Given the numerous forms and mechanisms of interaction, there are good reasons to expect TBG to be characterized by unintended consequences, tipping points, and emergent properties. A full account must address such dynamics across the dimensions of regulatory governance.

Initially, a domain may include only one or a few unstable, weakly institutionalized schemes. Many begin as small groups of interested individuals, and then move to formal organization. A

scheme like FSC may gain wide adoption within its domain, becoming a model for other schemes in that and other domains – as MSC imitated FSC's structure, standards, labeling, certification, and accreditation body. A meta-organization, such as ISEAL, may bring together now-stable schemes, institutionalizing prevailing models and bringing further stabilization.

However, scholars must carefully probe temporal processes. Patterns of change may vary across the dimensions of regulatory governance. Disaggregating the regulatory process, as proposed here, makes it easier to see whether, for example, apparent stability at the level of stated goals masks significant changes at the level of implementation (Black *et al.* 2005; Howlett & Cashore 2009). Individual theoretical perspectives may not capture the full range of shifts within constellations of organizations and their cognitive and normative structures, such as the re-characterization of problems (e.g. re-conceptualizing plant genetic rights from common heritage to private property; Raustiala & Victor 2004). It is, thus, essential to draw on multiple perspectives, as our framework encourages and this special issue exemplifies.

To illustrate how the framework can be applied in research practice, Table 2 summarizes TBG interactions in the field of forest governance as analyzed by several contributions to the special issue (Bartley 2014; Cashore & Stone 2014; Gulbrandsen 2014; Overdevest & Zeitlin 2014). As can be seen, the framework has the dual advantages of disaggregating the analysis of governance interactions while also providing a structured overview. While we have attempted to fill every cell of the matrix for illustrative purposes, many projects will address only a subset of cells.

5. Conclusion

This special issue demonstrates the value of studying TBG interactions. We propose an analytical framework that can be used by scholars in a variety of traditions to gain purchase on this complex topic. While our framework is flexible, it is rooted in a *regulatory governance* perspective that views TBG as a dynamic, co-regulatory, and co-evolutionary *process* involving state, non-state, and hybrid actors and organizations that pursue varied interests, possess different regulatory capacities, and interact at multiple levels and in multiple ways, with a range of effects. As shown in Table 1, and illustrated for the case of forestry in Table 2, our framework disaggregates that process, focusing on specific points at which interactions may occur. For each such point, the framework identifies a series of analytical questions that highlight key features of TBG interactions.

Although the ultimate goal is to assess the impacts of interactions on the attainment of societal ends, we suggest a more modest initial focus on the effects of interactions on *regulatory capacity and performance*. Isolating such effects can help actors and institutions shape future interactions, creating beneficial impacts. In pursuing this project, we can draw on existing scholarship on TBG, international norms, and regulatory governance, which contains valuable insights into the determinants of regulatory capacity and performance. Yet even this modest focus entails significant conceptual and methodological challenges. Our analytical framework is only a first step, but an important one, nonetheless.

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Table 2 Transnational business governance (TBG) interactions: Applying the framework to forest governance

Dimension of interaction	Component of regulatory governance					
	Goal/agenda setting	Rule formation	Implementation	Monitoring, information gathering	Compliance promotion, enforcement	Evaluation, review
Who or what interacts	Transnational networks of firms, NGOs, state agencies, experts	State agencies and TBG programs; firms and NGOs comment and critique	Companies, certifiers, state agencies, NGOs	Certifiers, state agencies, NGO watchdogs	State agencies, timber producers, retailers, (especially) forest campaigners	Stakeholders within TBG programs; FSC and other TBG programs within ISEAL Alliance
Drivers and shapers	Transnational timber chains; tropical forest destruction; governance failures	Received technical standards; intergovernmental criteria and indicators	Costs; producer management capacities; reputational risk; state procurement policies	Received criteria and indicators; information gathering and management capacities	Information costs; available technologies; reputational capital	Market pressure, meta-regulatory standards (e.g. ISEAL Impacts code)
Mechanisms and pathways	Intergovernmental meetings; boycott movements; shaming campaigns	Rule borrowing, adaptation; interlocking memberships; multi-stakeholder processes	Contracts, informal supplier relationships; production chain management	Production chains; standardized reporting requirements; external monitoring	Best practice promulgation; brand management and pressure	Comparison, benchmarking, rule mimicry, institutional isomorphism
Character of interaction	Discursive articulation of principles; competitive promotion of crises, threats	Imitation, competition, niche-carving	Division of labor between firms, certifiers, watchdogs; market competition	Division of labor among firms, certifiers, state; conflictual surveillance, whistle-blowing	Cooperation, confrontation	Orchestration (e.g. ISEAL), coordination, competition
Effects of interaction	Dialogue over guiding principles; movement toward criteria and indicators	Similar institutional structures, continuing differentiation among rule systems	Increased external accountability to multiple actors	Increasing quantity of information; possibly growing consistency in measures	Competitive enforcement; possibly increased overall enforcement	Frequent rule revision, possibly learning, enhanced regulatory capacity
Change over time	From closed, expert communities to open multi-stakeholder networks	From state-centric to transnational network interactions; apparent upward trend in stringency	From management control to shared responsibility with division of labor	From state-industry division to multi-stakeholder information production; possible overall expansion	Decreasing reliance on state; increasing number of enforcement mechanisms; increasing formalization	Converging norms, institutional design; expanding non-state authority tempered by recent state resurgence

FSC, Forest Stewardship Council; ISEAL, International Social and Environmental Accreditation and Labeling.

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