

Regulation, Governance & Strategic Behaviour in Business Networks

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- **Regulation**
 - Todeva, E. (2010) ‘Theoretical Tensions Between Regulation, Governance, and Strategic Behaviour in a Federated World Order’, *International Journal of Social Economics*, 37 (10): 784- 801.
- **Governance**
 - Todeva, E. (2005) ‘Governance, Control & Coordination in Network Context: The Cases of Japanese Keiretsu and Sogo Shosha’, *Journal of International Management*, 11(1): 87-109.
- **Strategic Behaviour**
 - Todeva, E. (2013) ‘Governance of Innovation and Intermediation in The Triple Helix Interactions’, *Industry and Higher Education*, 27(4): 263-278.
 - Todeva, E. (2006) *Business Networks: Strategy and Structure*, New York: Taylor & Francis.
 - Todeva, E. (2015) *Managing International Business Networks*, New York: Taylor & Francis
- **Coordination Mechanisms for Policy Intervention**

Shift in Our Vision - From Autonomous Actors to Interconnected Actors and Systems

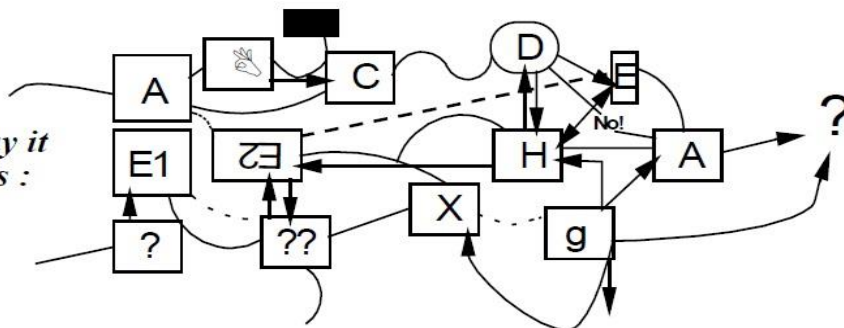
... In a universe of good will, perfect moral order, and universal peace, the world's citizenship should be organised in a federated system of states, free to choose their own universal laws ... (Immanuel Kant).

Governments as regulators of national socio-economic systems are strategic actors in their capacity to actively shape the regulatory environment, implementing various coordination mechanisms that facilitate the functioning of the economy and the society (Todeva)

The way we describe it:



The way it really is :

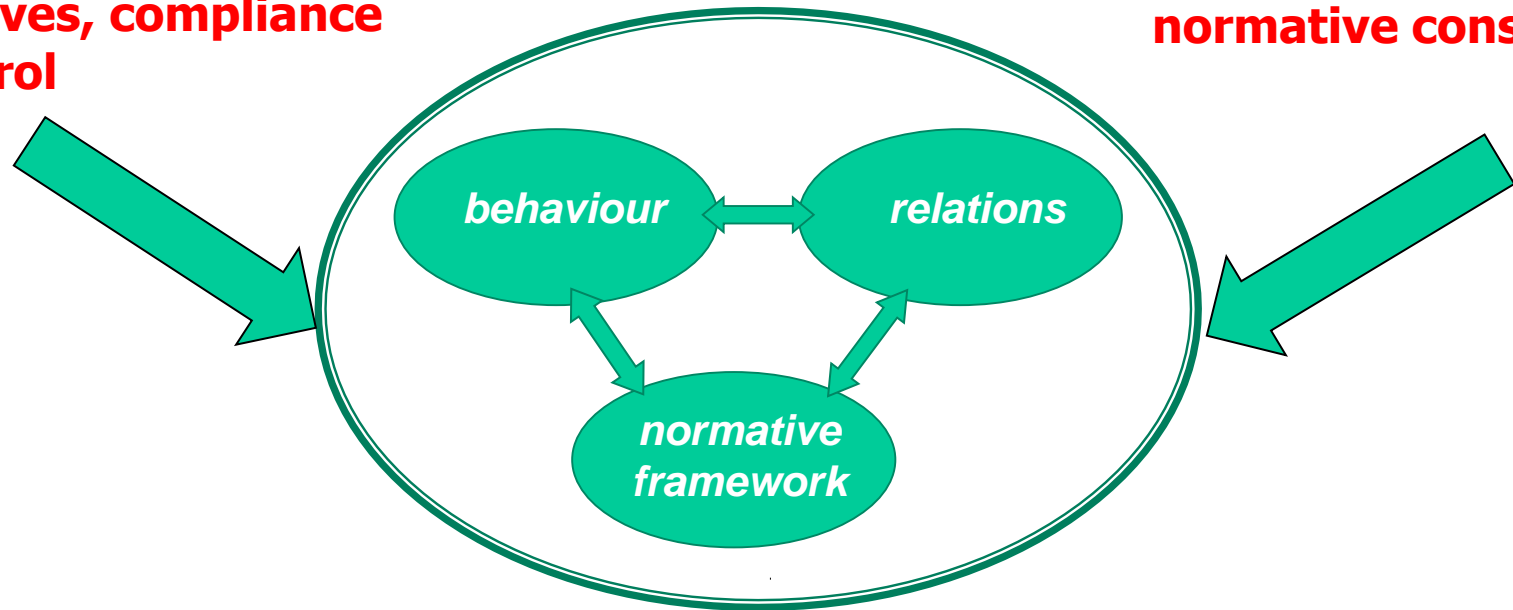


Wealth Creation and Distribution in an Interconnected World

Paradigm Shift in Regulation and Institutional Theory: Coercion vs. Consent

Regulation, law,
incentives, compliance
& control

Institutions, policies
normative constraints



Institutions involve an umbrella of laws, contracts, agreements, norms, conventions, practices, procedures, routines and expectations that represent selection choices

INSTITUTIONS Embody INCENTIVES AND ENVIRONMENTAL CONSTRAINTS that Shape Actors Behaviour

Challenges to Governance of Innovation & the Role of Triple Helix: Government, University & Industry

- Designing and maintaining the Innovation System – for reproduction of knowledge and novelty creation
- Efficient Political Leadership and Normative Control
 - *Oversight of the Market process, and the Innovation Process of knowledge & technology transfer*
 - *Oversight of the Innovation Outcomes*
- Efficient employment of the Factors of Production
- Efficient management of the Factors of Innovation
- Governing of Relationships at the Intersection
between the Public and the Private Sector

Challenges to Governance of Innovation & the Role of Triple Helix: Government, University & Industry

- Governance of Innovation - Regulation and Administration of the Innovation Process
- Financing of Innovation
- Evaluation of Innovation Outcomes - Sustainability, market acceptance & the measurement of externalities
- Facilitation of Transactions, Interactions, Communications and Decisions Related to Innovation
- Coordination and Facilitation of R&D Collaborations and Technology Transfer Between Industry & University

The Nature of Government Intervention

- Government intervention and financing of innovation policies:
 - **Mission Policies** (*i.e. setting priorities and targets*)
 - **Infrastructure Policies** (*i.e. defence, transportation, security*)
 - **Diffusion and Technology Transfer Policies** (*i.e. patents*)
 - **Technological Districts and Cluster Policies** (*i.e. assistance in economic development*)

Designing Implementation Tools and Institutional Platforms

- **strategic direction & financing**
- **enhancing corporate capabilities,**
- **Ensuring accountability and representation,**
- **transparency and control,**
- **redistribution of rents among shareholders and residual claimants**

Public Governance & the Role of Government

- **Regulation Theory**
 - **Governance of the society and the economy**
 - **Legitimate laws, rules and procedures**
 - **Public agents and Institutions carrying out public interests**
 - **Legitimate governance bodies with capacity and capabilities to govern, create incentives for behavioural changes, supervise implementation, and anticipate future challenges**
- **Public Administration Theory - *Public Choice & Principle-Agent Theory***
 - **Democratic choice and control over public agents and their legislative power**
 - **Social contract between Governed and Governors**
 - **Synergy and conflict between elected Principals and **appointed Agents****
 - **Bureaucratic direction and intervention in the economy**
 - **Allocation of resources, control and coordination of economic activities**
- **Coordination, Intermediation, Facilitation**

Agency Theory & Transaction Costs Economics

- **Involves separation of owners (principals) and managers (agents) of a firm**
 - **In Multi-lateral networks agents' boundaries become permeable**
- **Involves delegation of decision-making authority by owners to managers**
 - **In dispersed networks the value creation / dissemination / extraction is fragmented**
- **Potential agency costs from bonding, locking, contract enforcement and opportunity costs**
 - **are difficult to estimate**

Intermediation Theory: Facilitation & Accountability

Agents that reduce ‘search’, ‘bargaining’, & other transaction costs – wholesalers, retailers, financial institutions

Middlemen integrating markets in cases of market failure

Coordinators in cases of asymmetric information

- **Types of Intermediaries**
 - **Financial Intermediary**
 - **Institutional Intermediary**
 - **Consultants & Consulting Organisations**
- **Types of Intermediation**
- **Channels of Intermediation**

Financial Intermediation

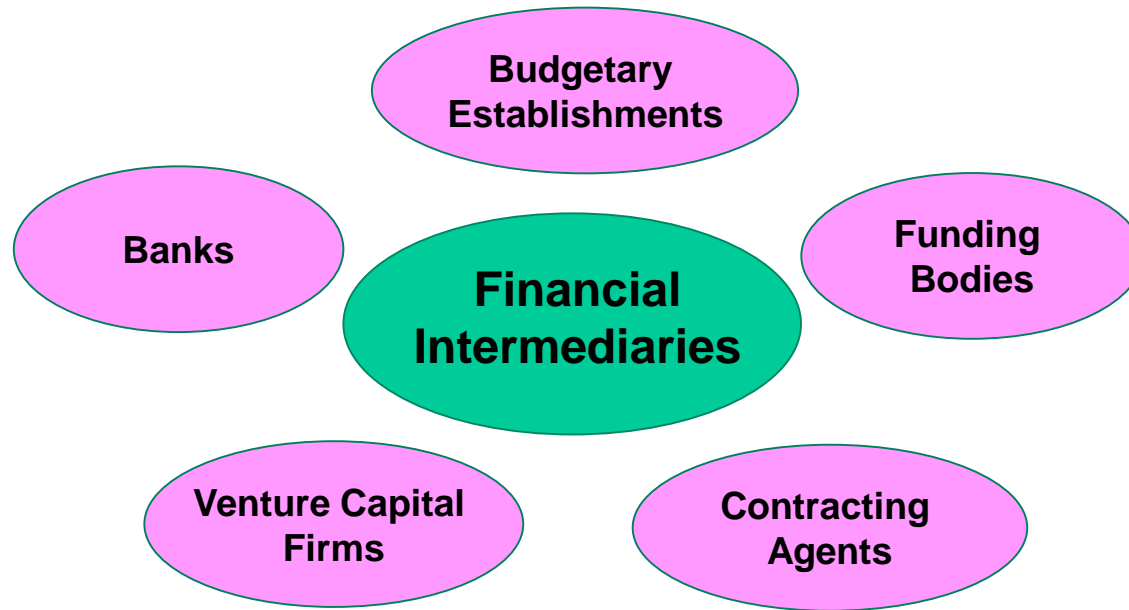
Government Budgetary Establishments (*fundamental research*)

Funding Bodies - Foundations, Charities, Voluntary Organisations (*applied research*)

Banks (*experimental and developmental research*)

Venture Capital Firms (*experimental and developmental research*)

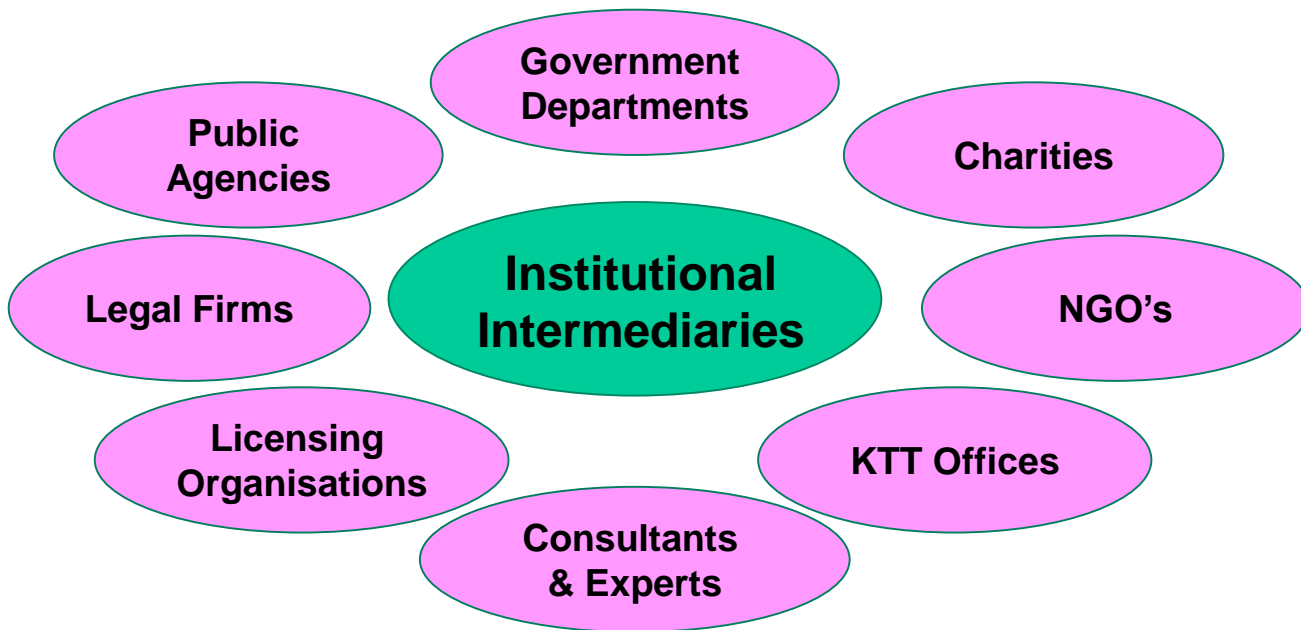
Contracting Agents



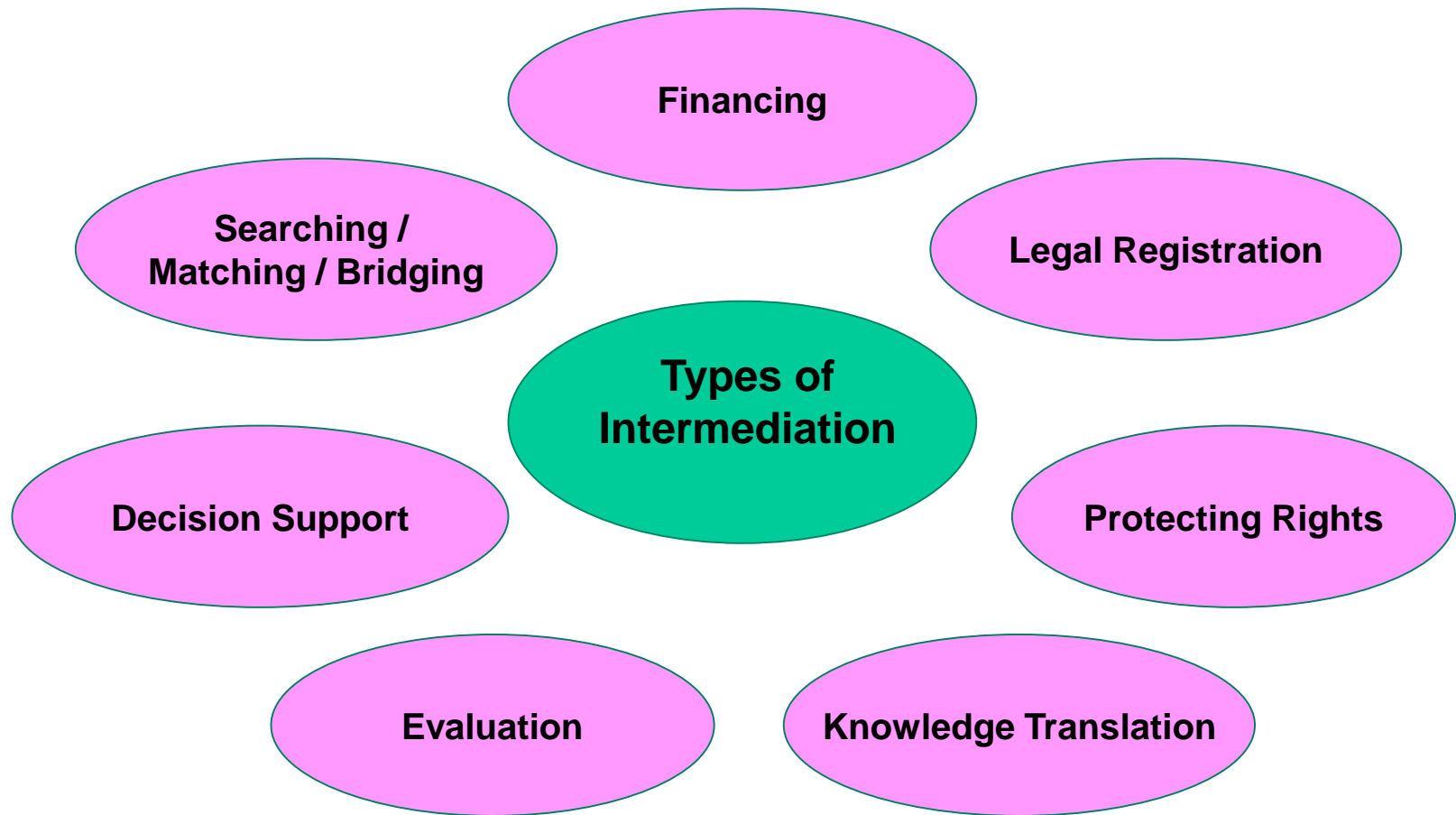
Institutional Intermediation & Relationship Management

Institutions are involved in:

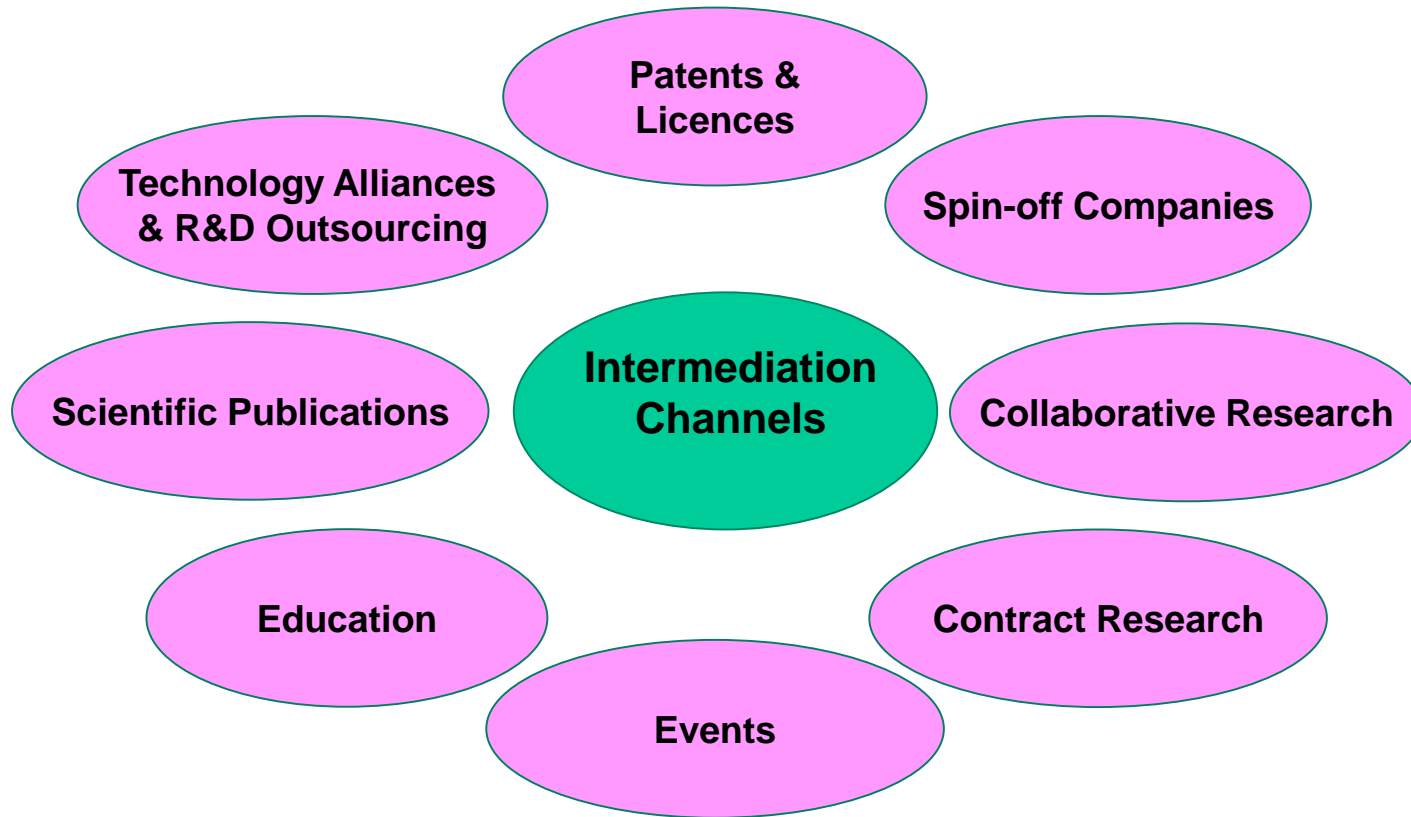
- **Distribution of resources**
- **Events management**
- **Project management**
- **Representation, certification and legal advice**



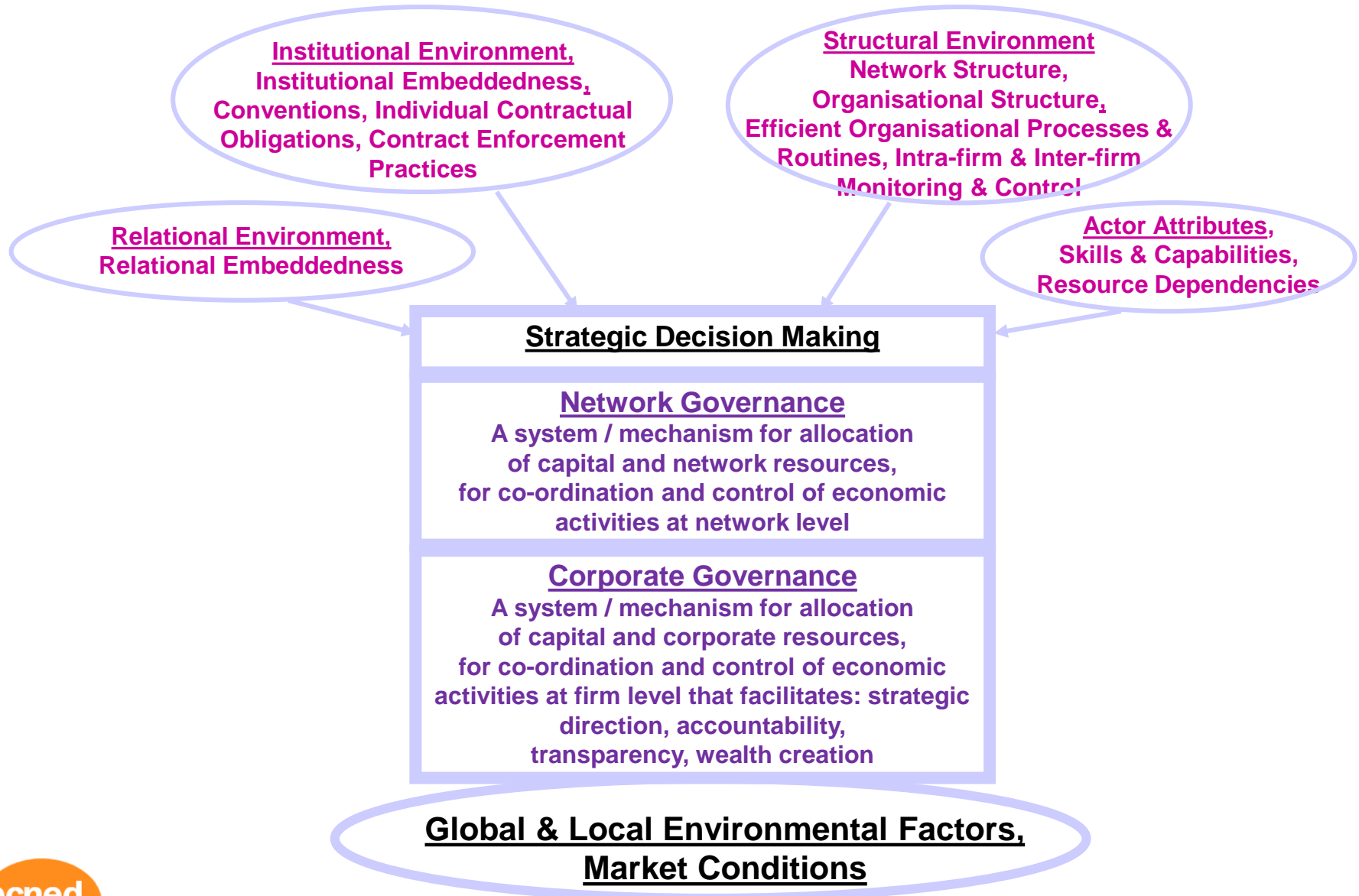
Types of Intermediation Activities



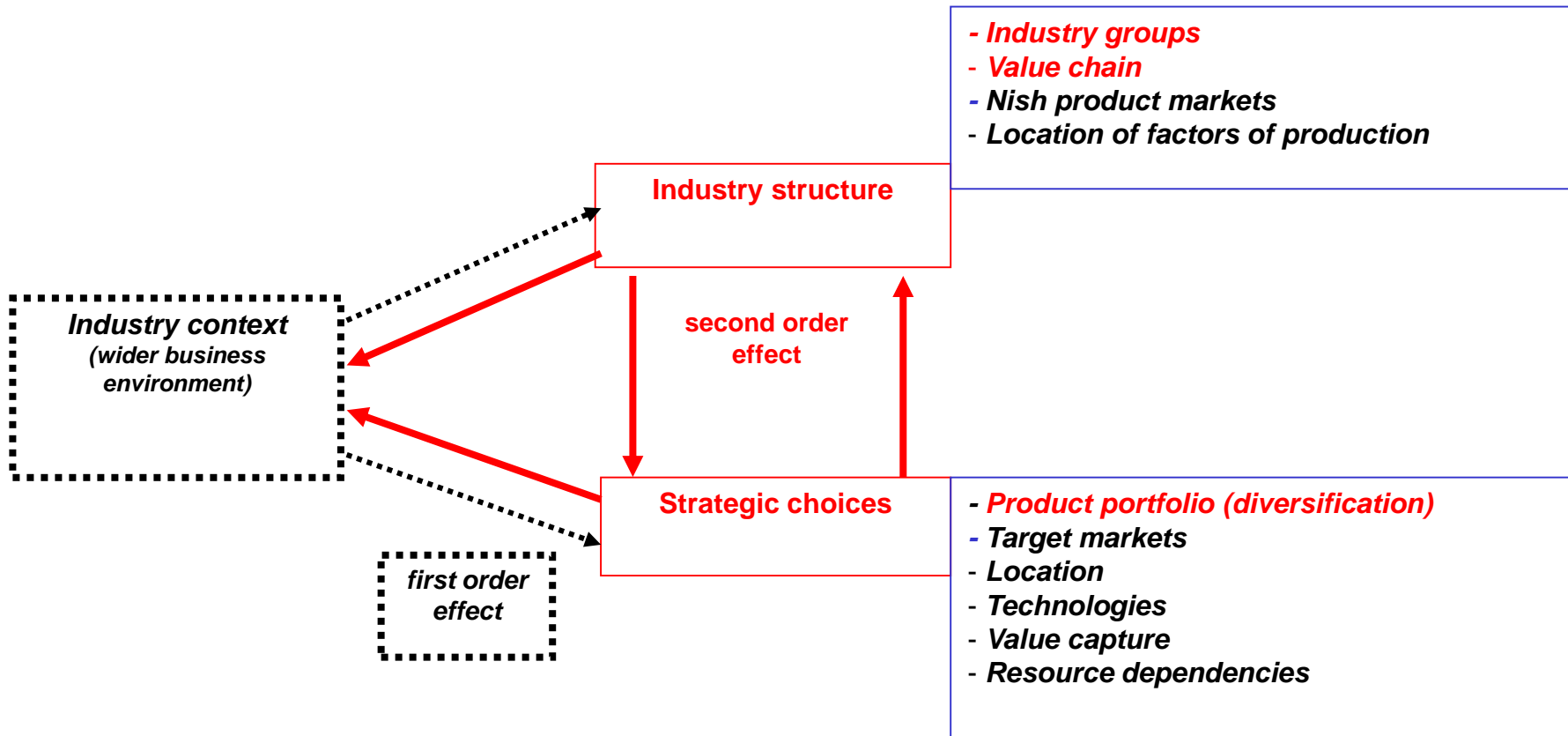
Intermediation Channels



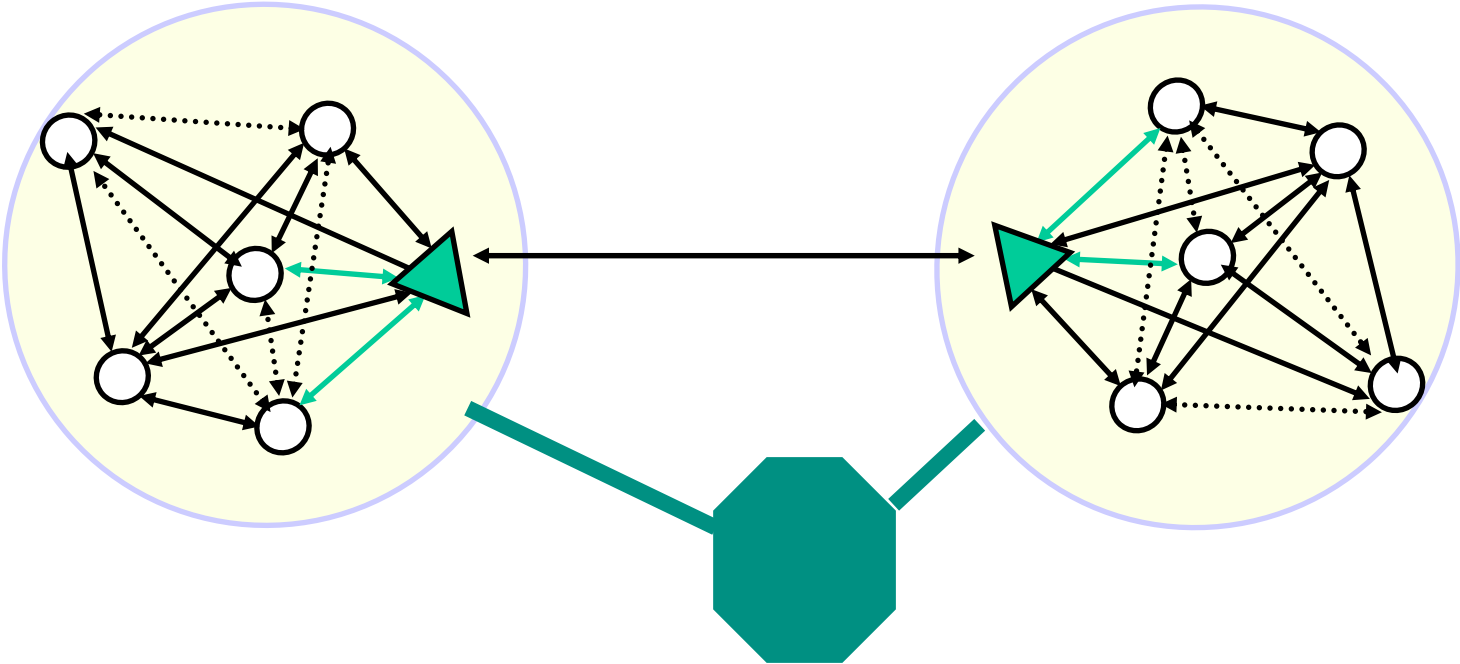
The Network Governance Mechanisms



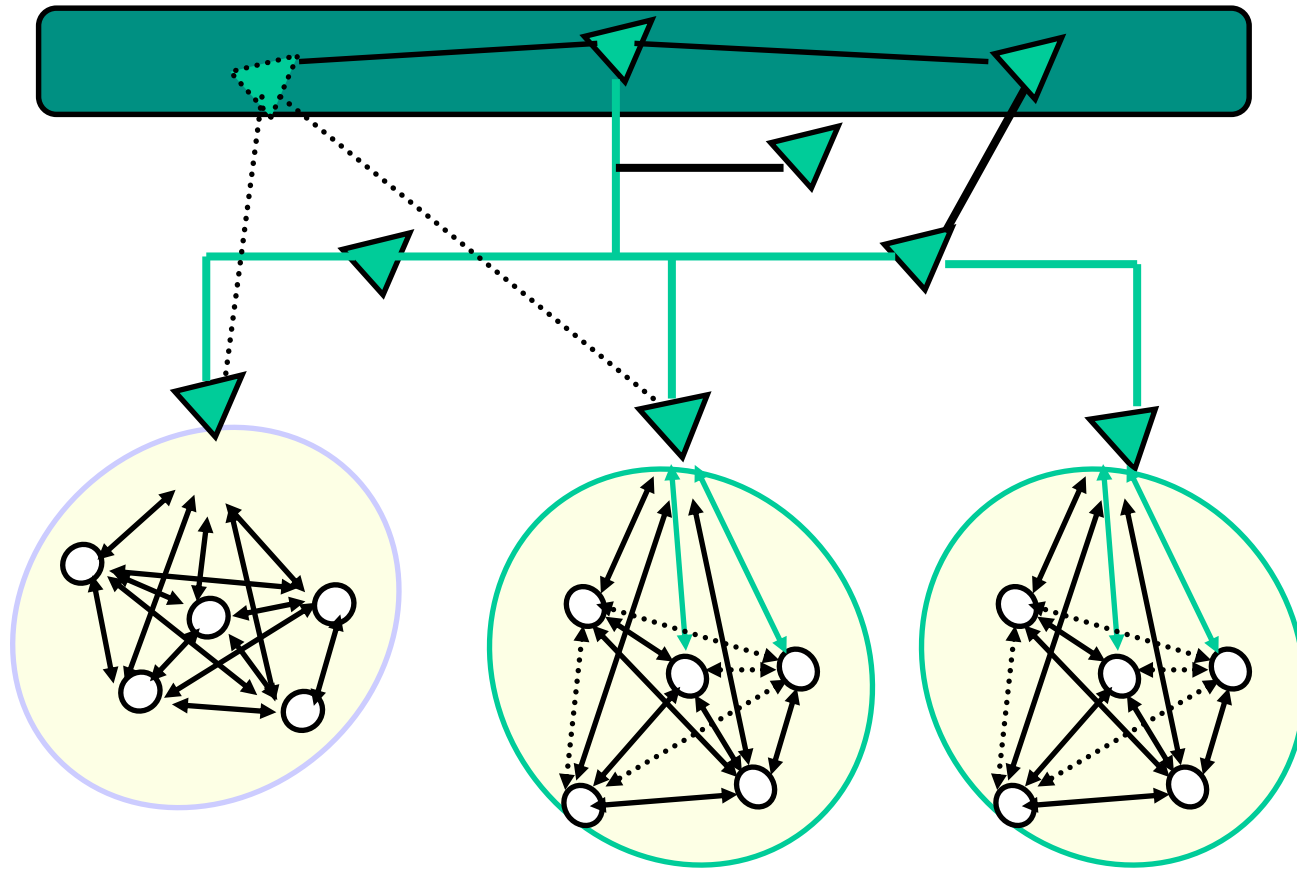
Strategic Behaviour under Policies, Incentives & Normative Constraints



Self-Regulating Market Co-ordination

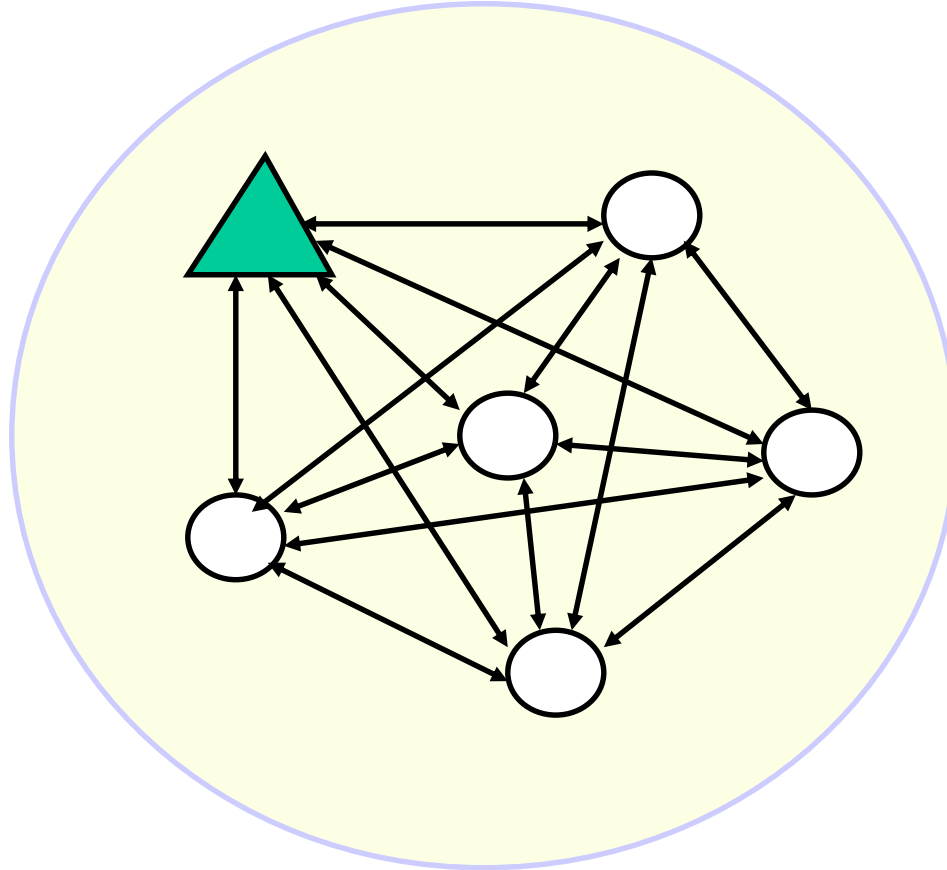


Administrative co-ordination



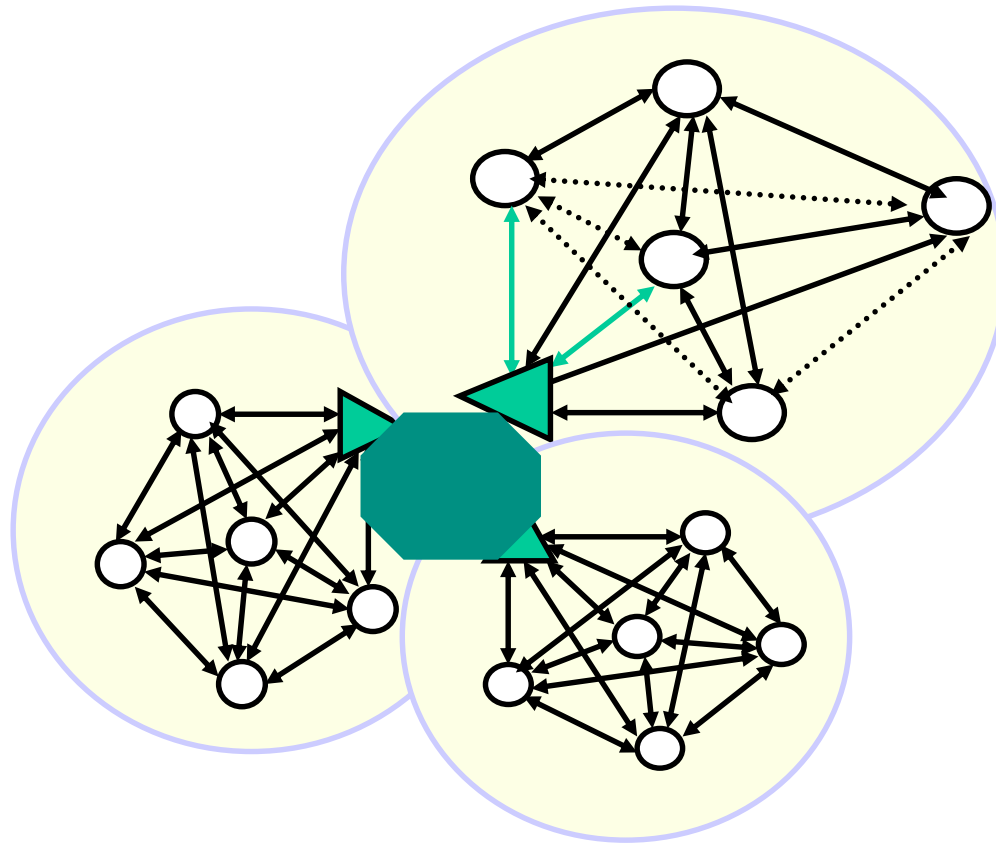
Hierarchy = structuring of collective economic activities

Family co-ordination - Authority

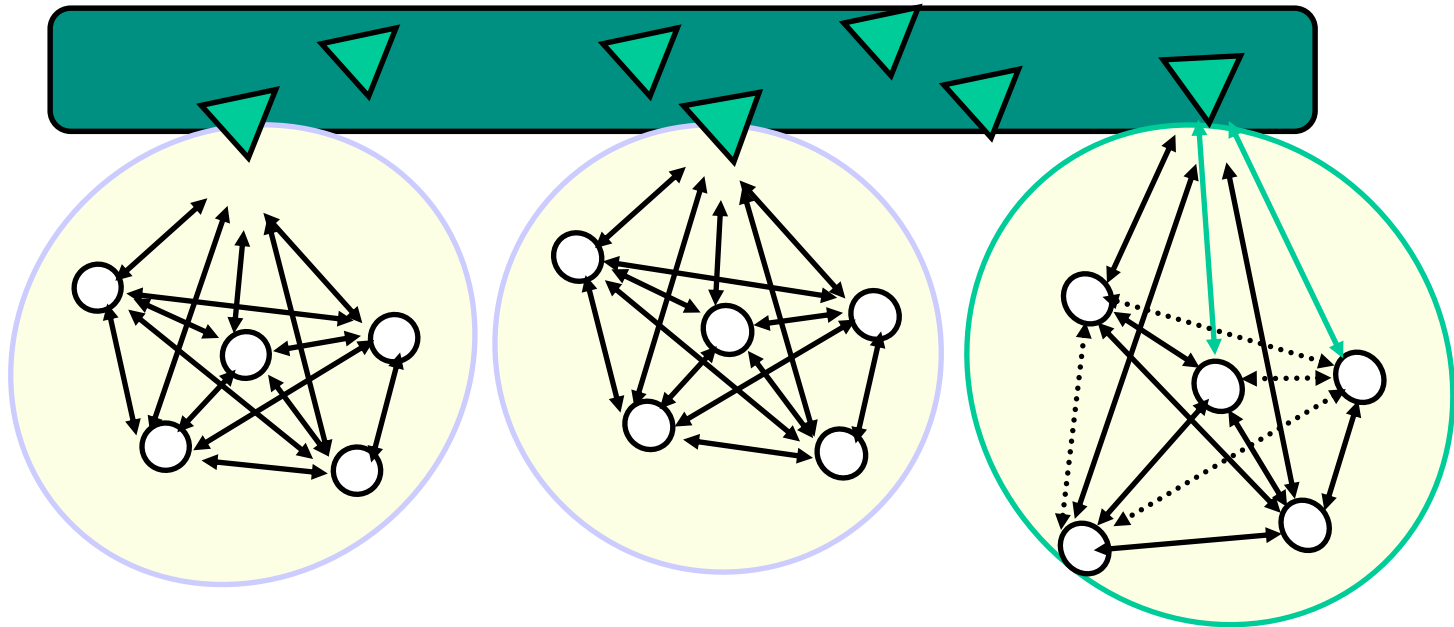


power = the capacity to affect (effect) organisational outcomes
(Mintzberg, 1983)

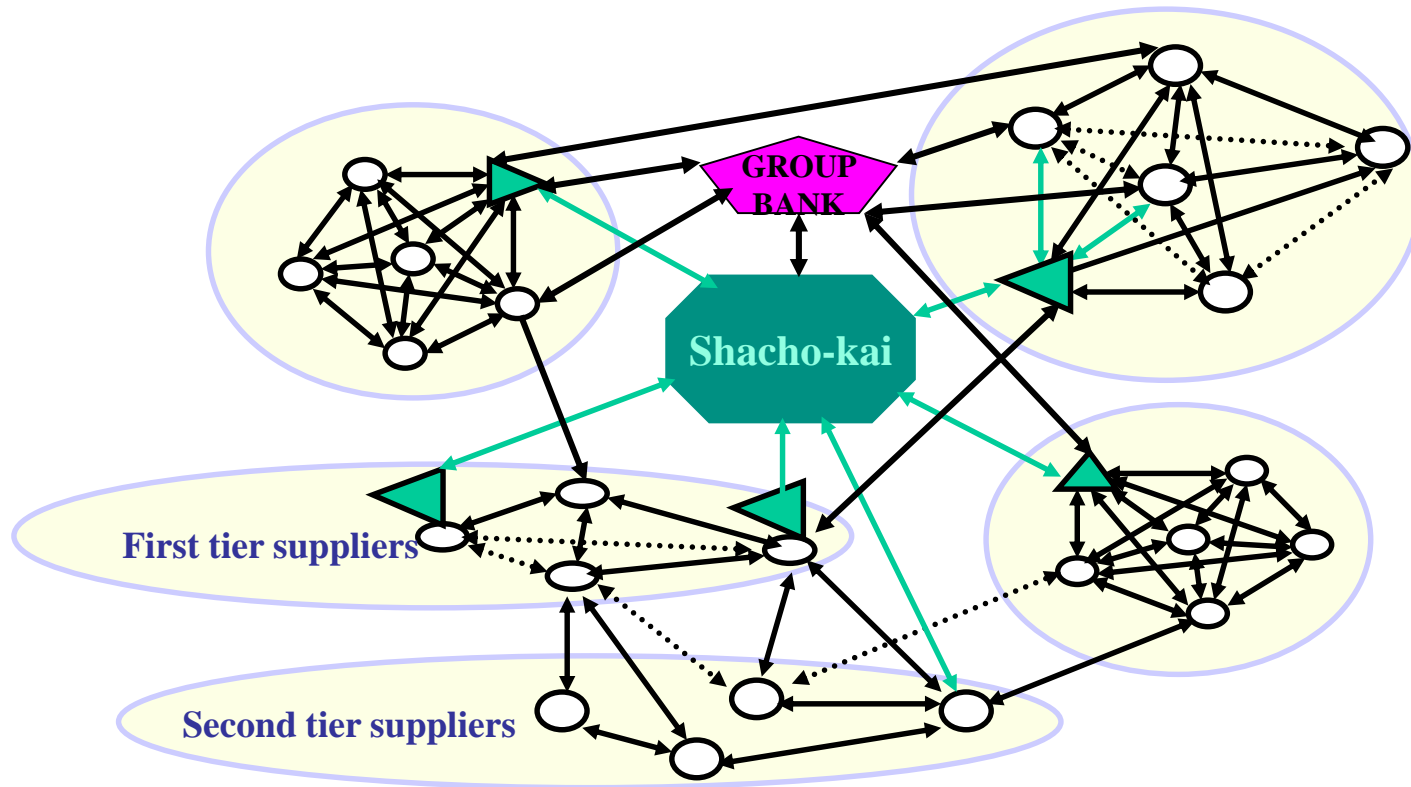
Community co-ordination - Representation



Self-governing co-ordination – Governing Platforms

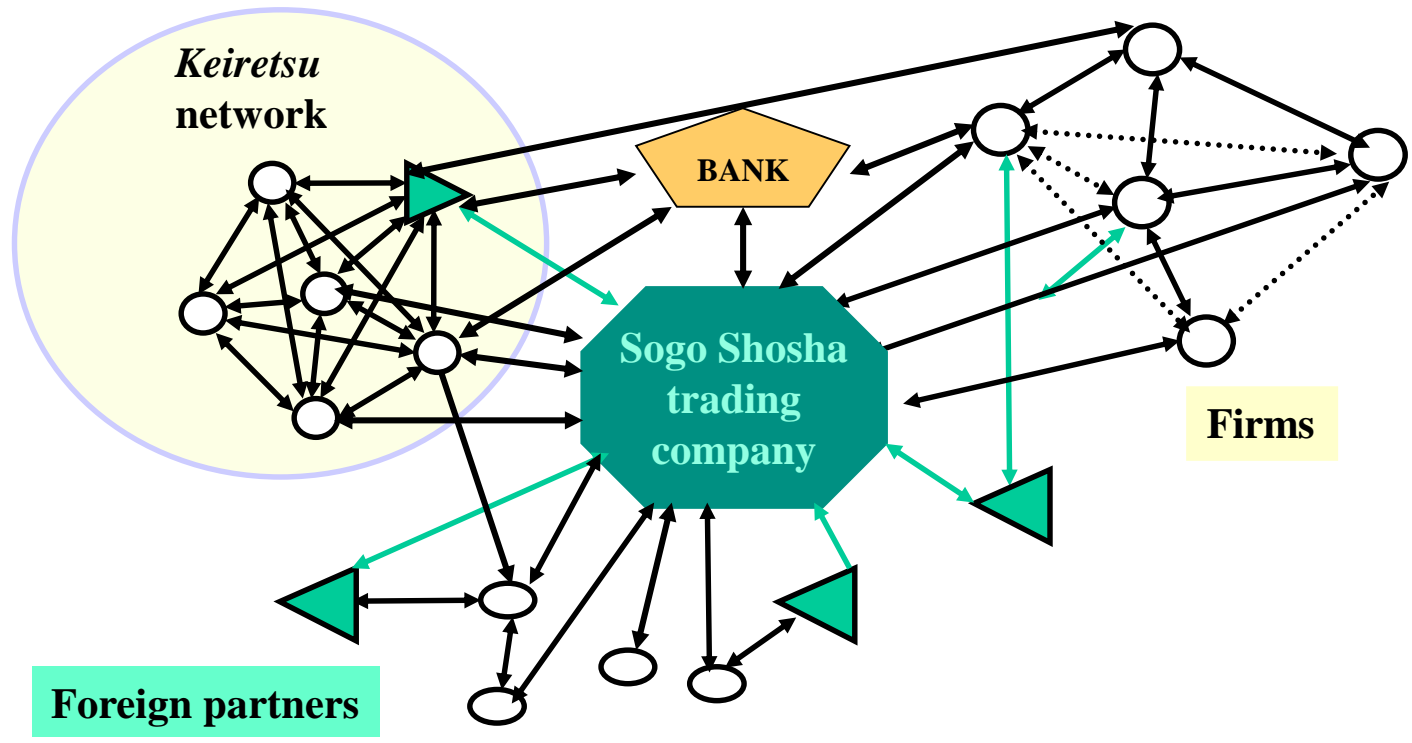


Japanese *Keiretsu* Business Networks



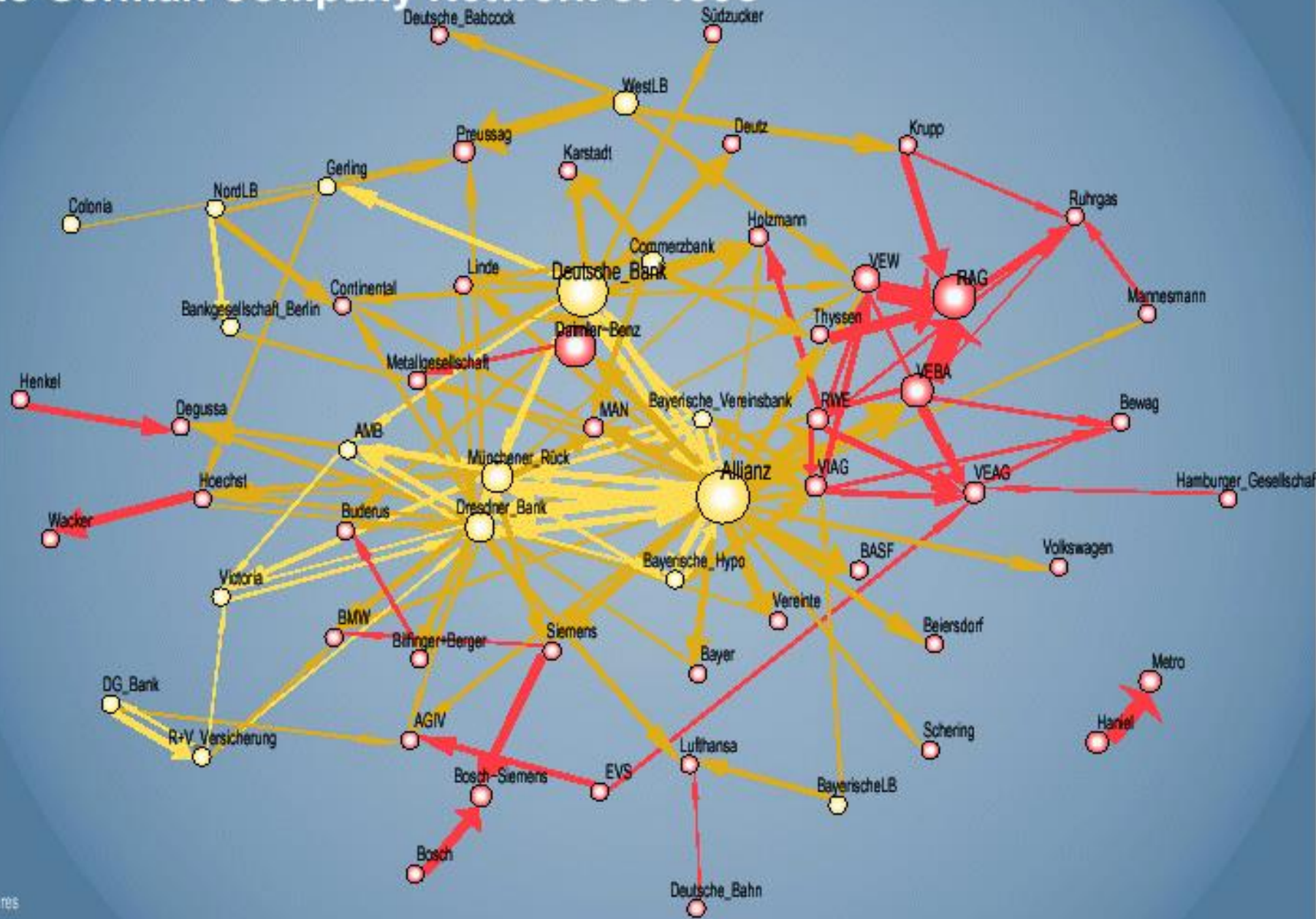
- Institution-centred 2-tier governance system
- Multi-level boundaries of corporate units with interlocking ties
- Resource & capabilities -based division of labour
- Managing through co-ordinated Interdependence

Japanese *Sogo Shosha* Business Networks

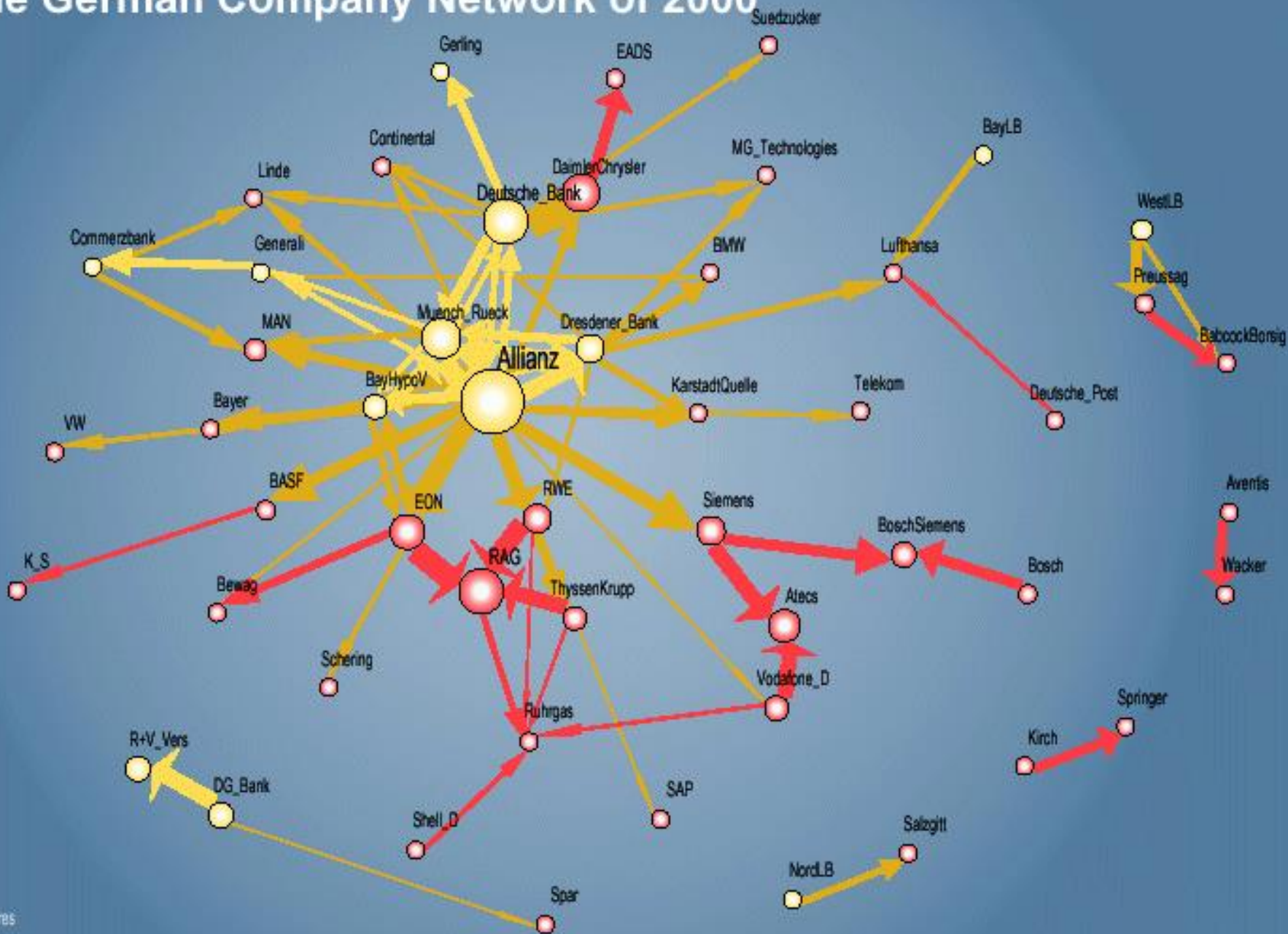


- Intermediary-centred network, utilising mixed ownership & connectivity role
- Blurred ownership and control boundaries
- Asset-based division of labour
- Managing by controlled autonomy & controlled Interdependence

The German Company Network of 1996



The German Company Network of 2000



Capital Shares
Financial - financial
Industrial - industrial
Financial - industrial

Conclusions

1. The locus of Innovation is in partnerships and networks that require coordination and facilitation
2. The locus of Governance is in Coordination, Facilitation & Intermediation that reduces Costs and increases Opportunities for all agents, including Universities, Industry and Government
3. Intermediaries provide specialised services and resources (information, capital, advice) to networks and partnerships
4. Intermediation and Facilitation enhances the outcomes from KTT (knowledge and technology transfer)
5. Intermediation and Facilitation employ institutions and hybrid organisations that are difficult to control and govern through traditional methods
6. Empirical evidence demonstrates that intermediaries serve multiple purposes and employ a 2-way communication between intermediate agents and organisations, dealing with conflicts of interests and ethical dilemmas.



Institutions, Intermediation and Triple Helix Relationships
**Special Issues of the Triple Helix: A Journal of University-Industry-
Government Innovation & Entrepreneurship (Springer)**

<http://www.surrey.ac.uk/bcned>

<http://ssrn.com/author=1124332>

