

# Deter or Comply? Theoretical Tensions Between Regulation, Governance and Strategic Behaviour

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# Background

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.

## Regulation

Todeva, E. and Danson, M. (2016) 'Regional Dimensions of the Triple Helix Model', *Industry and Higher Education*, 30 (1): 5-12,

Danson, M. and Todeva, E. (2016) 'Government and Governance of Regional Triple Helix Interactions', *Industry and Higher Education*, 30 (1): 13-26.

## 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.

Todeva, E. (2013) 'Governance of Innovation and Intermediation in The Triple Helix Interactions', *Industry and Higher Education*, 27(4): 263-278.

## Strategic Behaviour

Todeva, E. (2006) *Business Networks: Strategy and Structure*, New York: Taylor & Francis.

## Coordination Mechanisms for Policy Intervention

## ... the Federated World Order ...

*“Until we have the guide and the supreme norm for making correct moral judgments, morality itself will be subject to all kinds of corruption”*

Immanuel Kant, 1795

Trust  
Ideal moral community  
Perfect moral order  
Human dignity  
Universal good will  
Categorical definitions of right and wrong  
Self-restrain from manipulation  
Acting on principles

**W**hen trust breaks down, not only do we miss out on the benefits of cooperation, but we also lose something less tangible, but no less important: respect for one another.

## **Regulation**

- *Division Between Governors and Governed*

## **Governance**

- *Supervision and control are implemented in the context of insufficient trust*

## **Strategic behaviour**

- *Concerted efforts to achieve goals and/or take advantage*

# Kant's Universal Good Will

- Plurality of socio-economic systems and modes of public governance
- Plurality of institutional arrangements that organize socio-economic actors
- Lack of systematic comparison
- Lack of formulation of the Categorical Imperative (CI) for a federated world order
- One of these systems based on market economy with political democracy has been referred to as the most suitable to facilitate *economic growth* and *wealth creation* and to satisfy *human needs*, which in Kant's view are all *imperfect motivations* – far away from any moral principles advocating universal good for all.

# The Regulatory Function of the State

- A legitimate government that has authority and powers, as well as the capacity and capabilities, to generate the rules that govern economic behaviour within the system of their jurisdiction
- Some individuals can express their free will and moral judgement in designing laws, while others are required to comply – even when it is against their free will
- The challenges of limited resources
- The challenge of inequality of access to resources
- The agency problem between Governors and Governed
- Institutionalisation of justice in the public domain, where public administrators are seen as agents carrying out the public interest with their authority (Wamsley, 1990)
- What is obstructing the public authority to derive at a perfect set of universal principals?

# The Regulatory Function of the State

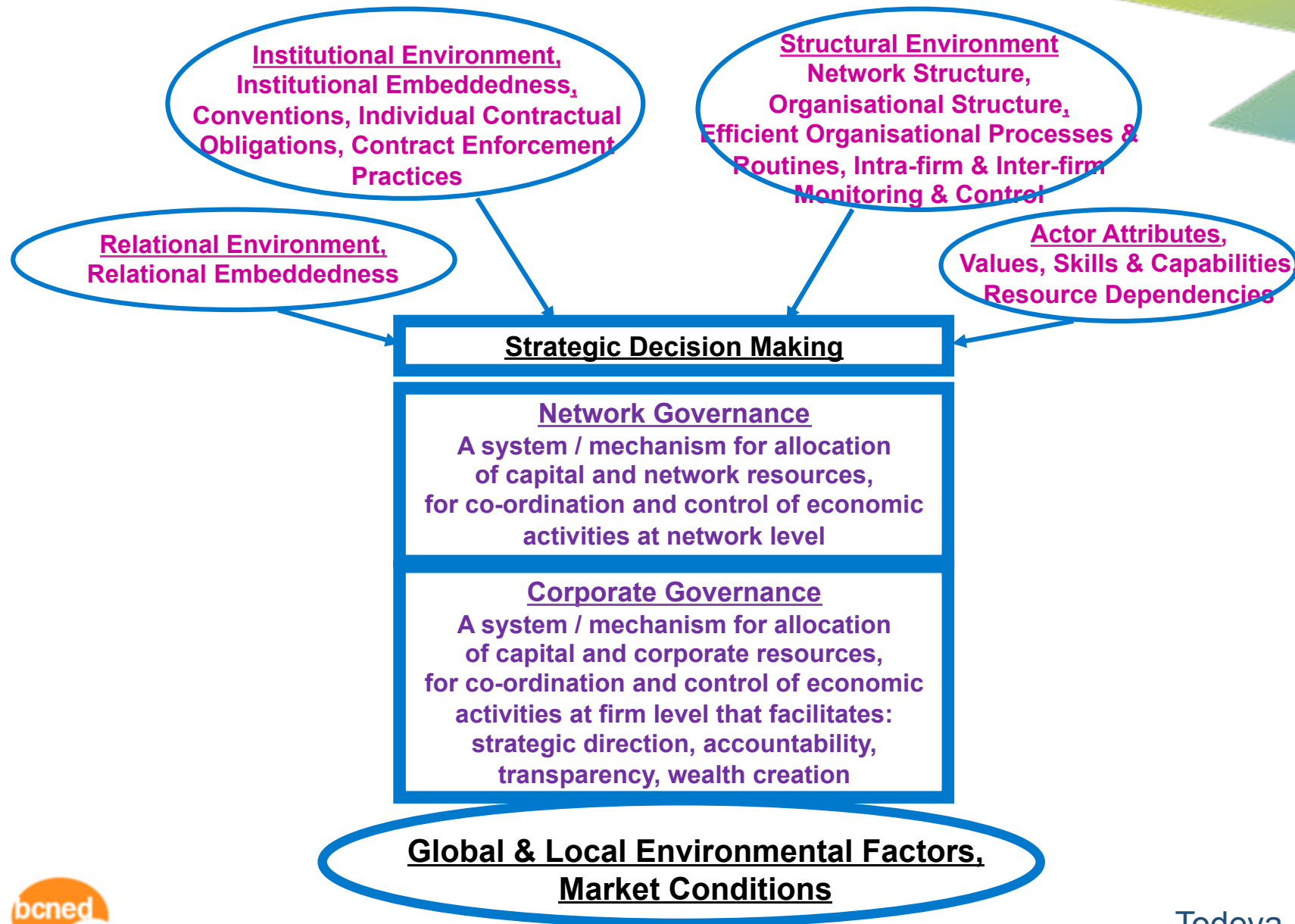
- Public choice
- Social contract and ethics
- Reason and power on administrative action
- Political leadership
- Legitimacy
- Top-down goal orientation and some form of planning and budgetary control of the resource allocation
- A rich institutional canvas of political and other special interests groups
- Neither behaviourism nor institutionalism have developed definitions of preferences and choices that represent perfect intentions and good will
- Kantian universal good will is enacted through imperfect motivations, shaped by imperfect institutions and negotiated contract agreements

# Governance

- **While regulation implies intervention activities at system level, governance, implies intervention at the level of individual economic actors.**
- **Governance involves design and implementation of incentives and constraints in order to manage the motives and strategic behaviour of actors.**
- **Relational and collaborative governance (i.e. ecosystems, open source)**
- **Public policy that creates incentives in a particular direction**



# Relational and Network Governance



# Strategic Behaviour

- **Organisational analysis employs the essentially “technicist” idea of decisions being totally divorced from the moral questions of the good**
- **decisions involve distribution of resources, which are material in nature and are unequally distributed in a society**
- **a political process that involves judgements on human needs and intellectual capabilities, assessment of value, and using preferences to overcome resource constraints**
- **Frances et al. (1991) argue that coordination implies the bringing into a relationship of otherwise disparate activities or events**
  - **external coordination, which implies agency, power, and politics and**
  - **self-coordination, which is an expression of the free choices of economic actors**

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

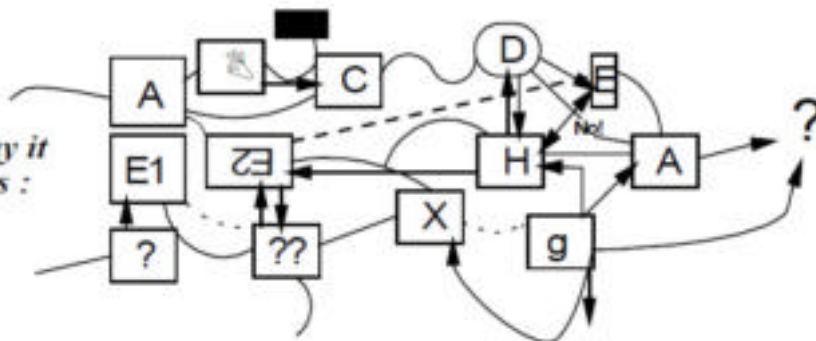
*... In a universe of good will, perfect moral order, and universal peace, the world's citizenship should be organised in a federated system of states, free to choose their own universal laws ... (Immanuel Kant).*

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, 2010)

*The way we describe it:*



*The way it really is :*

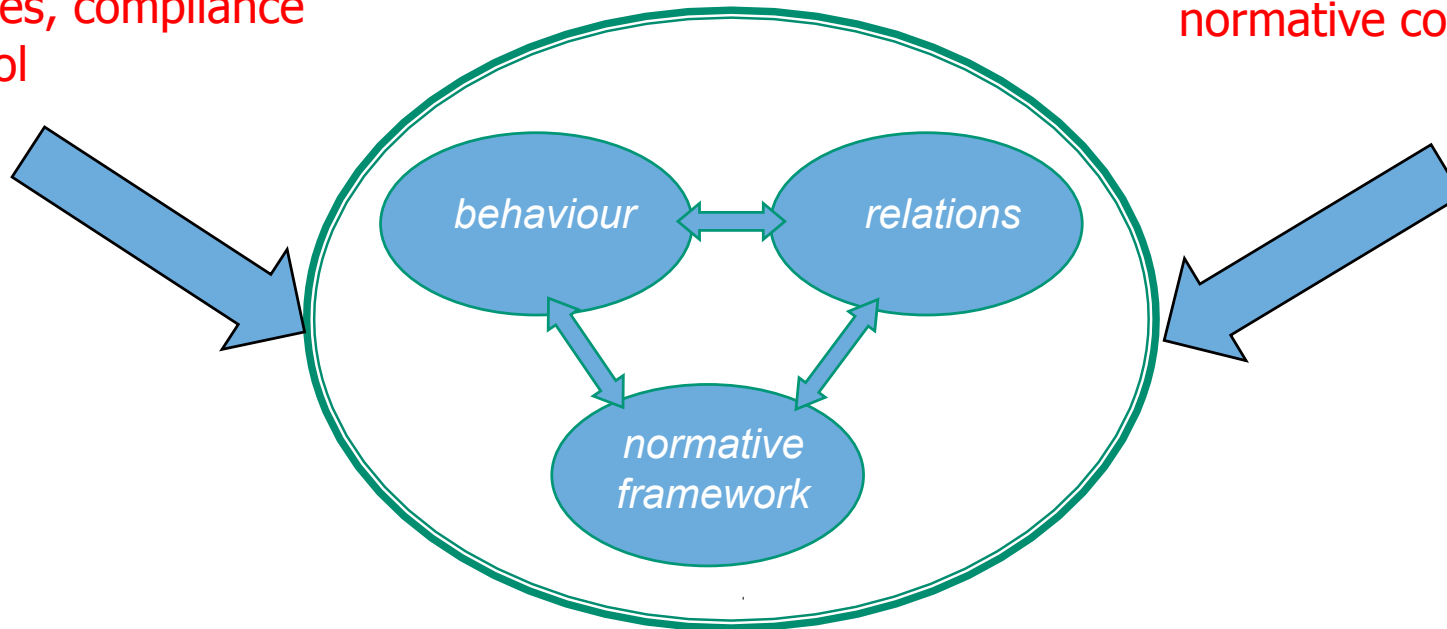


**Wealth Creation and Distribution in an Interconnected World**

# 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**

# Conclusions

There is a need to integrate our theoretical frameworks to enable a broader perspective for global comparisons.

At present each socio-economic system, such as capitalist, socialist, or a developing economy, is conceptualised using different frame of reference.

For the analysis of the capitalist system, the focus is put on incentives, constraints, and efficient market forces.

The socialist system is discussed in terms of effectiveness of government intervention in the allocation of resources for public good.

A developing economy is discussed in terms of the strengths and weaknesses of the institutional environment and the relationships between the public and the private sector and how both contribute to economic growth and wealth creation.

There is a need to embrace a higher order principles for judgement and evaluations at system level, where there is at least a reference point to a moral order and global consciousness.

There is a need to recognize the emergence of collaborative governance models in the cases of multi-stakeholder, triple helix, platform governance – among others.....



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

**Global Value Chains and Firm Strategies**  
Special Issues of the Review of Business Management - RBGN

<http://www.bcned.co.uk/>  
<http://ssrn.com/author=1124332>

