

1. Introduction

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INTRODUCTION: FROM REGULATION TO COMPLIANCE

The research collected in this book is concerned with a weighty social issue: the way that businesses respond to the multitude of efforts made to influence or 'regulate' their behaviour for the social and economic good. The activities of business – whether big or small – pervade most aspects of people's lives, the goods and services they consume, their employment and leisure, their experience of the natural environment and their access to the most basic necessities of life. Even in China and formerly Communist East Europe, business organizations (albeit often fully or partially owned by the state) are growing, and along with them there is increasing concern with regulating business in these countries.

At local, national, and increasingly global levels, governments and civil society seek to use regulation to promote social and economic goods.¹ 'Social regulation' is expected to help avert environmental catastrophe, prevent accidents and ill health in mines, factories, transport and food production systems, secure the delivery of a range of essential services (power, water, housing, communication) in an equitable way, achieve justice and social inclusion for the disadvantaged and keep people's assets and livelihoods safe from financial crisis. 'Economic regulation' is used extensively to curb monopoly, promote competition, and to set standards for prices and quality in industries where competition is thought to have failed. The focus of this volume is largely on social regulation.

Despite popular belief that regulation was abandoned when neoliberalism was adopted around the Western world in the 1980s, the evidence is that privatization, deregulation and the nurturing of markets under neoliberal governments in fact created even greater degrees of regulation (Levi-Faur, 2008: viii; Vogel, 1996). It has even been asserted that regulation is a natural governance response to the rise of industrialized capitalism and that the two are interdependent (Polanyi, 2001). Indeed, it is not only 'official' or 'state based regulation,' the legal rules authorized and

enforced by the state (Black, 2001), that is proliferating. Industry associations, civil society organizations and multinational enterprises are also increasingly using self-regulatory codes of conduct, voluntary or contract based labelling and certification schemes and internal corporate compliance and social responsibility systems (Bernstein and Cashore, 2007; McBarnet et al., 2007; Prakash and Potoski, 2006; Rees, 1997).

There is already a plethora of academic scholarship concerned with mapping, understanding and explaining the expansion of state, market and civil society based regulation at local, national and transnational levels (for example, Braithwaite, 2008; Braithwaite and Drahos, 2000; Cashore, 2002; Dilling et al., 2008; Jordana and Levi-Faur, 2004; Lobel, 2004; Majone, 1994; Solomon, 2008). This book however has a different purpose. Its focus is not on regulation but 'compliance,' not on regulators but business firms and their responses to and implementation of regulation. The political rhetoric of regulation implicitly relies on the assumption that business can be made to comply – that regulation will be effective at achieving its stated policy purposes (see Haines, chapter 13 in this volume). The empirical research studies reported in this book all critically examine the assumed link between regulation and compliance. Some chapters report studies that help explain how, why and in what circumstances firms come to comply with regulation, and when they do not. Others uncover the complexity, ambiguity and transformation of regulation as it is interpreted, implemented and negotiated by firms, their stakeholders and internal constituencies in everyday business life. All see 'the other side' (see Gray and Silbey, chapter 6) of the regulation–compliance relationship – the responses of firms and the individuals in them to regulation – as a worthwhile place to start research. There is a long history of law and society research being concerned with this question (Braithwaite, 1984; Geis, 1967; Handler, 1978; Selznick, 1969; Stone, 1975). In recent years however the policy application and relevance of the field has grown enormously. This collection is intended to contribute to the conceptual and theoretical development of the field.

This introductory chapter briefly reviews the field in order to showcase the vibrant plurality – and complementarity – of different contributions to compliance scholarship (and therefore also to this book). The two parts of this chapter examine two dimensions of plurality in compliance scholarship – different approaches to social enquiry and different substantive conceptual themes that are relevant to explaining compliance.

In the first half of this chapter we show how research from two quite different approaches to social science inquiry – objectivist and interpretivist – have been very helpful for the substantive conceptual and theoretical development of understandings and explanations of organizational 'compliance.'

The second half introduces the contributions of each individual chapter. We show how the plurality of compliance research represented in this book, and the compliance literature more broadly, have contributed to the development of four interrelated conceptual themes that are helpful in explaining compliance: (1) firms' and individuals' substantive motives to respond to regulation in different ways; (2) the internal characteristics and capacities of business firms as organizations to respond to regulation; (3) the influence of different regulatory enforcement strategies and styles on how firms respond to regulation; and (4) how regulation and responses to regulation emerge from regulators' and businesses' interactions with their broader social, economic and political environments. We further explain why each of these conceptual themes is important for explaining compliance, and how they interact in the second part of this chapter. We also identify some questions for further research.

PLURAL APPROACHES TO EXPLAINING COMPLIANCE

The field of empirical research on organizational responses to regulation is rich, diverse, and still ripe for theoretical development. As with all social science research, it includes plural methodological approaches that reflect different theoretical assumptions about the nature of the social world and seek answers to different, albeit related, research questions (see Blaikie, 2007 and 2009; Scherer, 2003). We see two main approaches towards empirical compliance research generating theoretical development within this field (see also Parker and Nielsen, 2009):²

The first is objectivist research aimed at building and testing theories identifying internal organizational characteristics (motives, capacities, resources) and external factors (the nature of the regulatory policy area, enforcement strategy and style, the level of attention by third party activists and stakeholders and so on) that are associated with compliance and non-compliance.³ Much of this research is implicitly or explicitly aimed at normative, policy-oriented evaluation and critique of regulatory design, implementation and enforcement: what 'produces' compliance?

The second is research aimed at interpretive understanding of organizational responses to regulation, and of the processes by which compliance is socially constructed. Much of this research has the effect of problematizing the very notion of 'compliance,' and challenging or complicating the clear specification of causally explanatory models of compliance.

In the field of compliance research, we do not see these alternative approaches rigidifying into warring factions – but rather entering into

creative dialogue. (Indeed many individual scholars use both styles of research, even within the one work.) Concepts are developed, shared, contested and complicated, clarified and measured, (and then perhaps contested and complicated again) in the back and forth of scholarship, and indeed policy development. Across these different approaches, we see a range of substantive concepts and variables that are relevant to understanding and explaining 'compliance' that are shared and developed in this way. Chief among these is the concept of 'compliance.' We discuss each briefly in turn below and show how they are interdependent in the 'project' of compliance research.

Objectivist Theory-testing Research

Objectivist theory-testing research is concerned with hypothesizing explanations for associations between concepts and deductively testing that theory. Typically, a certain type of business response to regulation (usually 'compliance' or 'noncompliance') will be the dependent variable (see for example, Baucus and Near, 1991; Prakash and Potoski, 2006: 132; Simpson, 1987). The dependent variable is to be explained by showing a temporal association between that variable and certain independent variables (typically various organizational characteristics, individual or organizational motivations, or the promulgation or enforcement of certain regulations). Alternative explanations should be eliminated. Deductive researchers also, of course, not only test existing theories but build their own theories and hypotheses which they test; and if data turn out not to back up hypotheses and theories, inductive researchers often suggest new theories for approaching and explaining the data.

In compliance studies, objectivist research typically includes research aimed at mapping and measuring compliance and noncompliance as well as research aimed at building and testing theories that provide explanations for the association between various concepts and compliance or noncompliance. Objectivist research that seeks to explain compliance is generally based on hypotheses about how and why regulation might 'work' to achieve compliance, or how and why it might fail to garner compliance. That is, compliance or noncompliance is seen as the 'dependent variable' that is to be explained, and a range of hypotheses are made about the factors (the 'independent variables') that are thought to influence compliance or noncompliance. These hypotheses are then tested and adjusted to build explanatory theories of compliance.

The second part of this chapter uses the contributions to this book to introduce a range of substantive factors, themes or independent variables that are generally thought to be relevant to explaining compliance

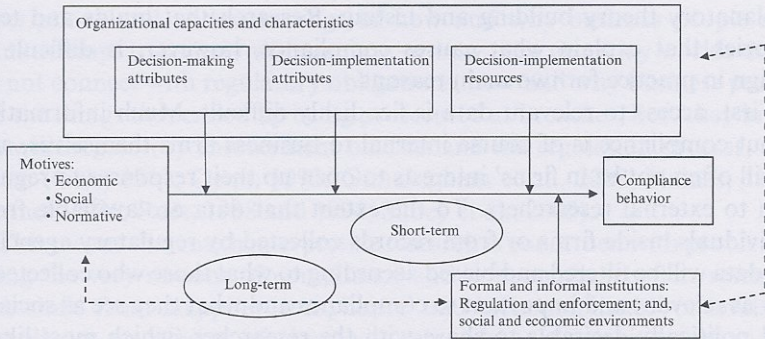


Figure 1.1 *Holistic and plural model of business compliance*

in objectivist research. We suggest that there are four main conceptual themes or sets of independent variables of interest in explaining compliance: motives, organizational capacities and characteristics, regulation and enforcement, and social and economic environments (or institutions). Figure 1.1 suggests a framework as to how objectivist researchers might hypothesize that these four themes work together to explain compliance.⁴

Objectivist research, including both the mapping and measuring of compliance and noncompliance and the building and testing of explanatory theories of compliance, can be particularly attractive for those who want to evaluate the implementation of regulatory policy. All studies of organizational responses to regulation by definition touch on questions of (regulatory) policy implementation and therefore have practical policy relevance, even if the research agenda is not intentionally policy driven. But objectivist compliance research is particularly attractive to those seeking an evidence base for regulatory design and implementation (Sarat and Silbey, 1988). Much objectivist research imagines, implicitly or explicitly, an ideal version of the relationship between business firm, regulator, community and substantive goals of social regulation. That is, it tends to make hypotheses about how and why regulation can be designed, implemented and responded to in a way that produces compliance or noncompliance. It then uses this as a basis to test, for example, what enforcement strategy the regulator should use to get the 'best' response from the regulator, or how the business firm should regulate itself in a sustainable way – and to produce policy evaluations and recommendations.

Underlying any policy evaluation there must always be explanatory theories and hypotheses (such as those summarized in Figure 1.1) about how regulation 'works' and what causes compliance and non-compliance (Pawson, 2006). Policy oriented research therefore always relies on good

explanatory theory building and testing. Research that builds and tests theories that explain what causes compliance, however, is difficult to design in practice for two main reasons.

First, access to relevant data is fiendishly difficult. Much information about compliance is of course internal to business firms themselves, and it will often not be in firms' interests to open up their responses to regulation to external researchers. To the extent that data are available from individuals inside firms or from records collected by regulatory agencies, the data will be filtered and biased according to what those who collected it saw as relevant and important to compliance and what they see as socially and politically desirable to share with the researcher (which most likely will not match how the researcher wants to conceptualize and operationalize compliance) (Parker and Nielsen, 2009). Thus the practical ability to collect data for objectivist explanatory theory testing in the compliance field will come up against the politics of the way in which firms, regulators (and others) are seeking to interpret regulation and validate their own versions of compliance.

Moreover, the range of factors that are hypothesized to influence compliance are so complex and interrelated that it is very difficult to holistically test them all, or even to clearly hypothesize how they interact and in what direction causation flows (see Figure 1.1). The dynamic social process of compliance makes sensible social science research that is also practically relevant very difficult. There are not likely to be many simple 'lessons' and policy prescriptions from empirical research that seriously seeks to explain compliance. That it is difficult does not mean we should not try. However, it seems more practical and realistic to develop partial theories and hypotheses that can be tested individually without bringing all aspects of all the conceptual themes into play in each study.

INTERPRETIVE AND SOCIAL CONSTRUCTIONIST RESEARCH

Interpretive research is aimed at producing understanding of social actors' meaning and interpretations, motives and intentions in everyday life. As Blaikie (2009: 89) puts it, it is concerned with 'providing reasons rather than causes.' Regulation and responses to regulation are seen as social practices to be understood from different perspectives and in the context of other meaningful social practices. Many of the classics of regulatory compliance research are interpretive research carried out by means of qualitative interview, participant observation or interpretive reading of texts produced by the legal process. These studies contribute 'thick'

descriptions and understandings of how and why business people and firms attempt to comply with the law, or how their everyday worlds do or do not connect with regulatory obligations, how and why business people did the things that ended up being prosecuted as breaches, how they interact with regulatory enforcement officials and the regulation process, and so on (Geis, 1967; Genn, 1993; Gunningham et al., 2003; Haines, 1997; Heimer, 1996; Rees, 1988 and 1994; Silbey et al., 2009).

This means that much interpretive research is concerned with problematizing the very notions of compliance and noncompliance. The research task shifts from mapping 'compliance' and 'noncompliance' or levels of compliance (as objects of objectivist research) to describing and understanding a whole range of organizational perceptions of, and behavioural responses to, regulation including creative compliance, cosmetic compliance, organizational legalization and so on (for example, Edelman and Suchman, 2007; McBarnet, 2003). But of course, all these concepts too will likely yield new and richer understandings as more interpretive research is done, and further relevant concepts are discovered and created. So there can be a continual enriching of the subjects of objectivist research by interpretive research.

This recognition of the socially problematic nature of the definition of compliance also leads to a different kind of explanatory theory building about compliance. This type of theory is concerned with uncovering the network of social construction processes that create plural understandings of compliance, and the power relations that result in one understanding being socially accepted as more legitimate than others (Edelman et al., 1991; Fairman and Yapp, 2005; Haines, 2011; Reichman, 1992; Shamir, 2010). The focus here is not on building hypotheses about what produces compliance (as in objectivist research). Rather, it is on understanding the processes of negotiation and social construction of compliance that are masked by apparently unified, singular and unproblematic social practices and linguistic terms. This strand of research has considerably enriched and nuanced classic studies of capture and of businesses as political actors (Dahl, 1961; Epstein, 1969; Kindleberger, 1970; Lindblom, 1977; Peacock, 1984; Mitnick, 1993; Vogel, 1986; and also, Talesh, 2009), both by collective and individual strategies (Kaufman et al., 1987; Hillman and Hitt, 1999).⁵ As Shamir (2010: 546) points out, this critique can also be turned onto the role of objectivist compliance research itself in validating the compliance industry (see also Miller and Rose, 1990: 4).

Where objectivist compliance research can be useful for the development of evidence based regulatory policy, the normative aspect of constructivist research is critique and emancipation. Constructivist research might show, for example, how certain meanings of compliance become

socially accepted even though they were self-servingly put forth by interested parties and are quite different to what was originally envisaged by those who made the rule (see for example, Edelman and Talesh, chapter 5 in this volume). Just as the explanatory theory building and testing that should underlie objectivist research for the purposes of evidence-based policy must also be good social science, so too sustained, rigorous, and critical compliance research is also an important aspect of social science more broadly (Parker and Nielsen, 2009; Schneiberg and Bartley, 2008). Research that uncovers whether and how the regulation of corporate capitalism ‘works,’ and reveals the power relations, values and goals represented in the way that compliance is constructed should be a core concern of social science theory building, and the relations between corporate power, state power, and civil society are fundamental social science subjects (Garsten and Jacobsson, 2007; Shamir, 2010; Silbey, 2009).

Here too, we see a dialogue between objectivist and interpretive empirical compliance research. Although objectivist and interpretive research have different ambitions for the relationship between theory and research, yet concepts, typologies and relationships can be shared between the two styles of research. Thus looking at Figure 1.1, we see that objectivist research comprehends the concern of interpretive research with the social construction of compliance by recognizing that regulation and compliance are interactive and dynamic. Many of the arrows go both ways, in order to recognize that regulation and compliance are negotiable and that the social meaning and understanding of regulation are determined by how regulatees perceive and respond to it. Understanding and explaining ‘compliance’ therefore requires mapping, understanding and testing the interactions of a complex range of factors and processes.

EXPLAINING COMPLIANCE: INTRODUCING THE CONTRIBUTIONS TO THIS BOOK

This collection brings together contributions from empirical research into traditional areas of state based social, economic and financial regulation of business alongside a rich and growing empirical literature on ‘beyond compliance’ and ‘voluntary regulation.’⁶ The editors approached leading researchers who had already made a substantial contribution to empirical research on business regulation and compliance. Each was asked to write an essay summarizing their own empirical research on an aspect of compliance and how their findings contribute to, or question, the overall theoretical project of understanding and explaining business compliance with regulation. Thus each chapter in this volume presents the author’s summation of

their own work in compliance research, and their summary and analysis of the state of the research on that particular topic in compliance research more generally. As a whole, this collection is therefore a crystallization of illuminating empirical scholarship on organizational responses to regulation.

Many regulatory scholars read empirical scholarship from across a range of regulatory policy areas and national and international jurisdictions, and some indeed work across a range of regulatory regimes. Nevertheless, there is a danger that some of the fine work done in this area might only be read by those with an interest in a specific regulatory policy area or country. Our aim in this book is to bring into dialogue empirical work on compliance and organizational responses to regulation regardless of the specific policy area concerned. Bringing these together can foment thinking to develop more robust and analytically appropriate frameworks, as well as generating knowledge about findings across a number of policy areas.

This book is not, however, merely a collation of essays summarizing leading scholars' individual contributions to compliance research. It demonstrates rather the collective contribution individual studies have made to understanding and explaining business responses to regulation. In the following sections, we therefore introduce the chapters by showing how they complement and challenge one another towards building more holistic theories of compliance. This is not to suggest that all these diverse contributions can or should be corralled into just one clear and unified theory of compliance. There are of course ragged edges, open questions, conflicts and competing conceptualizations among the chapters. The particular arrangement of the contributions presented in this book is one way to illuminate the contours of the ongoing scholarly dialogue about compliance.

The book is divided into four sections, broadly reflecting four main themes or variables examined in empirical compliance research and illustrated in Figure 1.1 (above): (1) what motivates firms and individuals to respond to regulation in different ways; (2) the internal characteristics and capacities of business firms as organizations to respond to regulation; (3) the influence of different regulatory enforcement strategies and styles on how firms respond to regulation; and (4) how regulation and responses to regulation emerge from regulators' and businesses' interactions with their broader social, economic and political environments. We discuss the significance of each of these themes in explaining compliance and the way they interrelate as we introduce the substantive contributions to this book.

Part I: Motives

Much compliance research is concerned with challenging and extending classical deterrence theory's explanation of what motivates individuals

and businesses to comply with regulation. According to classical deterrence theory, compliance is, in principle at least, the result of a one-dimensional decision-making process: individuals and businesses are self interested utility maximizers who will comply with regulation if the probability of swift detection and sanction by the regulator in combination with the amount of the penalty outweighs the benefits of noncompliance (for example, Becker, 1968; Ehrlich, 1972; Stigler, 1970). The three chapters in the first part of this book summarize the way that compliance research challenges and pluralizes this picture of compliance decision making.

In chapter 2, Robert A. Kagan, Neil Gunningham and Dorothy Thornton use their observational and interview research of business firms' environmental performance in various industry sectors to propose three basic factors that can motivate compliance and 'beyond-compliance' behaviour: fear of detection and legal punishment; concern about the consequences of acquiring a bad reputation; and a sense of duty. This fits well with a slew of analyses by other compliance researchers also arguing for a plural and interactive account of the social, economic and normative factors that motivate compliance (for example, Ayres and Braithwaite, 1992; Nielsen and Parker, 2008 and 2011; Winter and May, 2001). This research has therefore expanded accounts of what motivates compliance from classical deterrence theory's one motive (economic or material motivation) to three motives:

Economic (material) motives: the extent to which the firm is committed to maximizing its own economic or material utility, that is, to expand the business, make (and sell) more products and services, earn more money and return a greater profit to its owners. (We also include 'material' with 'economic' motives on the basis that the consequences of compliance or noncompliance may not be purely financial, but otherwise physical and material e.g. imprisonment of an individual, closing down of a plant.) This is sometimes referred to as 'calculative thinking' or 'rational choice' (for example, Winter and May, 2001). However, since the focus is on identifying the substantive goals or priorities that motivate firm behaviour, talk about 'calculative thinking' or 'rational choice' in this context is a category mistake. The extent to which individuals and business engage in a logic or method of rational calculation as opposed to other logics of decision making – such as pre-rational cognitive thinking or a logic of appropriateness (March and Olsen, 1989; Suchman, 1997) is a different issue to what substantive priorities and commitments they take into account (rationally or otherwise) in their decision making (see Shover and Hochstetler, 2006). Calculative thinking or rational choice is a capacity (discussed further below) rather than a motive.

Social motives: the extent to which the firm is committed to earning the approval and respect of significant people with whom an actor interacts including other businesses, trading partners, employees, customers, local communities, the wider public, family and friends (Winter and May, 2001:678; Grasmick and Bursik, 1990). The approval and respect of regulators might also be important since regulated businesses have a relationship with regulators with whom they interact on multiple occasions (Ayres and Braithwaite, 1992; Scholz, 1984). Some theorists seek to lump social motives together with economic motives since social stigma might lead to longer term economic and other losses (for example, Grasmick and Bursik, 1990). Lumping social and economic motives together however does not adequately recognize the distinctive power of the psychological motivation to be well regarded by one's peers, and to act even against one's own economic interests to accord with others' perceptions of what is the right thing to do – especially where the focus of study is social (as opposed to economic) regulation (Braithwaite, 1989:69–83; Makkai and Braithwaite, 1993; Nielsen and Parker, 2008). It is important to make this distinction: whether it is a social or economic motive that is operating on a firm or individual's behaviour could make quite a difference to regulatory policy. If a firm is primarily economically motivated, then large fines might be necessary to ensure compliance. Whereas if the firm is more socially motivated, then quite a small fine might be effective as long as firm leaders believe that a breach of the law will become known and lead to social opprobrium.

Normative motives: the extent to which the individual or firm is committed to obeying the regulation for its own sake because of a sense of moral agreement with the specific regulation or a generalized sense of moral duty to comply with regulation (Winter and May, 2001:677). Normative commitment theories see compliance as a result of internalized value based judgments by people about the substance and procedures of the law and legal authorities (Tyler, 2006; 2009). Many empirical studies of responses to regulation in the 'compliance' (as opposed to the 'deterrence') tradition have focused on this category of motives (for example, Burby and Paterson, 1993; Levi, 1988, 1997; McGraw and Scholz, 1991; Scholz and Pinney, 1995; Tyler, 2006). Normative motives to comply can be based on people's belief that a law is just in the sense that obeying the law leads to an outcome that substantively fits with their moral or ideological values (Tyler and Darley, 2000; Kuperan and Sutinen, 1998). It can also refer to another dimension of normative motives, namely the situation where people are motivated to obey a law because they see that law, and its enforcement, as procedurally just (Tyler, 2006) – they trust the legitimate

authority of the law and of the regulatory agencies that administer the law, rather than evaluating the substance of the law.

Just as it is unsatisfactory to lump economic and social motives together, it is equally unsatisfactory to put social and normative motives together. Putting social and normative motives together does not adequately recognize the distinction between those goals that are pursued because others see them as desirable (social motives), and those that have been accepted or internalized (normative motives). Any theory for explaining regulatory compliance behaviour – and especially for suggesting policy responses to non-compliance – should be able to distinguish between situations where an individual or firm is independently and individually motivated to voluntarily comply and situations where some sort of social pressure (whether from an official regulator or third parties) is necessary to motivate compliance. It is true that we might expect that, in general, the more social pressure there is to comply, the more likely it is that individuals and firms will also accept the normative desirability of compliance for themselves. But where new and potentially controversial regulatory goals are introduced, such as stringent measures to reduce global warming for example, it might be quite important to understand whether firms can be motivated by social pressure to comply (social motivation) or whether they need to affirmatively agree or personally identify with the substantive goals underlying the regulation or at least trust in the legitimacy of the regulatory process in order to comply (normative motivation) (see Carbonara et al., 2008; Tyler, 2006).

Compliance scholarship has made it clear that the range of relevant motives is large and that they interact with one another in important ways. Ongoing research must examine how and why different constellations of motives arise (see Nielsen and Parker, 2011) and the extent to which they influence firm behaviour in different circumstances, including where firms have different capacities and characteristics, regulators and stakeholders behave in different ways, different policy goals are at stake and all this occurs in different economic and political environments. That is, the question is how plural motives interact with one another and are activated, conditioned and implemented by the other aspects shown in the model in Figure 1.1.

In chapter 2, Kagan, Gunningham and Thornton also expand understanding of the range of ‘regulators’ (or stakeholders) who can activate these motives. They theorize that business firms must deal with pressures emanating not only from their legal ‘license to operate,’ that is, the regulatory obligations they must meet and the punishment they will face from official regulators if they do not, but also their ‘economic’ and ‘social’ licenses to operate. Their economic license requires them to meet the financial expectations of investors, creditors and chief executives, and also

serves as an indicator of worth and value in capitalist society. Their social license by contrast relates to the pressure they feel from local neighbourhoods, employees (especially from certain professions), media, and advocacy groups to engage in responsible environmental advocacy. Kagan and his co-authors provide a nuanced understanding of what influences environmental management style and performance by showing how these different pressures and motivations support or compete with each other. The chapters in the third and fourth parts of the book (discussed further below) return to this theme.

Another strand of compliance research seeks to expand and extend deterrence theory's concern with rational choice, and economic and material utility-maximizing motives for compliance (see Shover and Hochstetler, 2006; Simpson, 2002; Prakash and Potoski, 2006). In chapter 3, Sally Simpson and Melissa Rorie accept that social and normative factors influence compliance. They used quantitative questionnaires to study the intentions of managers to commit various corporate crimes in hypothetical vignettes. They find intriguing interactions between deterrence and morality: managers that have strong moral views on certain offences are less influenced by fear of sanctions than those without strong moral views. Simpson and Rorie's focus, however, is on how managers and firms make choices about the economic and material costs and benefits of compliance, and the multitude of factors at individual, firm, industry and economy-wide level that influence their decision making. They show that individual managers' choices are based on subjective perceptions of factors including the likelihood of detection by the regulatory agency, the reaction of the firm and the manager's own supervisor, and their own individual career. Using longitudinal data at the firm level about business firms' criminal offending, they find a mixed record of the impact of various economic factors on compliance and noncompliance. Their research shows how complex are the range of motivating factors influencing decision making about compliance at both the individual and firm level and how they differ by specific regulatory contexts.

The chapters by Kagan and co-authors and by Simpson and Rorie challenge deterrence theory not by denying the significance of fear of legal punishment as a motivating factor for compliance, but rather by extending and pluralizing the range of factors relevant to compliance. In chapter 4, however, Tom Tyler directly contrasts deterrence theory's account of what motivates compliance with procedural justice theory. He provocatively suggests that procedural justice is generally the superior explanation for how to motivate compliance, especially in business settings. Tyler summarizes the prodigious array of survey-based evidence he has collected over the years. This evidence shows that in general individuals are more likely

to comply with rules because they believe they are legitimate and moral, than because they fear punishment. In contemporary socially diverse societies the primary factor shaping perceptions of legitimacy and morality, and therefore compliance, according to Tyler's research, is the individual's experience of procedural justice in the relevant setting, that is, their sense that the rules and the authorities follow fair procedures. Procedural justice theory fundamentally sees compliance as normatively and socially motivated by individuals' ethical values (normative motivation) and their sense of identity with the person or organization trying to regulate them (social motivation). Procedural justice, or fairness, is important because it fosters people's sense of normative commitment to, and social identity with, the rules and regulators.

Chapters 2 and 3 (by Kagan et al. and Simpson and Rorie) focused on explaining regulatory compliance by whole firms and managers of firms. In chapter 4 Tyler applies his procedural justice research to examining why individual employees do or do not comply with internal company rules and policies. The same principles may well apply to firm managers' compliance with external regulatory requirements. Moreover, as Tyler argues, the examination of why employees comply with corporate policy is important in itself because much corporate compliance with regulation ultimately relies on being implemented in company policies that are followed by employees.

Tyler's focus on the individual employee as the unit of analysis for organizational compliance research raises a challenge for future researchers. More research on motives (and indeed other factors relevant to explaining compliance) is needed at different levels of analysis within the firm. Often, for example, empirical research on motives for compliance related behaviours is really about the motives of relevant managers, who are then identified with the firm (e.g. Nielsen and Parker, 2011). More research is needed on the motives (and capacities and other relevant behaviours) of different managers and employees within firms and the extent to which it is possible to identify firm level motivations that emerge from the motivations of these internal constituencies (cf Perez et al., 2009). Compliance researchers still need to grapple with the challenge of whether it is in fact meaningless to talk about firm level motives (and capacities) for compliance apart from observed strategies and behaviours (Oliver, 1991) or motivational 'postures' (Braithwaite, 2009).

Part II: Organizational Capacities and Characteristics

The chapters in the first part of the book are concerned with motivations to comply. But motivation to comply is of secondary importance if a firm

does not possess the capacity to comply. It is well established that regulated firms vary in relation to economic resources, technical knowhow, knowledge about the law, managerial capacity and oversight, and other resources, and that these differences to a large degree explain differences in compliance behaviour (Dasgupta et al., 2000; Dalton and Kesner, 1988; Parker and Nielsen, 2006 and 2009; Winter and May, 2001). The second part of the book focuses on research that delves more closely into the characteristics and capacities of business firms as organizations in relation to regulation. The focus broadens from motivation in relation to compliance as such to the whole range of capacities and characteristics with which organizations respond to regulation.

In chapter 5, Lauren Edelman and Shaubin Talesh challenge the ambition of regulatory research to explain what motivates corporate decisions to comply or not comply. They turn traditional understandings of regulation and compliance inside out by focusing attention on the capacity of organizations to create their own meanings for regulation and therefore compliance. This means that research about what motivates compliance and noncompliance often asks the wrong question since the firm possesses the capacity to influence the meaning of compliance to suit its own priorities regardless. Edelman and Talesh's own respective research projects on civil rights and consumer protection legislation show how organizations conceptualize compliance in ways that ultimately influence the law itself through judicial opinion and legislative change. In contrast to the studies in the first part of the book (which tend to assume that economic, social and normative motives are the starting point for explaining compliance), Edelman and Talesh point to the logic present in an organization's 'field' as a starting point for understanding a firm's response to regulation. The organization's 'field' refers to the widely institutionalized beliefs about legality, morality and rationality held by other similar organizations, customers and suppliers. This logic shapes each firm's understanding of regulation and compliance. As Edelman and Talesh show, a central aspect of the logic of organizational fields is preserving managerial authority and discretion within the organization. Their research uncovers specific examples of mechanisms through which this logic influences the logic of the legal field, and therefore the way organizational compliance is constructed.

Edelman and Talesh show how the priority given to managerial authority shapes the meaning of regulation and compliance in practice, even in the courts and legislatures. In chapter 6, Garry Gray and Susan Silbey further critique the priority given to management in social and scholarly understandings of compliance. Gray and Silbey make a cogent argument for the necessity of examining 'the other side' of the compliance relationship, those who are regulated rather than those who regulate. In one sense

all the research in this book heeds this call by taking the responses of regulated firms to regulation as the main focus of study. Gray and Silbey however interpret the need to examine 'the other side' more radically still. Their chapter argues for, and illustrates, the value of a micro-sociology of how the individual employee makes sense of regulation and compliance even in the absence of any direct contact with a regulator, and especially where those individuals are in a quite subordinate position within the firm (that is, regulated by their own firm). They suggest that it is not enough to study the way that firms and their management respond to regulation. Using illustrations from their own in-depth participant observation studies of health and safety regulation at work inside various large organizations, they show that it is also important to examine the way that compliance evolves through the experience of individual employees vis á vis both management authorities within firms and external regulatory requirements. Their chapter shows how different individuals within organizations develop different capacities to comply and different conceptions of regulations and regulators – as ineffective, as threats, or as allies – depending on their degree of agency, knowledge, hierarchy, autonomy and experience within the organization and whether they have direct contact with regulators.

In chapter 7, Jonathan Borck and Cary Coglianese argue that there is still a lack of attention to large scale systematic analysis and testing of firm (or site) level internal organizational factors that explain compliance behaviours. In previous research, Coglianese and co-authors have suggested a way of categorizing the various internal organizational factors relevant to organizational responses to regulation (Howard-Grenville et al., 2008), including: incentive systems (what is rewarded and punished – compensation and discipline systems); politics (who has power and how power is obtained in the organization; how conflicts are resolved; which unit or individual gets resources to deal with which issues); organizational identity (myths, values, stories about who we are and what we do and how we relate to the outside world); habits and practices of everyday work (things that are taken for granted about what we do around here); and self-monitoring (propensity to engage with and worry about outsiders). There are also more fundamental factors that may be important because they underlie some of the factors above, such as: resources (including people and their professional and personal backgrounds, cognitive capabilities and social skills; technology and innovation; finances and profitability); size (perhaps a proxy for some of the other things above); and technical production processes etc., related to the particular goods and services produced by the firm.

In their chapter, Borck and Coglianese summarize their survey-based research, systematically identifying and testing which internal

organizational factors explain why business firms do or do not choose to commit themselves to voluntary regulation in the form of 'beyond compliance' environmental programs created by the US Environmental Protection Agency. Borck and Coglianese find that size, overall internal support for compliance activities, and a history of seeking the opinion of outside community members and environmental advocacy groups are all at least as important as externally generated pressures such as awareness of impending regulation in explaining business behaviour.

The final chapter in this part, chapter 8 by Christine Parker and Sharon Gilad, seeks to more holistically conceptualize the various internal organizational factors that together create organizations' responses to regulation. Parker and Gilad have both conducted qualitative in-depth interview studies of large organizations' implementation of compliance management systems in response to regulation. Using their own research and other empirical literature on corporate compliance management systems, they suggest that these systems can be best understood in terms of the interaction between structure (adoption of formal compliance systems) and agency (perceptions, motivations and strategies of individuals at all levels of the organization) through culture (local norms and habituated practices) (see Vaughan, 1998). They show how structure and agency interact through culture at three nodes of implementation of compliance systems within the organizations they studied: top management decisions to implement a compliance system; the compliance strategies of specialized compliance managers; and the ways in which compliance systems are communicated to and experienced by individual employees. The chapter concludes by summarizing a preliminary attempt to more systematically identify and test structure, agency and culture in compliance system implementation, and their effects. Where Gray and Silbey focus on the microsociology of individuals' responses to, and social constructions of, regulation, while Borck and Coglianese seek to specify exactly what management characteristics and practices lead to compliance, Parker and Gilad seek to elucidate the complex interactions between individuals and structure that create firm (compliance) systems.

Part III: Regulation and Enforcement of Compliance

The two sets of chapters discussed so far have been primarily concerned with organizational characteristics internal to the firm. However we also need to take into account the fact that firm behaviour is influenced by formal and informal institutions that originate outside the firm and function as mechanisms for regulation, socialization and interpretation. These institutions also in turn condition how internal firm

characteristics (motives, capacities and resources) affect behaviour (as shown in Figure 1.1).

Neo institutional theory suggests that business behaviour is conditioned to some degree – but not completely – by different types of formal and informal institutions that dictate, limit, and also enable certain actions (Peters, 1999; Scott, 2001b). The literature distinguishes between regulative, normative and cultural cognitive institutions (Scott, 2001b:52): Regulative institutions include laws and other hierarchically determined rules (Ostrom, 1990 and 1991). Normative institutions include norms and values that develop either within individual organizations, between organizations, within a given profession or, as in relation to business regulation, at a societal level between the firm and professional peers, stakeholders, customers and so on (March and Olsen, 1989). Cultural cognitive institutions include administrative practices and routines that over time become taken for granted as the correct behaviour not just between regulatees and regulators but again also between stakeholders, peers, customers and regulatees (DiMaggio and Powell, 1991; Meyer and Rowan, 1991).

Applying this literature to compliance research, studies focusing on the effect of regulatory deterrence have shown that formal changes in levels of sanctions, agencies' enforcement strategies or inspection effort will change, at least for a while, the behaviour of regulatees (Scholz, 1997; Tittle, 1980). Sociological studies have also shown that changes in informal institutions such as changes in environmental norms and values in society or changes in professional norms within an industry and/or an epistemic community likewise change the behaviour of regulatees (Grasmick and Bursik, 1990; Simpson, 2002:43; Winter and May, 2002). We have already introduced Gunningham et al.'s (2003) conceptualization of businesses' three 'licenses to operate' (the economic, social and legal licenses), which also implicitly recognizes the influence of formal and informal, legal, social and economic institutions.

The third part of the book turns to the influence of regulatory institutions – regulators and regulatory enforcement – on compliance. (The fourth part considers social and economic institutions or environments for regulation and compliance.) As we have seen compliance researchers are delving further and further into understanding and explaining 'the other side of compliance' (in Gray and Silbey's terms): that is, how firms and the individuals within them experience and negotiate regulation. Along with expansion in the understanding of substantive motives relevant to business firms' responses to regulation, another central concern of compliance research has been expanding understanding of who 'regulates' – contingently – business behaviour. When compliance researchers look at regulation and regulatory enforcement, they are concerned with how

these are perceived and responded to by those firms and individuals who are being regulated. From this point of view, it becomes obvious that each firm must respond to a range of state-based and non state-based regulators and enforcement attempts, all at the same time (see Handler, 1978). These regulators include official state-based regulatory agencies as well as suppliers, other supply chain partners, customers, shareholders, local communities, industry groups, NGOs and so on. All have different interests in what regulatory compliance means, and various capacities to influence both regulators and businesses in various situations (Black, 2003; Gunningham et al., 2003:35–40; Hutter and Jones, 2007; Shamir, 2011).

In chapter 9, Neil Gunningham overviews his own and others' research on one important institutional pressure on firms – regulatory enforcement. His main interest is in how regulatory enforcement strategy is best designed to evoke responsiveness to regulatory policy goals in regulated firms. Gunningham begins by summarizing how Ayres and Braithwaite's (1992) influential theory of responsive regulation created an alternative to a dichotomous view of using either 'punishment' or 'persuasion' in enforcement. He goes on to show how two more recent theories of regulation enforcement, his own 'smart regulation' (Gunningham and Grabosky, 1998) and 'meta-regulation' (Parker, 2002; see also Bluff and Gunningham, 2004; Gilad, 2010) further developed responsive regulation.

All three theories in Gunningham's chapter share (with varying degrees of emphasis) three fundamental assumptions with one other, and also with neo-institutional theory. First, they build from a nuanced and plural understanding of the motivations of business (on the basis of the type of research set out in the first part of this book) to propose that plural regulatory strategies are necessary and that regulators must be 'responsive' or 'smart' in the way they are used. Second, their focus on an holistic understanding of what motivates business leads researchers to consider the range of state and non-state actors that can influence business behaviour one way or another by providing or withholding resources or attitudes of approval. Thus they do not see 'regulation' as only about state-based regulators but as involving a plurality of other commercial and non-commercial actors including consumers, other businesses up and down the supply chain, local communities and so on. 'Smart regulation' particularly emphasizes and develops this aspect of responsive regulation. Third, putting together an understanding of the complexity and influence of internal organizational factors on business compliance behaviour (see the contributions to the second part) and also recognizing the significance of a range of non-state 'regulators' for business behaviour, there is a focus on examining the capacity and commitment of organizations and internal

constituencies within organizations to regulate themselves. This is a particular concern of the theory of 'meta-regulation.'

In chapter 10, Peter May and Søren Winter summarize a course of research in which they and others have sought to systematically delineate the different enforcement styles of regulatory inspectors, and to test the varying effect of these different enforcement styles on compliance. They define an enforcement style as 'the character of the day-to-day interactions of inspectors when dealing with regulated entities.' On the basis of their empirical studies on environmental and health and safety inspectors in Denmark and the US, they argue for a multi-dimensional conceptualization of enforcement style. This further nuances and pluralizes understandings of compliance by recognizing that firms perceive and respond to multiple different strands of what regulators do at the same time.

May and Winter identify two dimensions of enforcement style in particular – formalism and coercion. The combination of these dimensions gives rise to at least three different enforcement styles which they label 'insistent,' 'token' and 'rule-bound.' Their systematic attempts to identify different enforcement styles (on the basis of data from both regulators themselves and as perceived by those regulated) provides the sort of detailed analysis of enforcement behaviour that is necessary to test the practicality and impact of enforcement strategies such as responsive regulation in practice. But May and Winter point out that systematic hypothesis testing research on the compliance effects of different enforcement styles is surprisingly sparse. There is perhaps a little more literature on the reasons inspectors use different enforcement styles including the impact of different political, industrial and organizational settings for regulation, and the personal capacities and careers of inspectors themselves, which May and Winter also discuss.

In chapter 11, Matthew Potoski and Aseem Prakash further develop analytical understanding of the significance of voluntary non state regulation. They show that state-based regulation necessarily involves a dilemma. If state regulator and firm cannot legitimate themselves to each other, they will fall into a conflictual pattern of relations in which state regulators feel they have to engage in harsher, less flexible enforcement, and firms feel that they should pursue their self interest via minimal compliance and opportunistic noncompliance with the law. Their research suggests that in certain circumstances firm's involvement in voluntary regulation programmes such as accreditation to the environmental management system standard, ISO14001, can signal that firms are genuinely cooperating with regulation. Their research concerns what separates successful programmes that signal genuine cooperation from those that allow shirkers and 'green-washes.' They see compliance with state-based regulation as most likely

where firms regulate themselves (by participating in voluntary regulation), stakeholders reward good voluntary regulation, and state-based regulators are willing to be flexible and reward genuine cooperation.

In chapter 12, Yuval Feldman and Orly Lobel look inside the corporation for potential non-state or 'decentralized' enforcement in the form of employee whistle-blowers. They suggest that the likelihood of employee whistle-blowing should be factored into explanations of compliance. They report on a series of survey-based studies using hypothetical vignettes that they have carried out in the US and Israel to explain what makes people likely to blow the whistle on their employer and how they might do it (within the organization or to an external regulator). Thus their unit of analysis is the individuals (employees and managers) inside the firm. It is the interaction between the different interests, motivations and behaviours of the individuals who make up the firm that creates the behaviour of the firm. Thus when individual employees monitor, report and enforce violations within firms, they act as 'regulators' in one sense but also help to construct the overall compliance approach of their firm (cf Gray and Silbey's more pessimistic view of the individual employees as the 'regulated' in chapter 6).

Further questions for objectivist and policy-oriented research on the impact of regulation and enforcement on compliance

Much research has been done on identifying different 'styles' of regulation, how the different styles attempt to influence compliance and how they are perceived by business. It is, however, still a question for future research how significant regulatory agencies' enforcement strategies and inspectors' enforcement style are to compliance compared with other internal organization and external institutional factors. It is still debatable, whether regulatory enforcement and the interaction between enforcement and compliance is so contextual and situational that researchers should give up on any conclusions. However, before leaving it all on the research graveyard labeled 'too situational and conditional to conclude anything general,' we suggest the following further research questions for objectivist and policy-oriented research.

First, there is still more work to do in understanding whether there are systematic conditional effects of different enforcement strategies and styles by reference to firm characteristics and capacities in different regulatory policy arenas. Are there systematic differences between for example different industries and/or between large companies and small companies? And, does it vary between regulatory policy areas? Does it depend on whether regulated firms in particular policy arenas are a very homogeneous or heterogeneous group, large or small, mainly highly professional and

specialized businesses or not? Who are the 'significant others' of regulated businesses operating in that policy arena, that is, who do business firms worry about?

Second, compliance researchers should also consider the characteristics of the different regulatory policy arenas themselves: for example, do they relate to very complex, technical regulatory problems? Is it a policy area with or without active third parties? Is it an area of regulation with which there is wide agreement about the economic or social policy goals or values underlying the regulation, or is it a more contested area?

Third, compliance researchers need to further study the interaction between different formal and informal institutions, including regulatory agency strategy and inspectors' enforcement style, on business motives in different firm and regulatory policy arena contexts. It is of interest to know whether or not institutions that diverge from the motives of regulatees have different effects to institutions that converge in different situations. Another highly relevant question in this literature is whether or not the use of institutions that primarily target motives that depend on an external stimulus (such as economic and social motives) crowd out and hence undermine motives based less on an external stimulus (such as normative motives) (Frey, 1997; Frey and Jegen, 2001).

Fourth, as shown in Figure 1.1, institutions have both short term and long term effects. Institutions' effect through dictating, limiting, and enabling actions, and as such through making some actions more attractive than others, covers only the short run. However, institutions might not only have a regulative and an interpretative effect. They may also in the long run have profound influences on the socialization and learning of regulatees and, it follows, make fundamental changes to regulatees' basic motives. For example, historic and longitudinal studies show that changes in environmental values and norms at society level have changed not just businesses' environmental behaviour but also the environmental values and norms of the businesses. They are profoundly more pro environment than they were 30 years ago (Hoffman, 1997). It is generally two very different research agendas to explain fundamental long run changes – and hence regard compliance motives as endogenous factors – and to explain or predict short term behaviour – and thus make stable and analytically exogenous motives the baseline from which hypotheses of behavioural effects are deduced. Notwithstanding, if we want a general and comprehensive explanation of regulatory compliance in any situation, we need to take into account both the short run contingent effect of formal and informal institutions and actual behaviour *and* the long run formative socialization effect of formal and informal institutions on the constitution of the regulatee's basic motive to behave.

Finally, it is also important to remember that the dotted arrows emanating from the formal and informal institutions box in Figure 1.1 work in both directions. Policy oriented analysis tends to focus on businesses as respondents to regulation. Most actors however experience themselves to be both regulators and regulatees, attempting to influence the motives, understandings and behaviours of others (including even state regulatory agencies) and also being subject to influence. This sees regulation and compliance interacting in terms of a plural range of actors and influences in a 'network' (Braithwaite and Drahos, 2000), 'space' (Scott, 2001a; see also Hancher and Moran, 1989) or set of 'fields' (see Edelman and Talesh, chapter 5 in this volume), rather than as a hierarchy in which regulation successfully puts itself on top while compliance is on the bottom. This is the concern of the chapters in the fourth and final part of the book.

Part IV: Social and Economic Environments for Regulation and Compliance

The fourth and final part of the book includes contributions that are concerned with the broader social, political and economic environments for regulating firms, and how they influence compliance. As we saw above, Edelman and Talesh's chapter 5 directs attention to the way in which organizational compliance is socially constructed in the interaction between the legal field and the organization's field. That is, the substance of regulation and what counts as compliance with that regulation is not solely endogenous to law: it is interpreted and transformed by ideas dominant in the social and political environment of the regulated organization. The chapters in the fourth part of the book return to this theme.

In chapter 13, Fiona Haines summarizes a number of the themes of this book by looking at the 'compliance challenge' for regulators of bringing together the 'world of the regulated place' and 'the world of legislative intent.' She uses her own research on regulatory character in health and safety regulation in Thailand and her analysis of Australian regulators' challenges in implementing regulation developed in response to various crises (financial collapse, terrorist threat and a major industrial accident). As in a number of other chapters in this book, she finds that legal, economic and normative institutional pressures (or 'motives', if considered from the internal perspective of the firm) are a good way of summarizing important influences on compliance. But she also argues that 'it is not sufficient simply to study compliance as a product of the competing and multiple influences in any given place. The nature of the law, the way it was developed, and the audiences it was designed to appease are also all

important dimensions to consider in fully understanding the compliance challenge.' Haines points out that regulation, and therefore compliance, certainly has an instrumental purpose of reducing harm. It also, however, has a socio-cultural purpose of reassuring citizens about the maintenance of social order, and a political purpose of legitimating authority. These three purposes, instrumental, social and political, cannot necessarily be satisfied all at once. Yet somehow both regulator and regulated must negotiate the challenge of managing them simultaneously. It is out of this complex mix that both regulation and compliance emerge.

While Edelman and Talesh summarized evidence about organizational capacity to transform the meaning of law in the court and through the legislatures, Hutter has researched how regulatory inspectors negotiate the meaning of compliance in enforcement encounters in the light of their relationship with firms and the broader social and political context for enforcement (including the resources available for enforcement, perceptions of levels of public concern about the type of violation and so on). In chapter 14, Bridget Hutter summarizes this research and the findings of two other projects examining 'the other side' – how firms negotiate compliance. Her in-depth case study of British Rail and its response to health and safety regulation, like a number of other chapters in this volume, shows the richness of data available when the researcher looks inside the firm and recognizes the variety of different motivations and capacities represented by different individuals and work units inside the firm. Hutter's third research project, an interview and survey based study of food businesses' experience of regulation, shows that business firms are very aware of the multiple sources – state and non state – of regulation and of interpretations of what counts as compliance. She thus shows how actors and ideas in the social and political environments of state and non state regulators are perceived by and influence regulatory inspectors, regulated firms and those inside firms.

In chapter 15, Judith van Erp focuses on one way in which regulators can try to activate the social and economic environment of regulated businesses to enhance compliance – by 'naming and shaming' noncompliant firms. Other chapters, such as chapter 5 by Edelman and Talesh and chapter 14 by Hutter, demonstrate how social and economic environments subtly transform implementation of regulatory enforcement and the practice of compliance. Van Erp's chapter, on the other hand, is concerned with how regulators try to instrumentally enrol social and economic stakeholders to enhance the impact of official regulatory enforcement on regulated firms (see also Black, 2003). She suggests that naming and shaming can enhance the impact of regulatory enforcement in three ways: deterring firms through tangible reputational damage, by non-tangible reputational

damage or by educating firms about appropriate behaviour. However, as she shows, these attempts to socially construct blame are only likely to be successful in certain circumstances. Thus she avers to a recurring theme of this collection, that once the social and economic world of the regulated firms and individuals are taken into account, it becomes very complex and challenging to identify clear and direct effects of regulatory action on relevant behaviours.

Finally, in chapter 16, Benjamin Cashore, Graeme Auld and Stefan Renckens analyse the relationship between what they call 'non state market driven' (NSMD) governance and official regulation. They point out that increasingly business firms are being asked to comply with environmental and social responsibility standards that are set and audited by multi-stakeholder bodies rather than official state-based regulators. They summarize their own extensive research on the effects and effectiveness of these NSMD systems. In doing so, Cashore and co-authors question the relevance of taking a narrow approach to measuring merely whether particular standards improve compliance by particular firms. Rather they suggest that scholars should also ask a series of questions that are essentially about how firm participation in NSMD schemes changes their social and political environments, and therefore indirectly affects other firms and other regulatory efforts (including state-based regulation) to change in the future. That is, the most important question for social scientists (and for those seriously interested in policy evaluation) is not for example whether individual firms in fact drop their carbon emissions when they participate in a private climate change abatement program. Rather the critical questions are whether they do so at significant cost to themselves because not to do so has become culturally 'unthinkable,' whether this in turn has a 'regulatory' effect on firms that did not initially choose to join the private program and whether it builds support for further development of both private and state-based regulation.

CONCLUSION

Cashore, Auld and Renckens' analysis of the interrelationship between non state market driven governance and official regulation brings us back to social constructionist theories of 'compliance' and 'regulation'. This approach sees regulation and compliance as more about the interaction of actors within a network, space or field rather than as a one-way relationship of influence and response. It sees the relations between regulation and compliance as interactive and dynamic. This research approach focuses on uncovering the network of social construction processes that create

understandings of compliance among businesses and their managers and employees, official regulators and various other actors in the social and political environment. It also recognizes that these various actors will see themselves – and therefore behave – as both ‘regulator’ and ‘regulated’ in different situations. This understanding problematizes and also animates the very project of ‘explaining compliance’ (Edelman and Suchman, 1997: 501–2).

Turning back to Figure 1.1, we have already made it clear that the arrows flow in both directions between formal and informal institutions on the one hand and firm motives and capacities and characteristics on the other. But it is now clear that the arrows should be shown as flowing in both directions all over the diagram. In order to explain any particular response to regulation (including any compliance behaviour by firms) there are a plural range of dynamic and interacting factors to take into account (in objectivist research terms) or (to put it from a different point of view) there are complex processes of social construction of the meaning of regulation and compliance to understand.

These plural double headed arrows should also reach inside each neatly delineated box to the humans interacting within and across the boundaries of the various actors, structures or institutions depicted in the diagram. Explaining compliance also involves examining the micro power relations between the actors involved without assuming that the legal story at the macro level as to who is officially labeled as regulator and who as regulatee is the only story to be told. It is these micro interactions and power relations between firms (their managers and employees), regulators (policy makers, enforcement agencies and street level inspectors) and various other social, economic and political actors in regulation that result in one understanding of compliance being socially accepted as more legitimate than others, and result in different specific behaviours that might be labeled ‘compliance’ or ‘noncompliance’ (Edelman et al., 1991; Fairman and Yapp, 2005; Reichman, 1992). It also gives the policy-oriented researcher many standpoints from which to seek to evaluate the implementation of regulation and the objectivist social scientist many different conceptualizations of compliance that should be measured and explained in any particular situation (Parker and Nielsen, 2009).

Explaining or understanding compliance is as intellectually challenging – and exciting – as any field of social science research. Explaining compliance indeed demands empirical research that is epistemologically and methodologically plural. We hope that after seeing the richness of each individual chapter in this volume the reader will agree and be inspired to further research.