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Collaborative Standards, Voluntary Codes and Industry Self-regulation

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The Role of Third-Party Organisations

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In a complex, global economy, firms seek a range of mechanisms for addressing regulatory and social movement pressures. This requires an evolution beyond our current models of response to regulation and control. This paper offers ideas on collaborative control and industry self-regulation as alternative mechanisms for addressing regulatory complexity. It explores a range of self-regulatory practices worldwide, proposes a framework for examining its use, potential and limits, and discusses the critical role of third-party organisations in the process.

- Business–government
- Business–NGO relationships
- Standards organisations
- Strategic response to regulation

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EVENTS OVER THE LAST DECADE DEMONSTRATE THE INTERCONNECTEDNESS OF the global economy. Consider the domino effect of the US credit crisis on banks and financial institutions in Europe and Asia. Witness the impacts of protests during the last five World Trade Organisation talks (labour and environmental policy), controversies over immigration policies across Europe and North America, multiple food and product safety incidents, and growing challenges to intellectual property rights and rules. Executives and policy-makers recognise we are in a more interdependent and complex world. We are noticing pressure on the global 'commons' (Ostrom 1990).

In response, firm-level strategy has migrated beyond economic interests to include sociopolitical issues (Mahon and McGowan 1998). An executive's perspective is increasingly global, cross-organisational and network-oriented: from supply chains to strategic alliances and from public affairs management to public–private partnerships (Parkhe *et al.* 2006; Waddock 1991). Recognising the need for product market strategies, contingency plans (Raynor 2007) and issues management, firms are more proactively involved in stakeholder management (Freeman 1984; Mitchell *et al.* 1997), public affairs and political strategy (Mahon and Griffin 1999; Griffin and Dunn 2004), and corporate citizenship initiatives (Waddock 2004). As with outsourcing to experts to meet critical business needs, firms are experimenting with a variety of institutional mechanisms to address regulatory and social issues. Additionally, traditional civil society institutions such as trade associations and professional societies are helping to create new watchdog and reporting entities (e.g. Global Reporting Initiative) that address the 'commons' challenge.

Complex technologies, interdependence and globalisation require us to look at governance mechanisms, standards and rules in different, perhaps more dynamist ways (Ostrom 1990; Postrel 1998). The control systems which emerged in more placid and stable environments included hierarchical and bureaucratic mechanisms such as legislation, litigation and the judicial process. The 'commons' was policed for the most part by government entities and institutions (Barnett and King 2008). But these regulatory mechanisms are not well equipped to cope with the novel and unanticipated consequences of the new levels of interdependence (Trist 1983). Adaptability is often enhanced if organisations are able to move towards a negotiated order in which they acknowledge their interdependence and take the purposes of other organisations into account (Emery and Trist 1973).

The purpose of this paper is to describe and define industry self-regulation, particularly with respect to the role of third-party organisations, and to offer examples of current systems and to explore new opportunities and areas to consider. In the broadest sense, self-regulation is an alternative form of governance: the decision over who decides what behaviours, rules or standards are appropriate and how to enforce those rules. Yet we recognise it is a response to some failure in a market (e.g. standards, professional conduct, etc.) or a need to control a marketplace inefficiency not addressed by current institutions. Finally, it is a process, a search for a balance that government, business and civil society institutions such as trade associations, professional associations and watchdog organisations work out over time.

The literature

Before delving directly into the literature on self-regulation, we must step back for a moment. The major theme guiding our inquiry is a search for appropriate institutional arrangements—formal and informal (North 1990)—to address marketplace inefficien-

cies and regulate business behaviours in a complex environment. For particular types of behaviour, are there alternative means to achieve the ends intended by regulation? *A priori*, we should examine our notions of governance and control. At the extremes, it is either centrally controlled by an outside party (e.g. the state), or it is self-organised, self-policed and self-sanctioned. But what about the many cases that fall between these extremes? In some domains such as resource sharing, we see evidence where strict reliance on centralised command and control has given way to participation, stakeholder dialogue and decentralisation (Ostrom 1990). In the broadest sense, governance as a form of control has extended beyond attention to internal organisation systems to include the management of external relationships and stakeholders (Williamson 1996; Monks and Minow 1996) via various institutional arrangements. At the firm level, being explicit about values, while integrating environmental and stakeholder interests, is at the heart of corporate citizenship (Waddock 2004). Evidence of network-level governance is apparent in entities such as Waddell's (2003) global action networks as well as in signatory agreements such as the UN Global Compact.

Recent work in regulation has focused on institutional structures (McCraw 1984; Williamson 1985; Getz 1995), compliance (Mitnick 1980), reform (Breyer 1982) and variation (Harris and Carman 1987). Some attention is given to evaluating the deregulation of airlines, telecommunications and trucking industries, and to suggesting alternative institutional mechanisms such as self-regulation and stakeholder regulation (Gupta and Lad 1983; Lad 1991). Barnett and King (2008) present a detailed analysis of self-regulation and its evolution over the last two decades in a range of settings from brewing, to forestry, to the Responsible Care initiative in the chemical industry. Rees (1997) and King *et al.* (2005) have suggested the value of self-regulation particularly in the environmental area and have noted the critical importance of third-party associations and institutions. They note that the process is more collaborative. Austrom and Lad (1989) would argue that firms and third-party institutions are adapting to the turbulent environment.

As issues of product safety and quality have entered trade discussions, and country-to-country differences in standards such as pharmaceutical testing and accounting have made headlines, it is clear that a more critical examination of appropriate mechanisms for global regulation is occurring. A recurrent issue in discussions in Brussels for the European Economic Community (EEC 92) has centred on the cooperative design of processes for setting and enforcing rules and standards. These processes are referred to in traditional terms such as collective action (Olson 1965), collective strategy (Astley and Fombrun 1983), cooperation (Schermerhorn 1979), transorganisational systems (Cummings 1984), issues management alliances (Austrom and Lad 1989) or catalytic organisations (Waddock 1991). Entities both traditional (associations) and new are taking action to secure the 'commons', manage social issues or address a problem unmanageable with current mechanisms.

A framework for examining regulation

The themes from the literature suggest that control has shifted to include involvement of those being controlled, the use of collaboration to address issues that were not served by organisations going it alone, and the trend in regulation to consider appropriate institutional arrangements and representative parties when designing regulatory systems.

Figure 1 provides a perspective on regulatory policies and where opportunities for self-regulation or cooperative regulation might be considered. The horizontal axis is a spectrum from low to high of business involvement in regulation; the vertical axis rep-
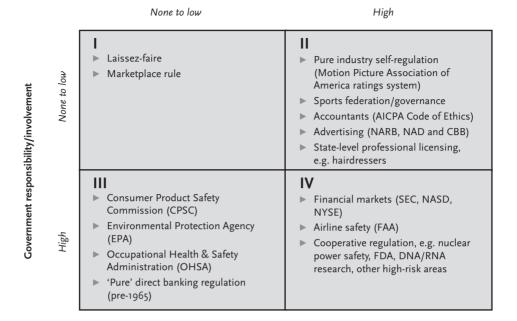
Industry responsibility/involvement

Figure 1 GOVERNMENT AND INDUSTRY INVOLVEMENT IN THE REGULATORY SYSTEM: THE DISTINCTIONS BETWEEN DIRECT REGULATION, SELF-REGULATION AND COOPERATIVE REGULATION

resents the scale from high to low of government involvement. Traditional direct regulation would fall in the lower left cell (cell III), and basic self-regulation would appear in the upper right cell (cell II). Deregulation and market rule fall into the upper left cell (cell I). The lower right cell (cell IV)—high government involvement and high business involvement—is the domain for collaborative control.

This paper focuses primarily on cells II and IV. In the former, the case of basic self-regulation, government involvement is low. The salience of regulatory failure is low. Yet business involvement is high. The reputation of the industry or profession is at stake. A third-party organisation steps up to impose order. In the latter case, cell IV, both business and government are involved. Typically, these are high-risk industries where processes are complex and issues of safety are critical. Both parties recognise the need to work together.

Two points are critical. First, many examples of social regulation entail some shared responsibility for the regulatory process. Of major importance to business is involvement in the various hearings processes prior to legislation, and in discussions of necessary enforcement procedures. Second, cell IV depicts those regulatory areas in which *both* business and government work together. Consistent with commentary by Chatov (1978) and Schultz (1985) on business–government cooperation, the issues arising here simply require the expertise of industry and the oversight of government. In addition, if the regulatory design pattern being established in Brussels is replicated, it is here that international regulatory issues will fall.

Self-regulation, collaborative control and third party organisations

The traditional approach to control of improper business behaviour in the US and other developed countries is direct regulation by government. Laws are passed and agencies, commissions and courts are organised to carry them out. Government via courts and administrative structures is the mechanism or means through which social control is established and exercised. Yet, in some instances, namely areas of high business and high government involvement (cell IV), alternatives to total government involvement are possible and, in fact, necessary. We have government-sanctioned and -endorsed systems of industry and/or professional groups who shape standards, impose rules and certify and license professionals by themselves (cell II). Additionally, we have those areas (cell IV) where business and government have high involvement and need to collaborate in the process.

Self-regulation is a regulatory process in which an industry-level organisation (such as a trade association or professional society) sets and enforces rules and standards relating to the conduct of firms as well as individuals in the industry. The system is characterised by rule making/standards setting, monitoring and enforcement stages. In some low-risk areas (hairdresser and real estate licensing; CPA [certified public accountant] certification) the profession works on its own. More typically, committees within third-party organisations such as industry associations or professional societies propose standards and request government approval through advisory opinions. If the process is collaborative, it can reduce the chances of antitrust claims based on restraint of trade. Monitoring and enforcement procedures are set up to encourage problem resolution within the system before referring the case to government. Often, government serves as the enforcer of last resort (Lad 1992; Rees 1997; King *et al.* 2005).

Self-regulation takes on a variety of forms designed to address particular issues: for example, technical standards, credentialling, accreditation and codes of ethics. As we see in biotechnology safety and stock exchange trading (cell IV), business and government are partners in the responsibility for policy-making and enforcement. In some cases, government asks for help. In others, the trade group or profession sees an opportunity to be involved. Evidence from a range of examples in the US, Canada, Europe and Australia suggests that in some areas—motion picture ratings, advertising content, perfume standards, hairdresser licensing—government encourages the industry to set standards and provides only limited oversight (cell II). In others, such as power plant safety and drug testing, government needs industry expertise and sets up mechanisms for working together. One way to visualise the variety of forms and the overlap across sectors is demonstrated in Figure 2.

The market–hierarchy–clan model has its roots in work by Lindblom (1977), Williamson (1975) and Ouchi (1980). Williamson's early work depicted markets and bureaucracies as systems for allocating resources in society. As such, they serve as rule-making systems. In the market, rules of supply, demand and pricing determine how goods and services are allocated. In bureaucracies, administrative structures, policies and procedures serve the resource allocation role. Marketplace rules or incentive, price, exchange and opportunism are tempered by the need to control inefficiencies, discourage collusion and provide services when marketplace rules would not work. Hence, bureaucracies such as natural monopolies, agencies providing public goods and regulatory structures are created.

Ouchi's concept of the clan suggests another dimension or domain for rule making and resource allocation. These are the formal institutions in civil society—churches, political groups, associations and advocacy organisations. Like a family, political constituency or interest group, or highly homogeneous organisation, a clan develops an
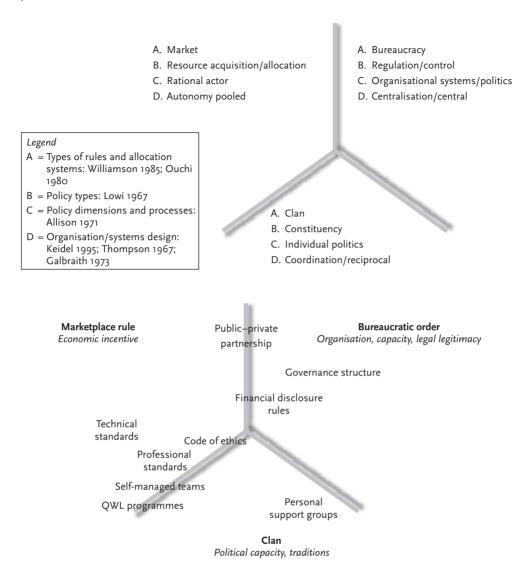
A. Market
B. Resource acquisition/allocation
C. Rational actor
D. Autonomy pooled

A. Bureaucracy
B. Regulation/control
C. Organisational systems/politics
D. Centralisation/central

Legend

A = Types of rules and allocation systems: Williamson 1985; Ouchi 1980

B = Policy types: Lowi 1967

C = Policy dimensions and processes: Allison 1971

D = Organisation/systems design: Keidel 1995; Thompson 1967; Galbraith 1973

A. Clan
B. Constituency
C. Individual politics
D. Coordination/reciprocal

Marketplace rule
Economic incentive

Public–private partnership

Bureaucratic order
Organisation, capacity, legal legitimacy

Governance structure

Financial disclosure rules

Technical standards

Code of ethics

Professional standards

Self-managed teams

QWL programmes

Personal support groups

Clan
Political capacity, traditions

Figure 2 CONTEXT FOR COLLABORATION AND CONTROL: THEORETICAL ROOTS AND EXAMPLES

identity, establishes shared values and has rules for how resources are distributed and decisions made. A rite of passage, socialisation or apprenticeship may be required for acceptance.

Each domain is a system for allocating resources and monitoring behaviour. Yet the systems are not independent. They rely on oversight from the other domains. As shown in Figure 2, many examples of collaborative control show up at the boundaries or interfaces between these domains.

The three-dimensional figure offers the domains (business, government, third sector) to take into account as we think about maintaining social order in complex systems. With the new complexity, no single system is sufficient. It requires a combination of

market (business), state (government) and community (third sector) mechanisms working together. Boddewyn (1989) notes that the overlap between self-regulation and other forms of social control is necessary to the extent that a good part of the law reflects generally accepted community and market standards. Self-regulation's complementary role, therefore, should be conceived not only in terms of developing and applying additional norms, but also in reinforcing those norms emanating from community, market and state. This is consistent with Manz and Sims (1986), who suggest that in advanced societies the notion of self-control is a requisite norm for individuals, professionals and organisations.

Industry self-regulation is an example of both inter-firm and multi-sector collaboration. Typically, the initial choice is inter-firm collaboration to self-police in the early stages of designing the rule-making system; later it is multi-sector collaboration between business and government to monitor and enforce rules that becomes more prevalent. As noted in Hallstrom (2004), the life-cycle of a self-regulatory system often begins with a fairly successful single-country example, typically the US, Canada, Australia or the European Union (EU), which evolves into a more global code. Regardless of where it is in the life-cycle, the process involves an inter-organisational network (i.e. a trade association or professional society as opposed to a government agency) that sets and enforces rules and standards relating to the conduct of firms as well as individuals in the industry (Gupta and Lad 1983). As an innovation, self-regulation signifies a movement away from strictly adversarial relations between business and government.

Numerous examples in such industries as direct selling, bill collection and home appliances show evidence of cooperative and coalescing strategies for managing environment uncertainty (Lad 1991).

Institutions and third-party organisations

Industry self-regulation operates on the premise that the transaction costs of designing, securing government approval and operating a system of self-control are lower than if government imposes control externally. The presence of a bona fide self-regulatory system signifies that at some level both government and industry recognise their shared responsibility to address problems and issues without resorting to lengthy court battles. Additionally, it shows that, with the necessary checks, industry competitors can collaborate on quality standards and other rules of competition without unfair restriction of trade.

In self-regulation, the process of generating support from industry members and government regulators requires collaboration. The primary responsibility for formulation and enforcement of regulatory standards rests with an industry self-regulatory body (e.g. an association) rather than a government agency. Associations and professional societies play numerous roles in the process. An ongoing, problem-solving relationship exists between the regulatory agency and the industry self-regulating body. Some examples are shown in Table 1, with detailed descriptions of additional examples offered below.

Financial services industry

The licensing of securities brokers and the stock exchanges is managed outside government. While the Securities and Exchange Commission (SEC) and its counterparts abroad have the responsibility to enforce rules about fraud and insider trading, they rely on insiders to self-police improper behaviours. Consider, for example, the linkages

Roles	Influence, conditions				Make rules		Carry out rules	
Activities examples	Increase awareness, identify problem	Change rules, seek waiver, secure advisory opinion	Create new organisation	Publicise programme	Develop committee	Design programme substance	Testing and review	Use sanctions and government oversight
Advertising via American Advertising Federation NARB/CBB	Saw need to take action on television advertising content	Sought advisory opinion, collaborated with FTC	NARB link with CBB	To advertisers and to advertising professionals	Reps of major firms	Code for fair disclosure	Use industry and third-party reps	Yes, with FTC oversight
Financial disclosure, via AICPA		SEC request	Formed APB and evolved to FASB	To public	Major firms and stakeholders	Codes of ethics for auditory and disclosure	Audits/peer review	No before 1987, yes after 1987
Securities trading via NASD		SEC request in 1934	NASD	To public		Licensing and codes of conduct	Licence exam for traders/the exchanges	Yes, with SEC oversight
Home appliance via AHAM	Identified need to take action		Underwriter's labs as testing body for AHAM	To public	Major appliance consumer action panel	Performance specifications and labelling		
Direct selling via Direct Selling Association	Took action on 'image problem' of door-to-door sales	Developed relationship with FTC and proposed code	Third-party code administrator	To consumers	Major firms	Consumer code of conduct	Independent code administration	Yes, with FTC oversight
Infant formula via INFACT	Letter to Nestlé re marketing in developing world	Influence public opinion, boycott		Via letters to editors	Stakeholders	WHO marketing practices code	Nestlé Audit Commission	
Motion picture ratings via MPAA	Parents' concerns about movie content		Motion Picture Rating Council	To public	Via theatre operators	Rating system: G, PG, PG-13, R, N 17, X	Labels and signage	No
Van conversions	Fire hazards, safety		Van Conversion Manufacturing Association	Via manufacturers and public	Reps of firm	Design and material specifications	Certification	Yes, take-away Van Conversion Safety Certification

Table 1 EXAMPLES OF THE RANGE OF SELF-REGULATION ROLES UNDERTAKEN BY ASSOCIATIONS

between the SEC, the stock exchanges and the National Association of Securities Dealers (NASD). The regulatory mosaic represented in the licensing of stock traders using tests created by the NASD, the policing of practices by the exchanges, and the strict enforcement of rules by the SEC illustrates the collaboration that is fundamental to the execution of hundreds of thousands of trades each day. The responsiveness to the public crisis of confidence after the October 1987 crash in restricting programme trading was truly a cooperative effort. In contrast to a top-down, command-and-control process by the SEC, a 'negotiated order' was created in a dialogue between the SEC, NASD, the trading houses and the exchanges. In general, the government regulator performs an oversight role, may share monitoring and enforcement responsibilities, and can threaten to impose more severe direct regulation should self-regulation prove ineffective. Parallels can be found in the Investment Dealers Association and the Futures Industry Association

Broadcasting and media

In the US, Canada, Australia and New Zealand, broadcasters are subject to federal oversight and licensing rules yet they monitor advertising content through mechanisms similar to Better Business Bureaus and National Advertising Review Boards. The direct marketing industry also self-regulates.

Chemical industry

The Responsible Care initiative is a voluntary code of conduct for firms in the handling and labelling of products. Research has explored the role of key trade associations in the process (Lenox and Nash 2003; King and Lenox 2000). The environmental practice area is a major domain for international self-regulation.

Internet

The Internet crosses international boundaries and represents an important opportunity for self-regulation or co-regulation on an international scale. The Internet is a globally fragmented industry with a technology that is growing in exposure geometrically. Further, it is only partially understood by those responsible for legislation. Calls by government for industry involvement in standards over privacy and security are evident in both Europe and the US. While initial technical standards in regulating HTML and XML languages on the Internet were developed democratically, the self-regulatory process in issues of encryption, privacy and taxation have not been as promising (Rothenbueller 1998). Not only are a number of US and international regulatory bodies vying for jurisdiction, over 11 by one account, but no major trade group has emerged to mobilise the industry. Despite a recent FTC (Federal Trade Commission) sweep of 1,200 websites checking their privacy policy, the urgency to act has not hit the critical stage. This area represents a decisive opportunity for international cooperative policy with a mix of marketplace issues, technology expertise, consumer concerns and oversight organisations all in the dialogue (Ahlert *et al.* 2003; Varney 1998).

Accounting profession

The AICPA (American Institute of Certified Public Accountants) and its international counterparts have explored ways to expand the role of accounting beyond tax and audit services into other areas. The AICPA has considered ways to utilise the profession's exper-

tise at attestation to expand their reach. Attestation is essentially the process of authoritatively certifying or documenting that a procedure or a process was carried out according to a specified set of rules. For example, an audit essentially attests that the process of assembling and disclosing financial statements is done properly. Examples of areas in which the AICPA has offered its services include the WEB/TRUST certification given to safe websites and the certification of long-term healthcare facilities. This role represents a monitoring function critical in successful self-regulation. The objectivity of the profession may be an essential element in designing new systems.

The limits of self-regulation

Important distinctions and caveats to the idea of self-regulation and collaborative regulation should be noted. First, self-regulation is one choice among a variety of institutional mechanisms: for example, government ownership, direct regulation and stakeholder regulation (Gupta and Lad 1983). With few exceptions, opportunities for self-regulation are limited to the standards-setting arena. Government would not endorse any form of collusion over prices or territories, nor would they let industry set rules where the salience of regulatory failure is high (food safety, drug testing). The better opportunities for self-regulation may be in those areas where it can complement other regulatory systems (e.g. stock market trading). The workability of the system is subject to the political power of the association or larger firms within the industry.

Second, as with any public policy, the intended ends may not be realised by everyone. For example, advantage taking by the more powerful organisations (free-riders) in a network and symbolic self-policing (e.g. TV evangelists) may still occur. To date, the antitrust rules have been useful in addressing the more blatant abuses, and serve as a deterrent to others considering only symbolic standards. To be sure, the prevalence of court rulings on 'per se' criteria versus 'reasonableness' criteria may reduce the number of organisations considering self-regulation for fear of an antitrust scrutiny.

Third, as with regulation in general, self-regulation takes on a variety of forms each designed to address a particular issue: technical standards, credentialing, accreditation and codes of ethics. Yet the term 'self'-regulation may be a misnomer in that the process frequently involves government. At minimum, government offers tacit approval by letting professions and industries set standards (e.g. motion pictures, nursing specialities) on their own. More often, however, government and industry work together to design a 'system' for establishing and amending rules, monitoring and sanctioning inappropriate behaviour. As we move into new technologies, such as biotech, and global industries, such as financial services, cooperative and self-regulation needs to be considered as a legitimate complement to the system of direct control.

The future

The assumption behind this paper is that, in some selected areas, a collaborative approach to regulation may be more efficient and effective than the typical command-and-control approach. As complexity grows, a more open or dynamist system for rules may be more appropriate. Postrel's (1998) discussion of the dynamist rules system has significant application to standards in electronic commerce and biotech safety where basic protocols can leave room for adaptation, accept criticism and still protect 'the commons'. Regardless of the choice of mechanism, the essence of the process will entail collaboration.

Proactive

The days of treating issues management in regulation as an afterthought are over. Regulatory issues and their management cannot wait until after the core operations of the business have been secured. Managers must proactively consider their partnership in a three-way relationship between their industry, civil society and government. Rather than wait for a call from a regulator or third-party NGO, managers should initiate these conversations. Given the current environment, they will probably find both parties receptive and eager to work collaboratively.

Perspective

We encourage managers to consider their role in the traditional activities of regulation making, monitoring and enforcement. While these activities have and will continue to occur, managers have the opportunity to take a larger role in all facets of these activities. As noted previously, we are concerned with meaningful regulation that promotes accountability and transparency. We suggest that managers can exchange greater levels of accountability and transparency for a greater voice in the process.

Participate

Traditionally, firms have largely been relegated to lobbying and litigation roles in regulation. If firms hope to break this model, it will necessitate levels and types of participation from management that have seldom been seen. In the new self-regulation model, managers have the chance to co-design regulation. In order to accomplish this, firms will need to develop a greater role on the executive team for those that specialise in regulatory aspects of the firm. These specialists will need to possess skills in areas such as emotional intelligence, team work, project management, negotiation and diplomacy.

Third party

Although civil society players such as NGOs have played roles in self-regulation, we advocate an even greater role. As such, managers will need to develop and nurture relationships with stakeholders outside the typical categories such as employees, vendors, customers and government. In essence, this is a decided increase in the number of stakeholders that firms must consider and work with.

Patience

As with any change management process, managers must develop a sense of patience about self-regulation. By involving a greater number of organisations in standards development and management, the process will take longer. Further, managers need to develop a sense that self-regulation is a process, not a destination. Many managers familiar with Six Sigma or Kaizen activities have already developed a process orientation. To improve the effectiveness of self-regulation, these managers need to extend their process orientation into the field of self-regulation.

Box 1 KEY ISSUES FOR MANAGERS

Our current regulatory systems are mostly country-specific and designed in a more mechanical, top-down and command-and-control fashion. The challenge is to stand on the shoulders of that system, and to deploy new mechanisms that reflect the emerging reality of the global marketplace. As with strategic alliances, joint ventures and other collaborative processes, regulatory cooperation is the result of recognised interdependence.

Proposals for regulatory reform such as administrative rule changes, sunset laws[1] and paperwork reductions only hint at future needs. Work suggested by Gray (1989) in regulatory negotiation, Senge (1989) in prototype alliances, Keidel (1995) in new organisation models, Lad (1991) in self-regulatory structures and Breyer (1982) in legislative review and agency 'high noon',[2] offer alternatives directed at specific regulatory domains. It will require commitment to organisational learning, witnessing of mistakes in some prototypes (Senge 1989) and openness to other points of view.

Traditionally, regulatory policy has highlighted the distinctions between the roles of government and industry decision-makers. Consistent with Preston's (1986) concept of 'meta-regulation', Boddewyn's (1989) idea of private government as agents of public policy, and Preston and Windsor's (1992) notion of policy regimes, this discussion suggests that, in the standards-setting area, the government's responsibility may be best served by encouraging and supporting the development of industry-based standards groups and self-regulatory associations. Part of this responsibility, however, requires the willingness of the government agencies to re-examine their roles.

Government will need to engage in collaborative activities such as ongoing discussions and 'coaching' the self-regulatory group to ensure that the system it develops complies with appropriate laws and controls. As Gray (1989) notes, the collaboration processes will challenge the legitimacy of traditionally accepted mechanisms for social integration such as central planning and litigation. As central planning wanes, more stakeholders are expressing a voice in the process. Industry policy-makers need to recognise that taking on responsibility for a self-regulation system requires an ongoing, long-term commitment to win–win collaboration with government agencies and their member organisations.

Although we hope that managers can already identify some of the ramifications of a greater role for civil society players in self-regulation, we will be more explicit. Box 1, while not exhaustive, captures the significant issues that managers might consider.

Conclusion

The purpose of the paper was to examine the regulation of business behaviour in a complex global economy. It linked work on collaboration with the notion of control and regulation. Various examples of collaborative control were identified and examples of self-regulation were used to illustrate how the process happens. Suggestions were offered on how collaboration is necessary for future regulatory issues.

The regulatory policy arena is a major centre of business–government interaction. As regulatory issues move into domains of industry expertise, such as biotechnology and securities trading, the controversy over appropriate *means* that meet the desired *ends* of regulation must be reframed as a collaborative control process. With appropriate safeguards and proper planning, self-regulation and collaborative regulation may be alter-

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1 Sunset laws set a deadline on when the law or rule would expire.
2 Agency 'high noon' called for regulatory agencies to demonstrate their effectiveness at addressing marketplace inefficiencies. It was one of many techniques used to hold agencies accountable.

natives worth acknowledging and supporting. While neither is a panacea for addressing all forms of unwanted behaviour, nor a call for a laissez-faire government policy, collaborative dialogue can be useful in improving product standards and codes of conduct, and in addressing issues of safety and performance in newly emerging industries and professional specialities. The call for the use of ethical principles and dialogue is an essential mechanism in the emerging, organic view of organisations, and in their inter-organisational networks (Calton 1999). Because of complexity, the systems need to become more self-organising, adaptive and responsive. Capra (1996) describes a process called 'autopoiesis' where committed individuals can create a more dynamic system from within the existing structure. We believe this is an apt description of how associations, professional societies, new civil institutions and other entities committed to collaboration continue to emerge as pivotal players in self-regulation.

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