

Organizational Ecology in World Politics: Institutional Density and Organizational Strategies

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ABSTRACT

The landscape of global governance institutions is increasingly dense, and its composition is changing. In recent years, growth in the number of intergovernmental organizations (IGOs) has slowed markedly, while other organizational forms — from transgovernmental networks to private transnational organizations (PTOs) — have emerged and are expanding rapidly. These system-level trends can be explained, at least in part, with organizational-level variables using the lens of organizational ecology. Two different populations of organizations — IGOs and PTOs — behave differently under conditions of institutional density, because they vary in power and strategic flexibility. IGOs are more powerful, as they are granted authority by states. Accordingly, IGOs seek to dominate and protect their “turf;” they have expanded to fill most available regulatory space, constraining further growth. But PTOs are more nimble, and so can more easily adopt strategies to avoid conflict, such as finding unoccupied policy niches, that facilitate rapid growth. These contrasting strategies help to account for differential growth rates of the two populations of organizations. Hypotheses drawn from the theory are supported by illustrative examples drawn from the domain of climate change.

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The study of formal international organizations (IGOs) has been a significant component of the international relations literature since the waning years of World War II, as exemplified by the founding of the journal *International Organization* in 1947. Study of IGOs became a growth industry with the founding of the United Nations and its specialized agencies, the emergence and growth of what became the European Union, and the appearance and impact of other functionally-oriented institutions, notably the World Trade Organization. Surprisingly, however, during the first few years of the 21st century, growth rates in IGO formation have decreased by 20% compared to the previous decade— despite continuing increases in the sensitivity of societies to one another, reflected in such phenomena as increasing trade, particularly in services, and outsourcing.²

The situation with treaties is similar. For example, in the 1990s, the heyday of environmental lawmaking, the total number of multilateral agreements in force grew by 146%.³ But in this century, formal international lawmaking has clearly slowed: between 2002 and 2012, the increase in the total number of multilateral agreements in force was only 36%.⁴ Joost Pauwelyn and colleagues go so far as to argue that international law is “stagnating.”⁵ Under both Republican and Democratic administrations, the United States has become increasingly reluctant to accede to new multilateral agreements, even those, like the recently-rejected Disabilities Convention, that would impose few if any new obligations.

At the same time, a range of new governance forms have emerged and expanded in numbers. These include transgovernmental networks, such as the Basel Committee on Banking Supervision⁶; transnational networks of sub-state governments, such as ICLEI – Local Governments for Sustainability⁷; and public-private partnerships, like those recognized at the 2002 Johannesburg World Summit on Sustainable Development⁸; as well as plurilateral clubs of states, such as the G-20.⁹ This trend led the *Yearbook of International Organizations* to create a

² Yearbook of International Organizations 2009-10: authors’ calculations based on Figure 1.2.1.

³ Authors’ calculations based on data from Ronald B. Mitchell. 2002-2012. *International Environmental Agreements Database Project (Version 2012.1)*, available at: <http://iea.uoregon.edu/> Accessed: 29 November 2012.

⁴ *Ibid.*

⁵ Joost Pauwelyn, Ramses A. Wessel and Jan Wouters, “The Stagnation of International Law,” unpublished paper 2012: 2 (citing slowdown in the number of multilateral treaties deposited with UN Secretary General). See also Pauwelyn, Wessel and Wouters, *Informal International Lawmaking* (Oxford University Press, 2012).

⁶ Slaughter 2004.

⁷ Betsill & Bulkeley 2006.

⁸ Andonova 2010; Bäckstrand 2008

⁹ Citation needed.

new category of organizations—those with a “non-formal, unconventional or unusual” structure.¹⁰ In parallel, an upward trend in informal lawmaking has prevailed since the mid-1990s, indicating a growing preference for instruments that are less formalized than multilateral treaties.¹¹

Even more striking, private transnational organizations (PTOs) continue to proliferate at a rapid rate. Since 1990, for example, the number of NGOs, a type of PTO, has grown at an average annual rate of nearly 10%, while IGOs have grown at only 3%.¹² And while PTOs formed by civil society groups, business associations and other actors often engage in advocacy or service provision, many now adopt, implement, monitor and enforce standards of conduct for business on issues such as worker rights and environmental protection, whereas as recently as 1985 such private regulatory standard-setting barely existed.¹³

These dramatic and puzzling changes in the makeup and dynamics of international institutions are the hallmark of our era of global governance, and the subject of this paper. The study of aggregate changes in the diversity and growth rates of organizations is known, following pioneering work by Michael Hannan and colleagues in the 1980s and 1990s, as *organizational ecology*. In the words of a recent text, “Organizational ecology aims to explain how social, economic and political conditions affect the relative abundance and diversity of organizations and to account for changing composition over time.”¹⁴

We apply the organizational ecology approach to the rapidly-changing field of global governance. We seek to explain the diverging growth rates of IGOs and PTOs by comparing the strategic responses of these two types—or populations, in the terminology of organizational ecology – of organizations to contemporary social, economic and political conditions. We then discuss the implications for the nature of competition among organizations within each population, and therefore for changes in the relative abundance and diversity of these organizations. Our theory applies to diverse types of global regulatory organizations; however, our analysis focuses on IGOs and PTOs.

¹⁰ Yearbook of International Organizations 2009-10: 404. The new category was created in 1981.

¹¹ Voigt 2012: 97. There is a decline from 2006-2010, the last four years of the sample, but overall levels of informal lawmaking still remain twice as high as the initial point of growth.

¹² Yearbook of International Organizations 2009-10: authors’ calculations based on Figure 1.2.1.

¹³ Abbott & Snidal 2009a; Green 2014.

¹⁴ Baum and Amburgey 2002: 304.

We begin from the broad ecological view that new environmental conditions and changing competitive relationships create a need (or demand) for institutional innovation.¹⁵ Innovation occurs primarily through *selection*, the creation and success of new organizational forms. The creation of new forms requires action by organizational entrepreneurs, who respond to perceived social opportunities. Innovation also requires low transactions costs, so that entrepreneurs can easily establish new forms and modify them in response to early experiences. Finally, new organizational forms (from multinational corporations to PTOs to social media sites) often depend on some technological development – e.g., one that facilitates transnational communication.

Our focus in this paper is on two compelling puzzles. We first ask about macro-level growth rates: *why are private transnational organizations now growing at markedly faster rates than intergovernmental organizations?* Our second question is at the micro-level, focusing on strategies, and building on organizational ecology theory: *How, if at all, does competition in conditions of density differ across populations*, based on structural features of particular organizational forms? These questions are connected, since our argument is that the answer to the question about relative growth rates lies in an understanding of the different effects of institutional density on the *strategies* of organizations within different populations, and therefore on relative growth in these populations: IGOs and standard-setting PTOs. That is, answering the macro-level question about growth rates requires an analysis of organizational strategy.

Hannan and Glenn Carroll define density as “the number of organizations within a specified population, defined in terms of specified spatial and temporal boundaries.”¹⁶ Their central argument is that changes in density display striking regularities over time: the number rises rapidly soon after a (suitable) organizational form appears, but then levels off and often falls later on. Their research identifies this common pattern among labor unions, financial institutions, life insurance companies, newspapers and breweries over time spans of 100 to 300 years.¹⁷

Before discussing our two central questions, it is important for us to clarify four key concepts: *institutions*, *organizations*, *populations*, and *institutional density*.

¹⁵ Organizational ecology does not have a strong theory of the initial appearance of new organizational forms. For discussions in political science see Keohane and Nye 1974, Slaughter 2004, Abbott 2012, Green 2014.

¹⁶ Hannan and Carroll 1992: 5. We will adapt this definition later, but it suffices for our purposes at this point.

¹⁷ Ibid, pp. 7-12.

Defined most broadly, an *institution* is a set of closely connected rules and practices that prescribes behavior on particular issues. Sociologists speak of “the institution of religion” or of marriage; these might be called “diffuse” institutions, as they are concerned with general practices whose specific features vary across place and time. By contrast, we focus here on *specific institutions*: sets of closely connected rules and practices designed to achieve specific purposes.¹⁸ The UN Framework Convention on Climate Change (UNFCCC), the regime to control emissions of ozone-depleting substances (Montreal Protocol regime) and preferential trade agreements are specific institutions in this sense.

Institutions have varying degrees of agency, the quality that allows them to make *strategic choices*. Institutions capable of exercising agency are referred to as *organizations*.¹⁹ IGOs such as the European Union (EU) and United Nations Environmental Program (UNEP), and PTOs such as the Greenhouse Gas Protocol and Forest Stewardship Council (FSC) are all organizations. Organizations adopt strategies to respond to the opportunities, threats and constraints in their institutional environment. The strategies they employ are conditional on institutional density and other environmental features, as well as on characteristics of the organizations themselves. Organizational strategies are thus causal mechanisms that link the institutional environment with institutional outcomes. Some of these outcomes are recursive: institutional density leads to the adoption of strategies that affect the relative stability and growth of particular organizational forms, and thus future organizational strategies.

A *population* of organizations is identified by common structures and social relationships; because organizations within a population require a similar portfolio of resources, they respond similarly to changes in the environment. A population can thus be seen as occupying an ecological *niche* defined by its required resource set: “the fundamental niche of an organizational form consists of the social, economic, and political conditions that can sustain the functioning of organizations that embody the form.”²⁰ Populations are kept distinct by “segregating factors” such as separate social networks and institutionalization processes that reinforce separate identities. Not all populations are clearly segregated; “blending processes”

¹⁸ Keohane 1988.

¹⁹ Compare the definition in Scott 1998: 25.

²⁰ Hannan and Carroll: 28.

can muddy the boundaries between populations.²¹ We have chosen two distinct and contrasting populations that are clearly segregated, to avoid difficulties of differentiating between them:-- IGOs, and PTOs that adopt and implement rules and standards

We measure *institutional density*, for both intergovernmental organizations and private transnational organizations, in terms of the number of organizations dealing with the same or related issues. However, because IGOs and standard-setting PTOs are regulatory organizations, we also understand density in terms of real or potential rule overlap. Rule overlap heightens competition for political resources and increases the likelihood of discord and conflict.

Part I of this paper develops our theory. Section a) introduces organizational strategies and emphasizes the impacts of two explanatory variables: differences in power between organizations and the existence of adaptive opportunities. Section b) presents a typology of strategies. Section c) explores the implications for organizational strategies of variations in organizational flexibility. Section d) draws out the implications of this micro-level analysis of strategies for population growth rates. Part II specifies some preliminary hypotheses and provides illustrative supporting evidence in the context of climate change.

I. Density, Organizational Strategies and Growth Rates

a) Organizational strategies in conditions of density

Our analysis begins from the premise that all organizations, public or private, pursue both substantive and organizational goals, which they must balance in their operations. The primary collective goal of individuals working in an organization, including its leaders and staff, is to ensure organizational survival. They may also seek to expand the organization's autonomy and influence ("turf"). They therefore take measures to "eliminate ... or otherwise cope with threats posed by rivals."²² In addition, organizations and their personnel are often concerned with achieving substantive goals such as slowing climate change or promoting development.²³ Such goals may be specified in organizational mandates established by principals, or may encompass broader norms and values.²⁴ Where the substantive goals of interacting organizations converge,

²¹ Hannan and Freeman 1989: 57-60.

²² Wilson 1989: 181.

²³ Biermann and Siebenhunner 2009.

²⁴ As discussed further in Part II, the extent to which bureaucracies are sufficiently autonomous to pursue substantive or organizational goals that diverge from their mandates or the current preferences of their principals

institutional density will generate less discord than when they diverge; but distinct organizational goals may still generate some discord.

Organizations frequently have incentives to avoid heightened competition and discord, and to prevent them from developing into conflict. Discord and conflict divert scarce resources from other activities and make it more difficult to obtain additional resources, such as adherents, financial support and reputation. Discord also creates uncertainty as to rule application, potentially allowing some regulatory targets to free ride. In such cases, we would expect institutions to adjust their rules or policies so as to reduce or eliminate discord, leading to cooperation.²⁵ Organizations may adjust symmetrically, with all bearing roughly equal adjustment costs, or asymmetrically, with some bearing disproportionate costs. Cooperation is often understood to result from mutual adjustment, but it may also be achieved through adaptive adjustment, with one or more organizations modifying their rules or policies unilaterally.

In other cases, however, organizations or their principals may have incentives to allow or create strong competition, discord or conflict, when those appear to further substantive or organizational goals. In such cases, we would expect organizations to engage in competitive strategies, seeking to achieve organizational dominance, maintain their governance role or status, or limit the influence of competing organizations.

In conditions of institutional density, where goals diverge, the availability of organizational strategies is shaped by two major factors. The first is *relative power*, which may derive from formal authority and legitimacy, and/or from control of material, ideational or positional power resources. Power generates "go-it-alone" capacity: the ability *not* to have to adjust one's behavior to that of others. Accordingly, we expect institutional density to affect the behavior of relatively weak organizations within a population more than that of relatively powerful ones. The second factor is the existence of *adaptive opportunities*, features of the environment that allow institutions to pursue strategies of adaptive adjustment. Where low-cost adaptive opportunities exist, an organization can unilaterally (re-)focus its activities on areas characterized by limited density, rule overlap or discord. An organization might, for example, shift its activities to a different niche within the same issue-area (e.g., from carbon offsets to adaptation with climate change); it might instead "exit" from that issue-area to seek a superior

depends largely on characteristics of the principals and on institutional oversight mechanisms, which vary by issue and organization. Organizational interests too often reflect principals' preferences.

²⁵ Keohane 1984: 51-55

niche elsewhere, or exit entirely from rule-making by shifting to operational activities.²⁶ We expect that relatively weak organizations in a population will frequently seize low-cost adaptive opportunities – if they are flexible enough to do so.

Figure 1 depicts the influence of these factors. Strong organizations have little need for adaptive strategies; the weakest strategy available to them is competition. For weak organizations, however, adaptive strategies are important; where adaptive opportunities are limited, weak organizations have few attractive strategies.

Figure 1: Power disparities, adaptive opportunities and strategy availability

<i>Power disparity:</i> Adaptive opportunities:	<i>Large</i>	<i>Small</i>
Limited	Strong orgs: potential to dominate Weak orgs: few available actions	Few available strategies other than competition
Extensive	Strong orgs: potential to dominate Weak orgs: potential to adjust or adapt	Many available strategies

These distinctions are highly relevant to the comparative analysis of IGOs and PTOs we are undertaking of in this paper. Private actors lack the coercive power of states. PTOs are therefore less able than intergovernmental organizations to exclude other organizations from particular fields of activity. This difference in capacity leads to systematically different organizational strategies: PTOs are likely to pursue less exclusive – less zero-sum – strategies than IGOs, such as searching for sparsely populated policy niches – if those opportunities are available. An important implication is that we should expect greater competition and discord

²⁶ See Hirschman 1970, on “exit” as opposed to “voice.”

among IGOs and greater harmony among PTOs;²⁷ when discord appears, it should more often lead to conflict among IGOs.²⁸

b) A typology of organizational strategies: competition and adjustment

To further clarify these strategic choices, we present a general typology of strategies available to organizations. Each organizational strategy is a set of possible actions conditional on the actions of other organizations, applied over a period of time.

The first strategic choice an organization must make is *entry*: the decision to undertake regulatory activities with respect to a particular behavior. Entry is frequently equivalent to “founding” in organizational ecology: the founders of an organization make the entry decision as part of the process of establishing it. For example, the Marine Stewardship Council (MSC), a standard-setting PTO, was created in the mid-1990s by Unilever and the World Wildlife Federation to certify sustainably managed fisheries. In other cases, an existing organization makes the entry decision when it moves to address different or additional behaviors. For example, prior to the early 2000s the World Bank had a limited role in climate change;²⁹ by creating the Prototype Carbon Fund and subsequent financial facilities, however, the Bank expanded its ambit to include climate issues.³⁰

We anticipate that organizations and their founders will make entry decisions based not only on their substantive and organizational goals, but also on their expectations about the future strategic environment. First, we expect entry decisions to reflect the strategies expected to be available; for this reason, we focus our discussion of strategies on the post-entry period. Similarly, we expect organizations to consider the likely level of competition and discord (Unilever and WWF, for example, foresaw low discord, as few institutions then addressed

²⁷ By “*harmony*” we mean that two or more institutions regard each other’s rules or policies (pursued without regard for the interests of others) as facilitating, or at least not hindering, the realization of their own substantive or organizational goals. Where harmony exists, we would not expect institutional density to affect organizational strategies. By “*discord*,” in contrast, we mean that two or more institutions regard each other’s rules or policies as hindering the attainment of their own goals, and hold each other responsible for those constraints. See Keohane 1984, chapter 4.

²⁸ By “*conflict*” we mean that institutions in a condition of discord actively seek to thwart other institutions attainment of their goals. Discord may but need not lead to conflict.

²⁹ The World Bank is the trustee for the Global Environment Facility, which funds climate change projects. However, its role is primarily ministerial.

³⁰ Andonova 2010: 39-40.

fisheries management). Finally, because entry entails initial and ongoing costs, we expect organizations to consider the likely resource requirements and to enter only domains for which they possess or can obtain sufficient resources.³¹

We group post-entry strategies into three broad categories: *competition*, *mutual adjustment* and *adaptive adjustment*. Strategies of mutual and adaptive adjustment seek to avoid or reduce discord; strategies of competition do not. We roughly order these categories, and the specific strategies within them, from those available to relatively strong organizations to those available to relatively weak ones, in line with our explanatory variable of relative power. In discussing each strategy, we consider its availability to IGOs and standard-setting PTOs.

STRATEGIES OF COMPETITION

1) *POWERFUL ORGANIZATIONS: DOMINATE*

Powerful organizations can often exercise their power to exclude weaker competitor organizations, actual and potential, from their niches or to subordinate competitors to their own rules and policies. IGOs invested with legal authority and supported by powerful states possess sufficient authority to exclude other organizations and dominate broad areas of activity. An example is the WTO, which seeks to control international trade issues broadly conceived, both by incorporating issues into its rule system, as with intellectual property rights, and by policing actions of other public institutions that impinge on its rules, as with environmental and public health measures. Yet domination is difficult: preferential trade agreements increasingly fragment the trade regime, and domains such as investment remain largely outside the sway of the WTO. Because they lack the coercive power of states, PTOs are generally unable to dominate or exclude other private organizations from their niches.

2) *ORGANIZATIONS WITH COMPARABLE POWER: COMPETE*

Organizations with power comparable to that of rivals will seek to maintain or gain influence by competing with rival organizations, perhaps building coalitions for the purpose. Among IGOs, for example, the International Civil Aviation Organization and UNFCCC (as well as the European Union) compete to regulate aviation carbon emissions. Among PTOs, forestry

³¹ Green 2014 explains why some forms of private authority emerge, i.e. enter a regulatory domain. On the emergence of private authority, see also Cutler et al. 1999, Avant et al 2010, Buthe and Mattli 2011 among others.

certification schemes such as FSC and the Programme for the Endorsement of Forest Certification, based in civil society and business respectively, compete vigorously for adherents and reputation. When competing organizations possess different levels of power or resources, however, competition may drive the weaker to mutual or adaptive adjustment.

STRATEGIES OF ADJUSTMENT

3) ORGANIZATIONS WITH COMPARABLE POWER: SYMMETRIC ADJUSTMENT

Organizations with comparable power may seek to avoid costly competition and discord, and reap joint gains, by mutually adjusting their activities, sharing the resulting costs more or less equally. IGOs have adopted this strategy relatively frequently, where domination is unavailable, competition expensive, and adaptive strategies tightly constrained. Often, however, adjustment consists of relatively superficial coordination, such as sharing secretariat facilities, meeting jointly, or sharing monitoring and assessment procedures.³² PTOs may also adopt this strategy, although low-cost adaptive opportunities may be more readily available to them.

4) WEAK ORGANIZATIONS: ADVERSE ASYMMETRIC ADJUSTMENT

Organizations with disparate power, public or private, may also seek to reduce the costs of competition and discord and reap joint gains by mutually adjusting their rules or policies, perhaps following an attempt at domination by the stronger or a period of competition. In these circumstances, however, adjustment will be asymmetrical and adverse to weaker organizations, which will be forced to make more extensive policy changes and bear greater costs. Adverse asymmetrical adjustment may be explicit or implicit.

STRATEGIES OF ADAPTATION

5) WEAK ORGANIZATIONS: FIND A NICHE

Weak organizations will be unable to compete head-to-head with significantly more powerful organizations in their population; adverse asymmetric adjustment is a feasible strategy, but may entail bargaining costs. Weak organizations may therefore prefer unilateral strategies of adaptation so long as these are available at reasonable cost. Weak organizations will engage in

³² Oberthur 2008.

adaptation on entry, based on expectations about their environment, and as the environment evolves over time.

The principal adaptive strategy is to find policy niches unoccupied or more sparsely occupied by powerful competing organizations, where institutional density, rule overlap and discord are low. An organization may even be able to locate a largely empty niche – like sustainable management of forests and fisheries (at least upon entry) for FSC and MSC. Some organizations create niches by shaping their activities to complement those of more powerful organizations. If niche-finding fails, however, a weak organization may be forced to *exit*: shifting to a different domain, ceasing to engage in rule-making, merging or dissolving.

Figure 2 depicts the organizational strategies available in conditions of institutional density, and their potential outcomes. At the top is the most ambitious strategy – compete, with hopes of dominance. If this strategy is not tried, or fails, the next most ambitious strategy is mutual adjustment. If that strategy is not tried, or does not produce symmetric or asymmetric adjustment, an organization can pursue adaptive adjustment, finding a niche or exiting.

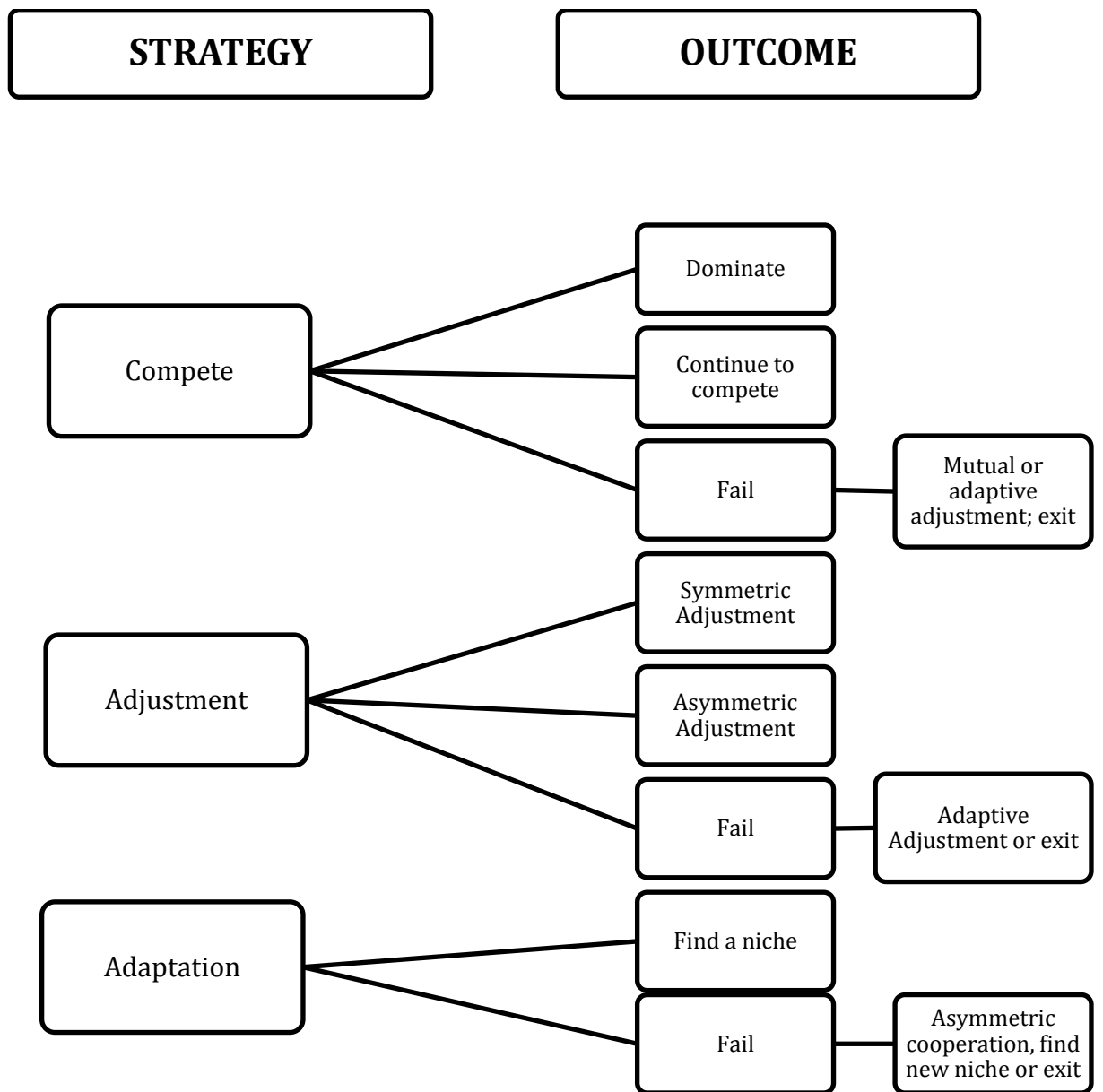


Figure 2. Organizational Strategies and Outcomes

c) *Variations in Strategic Flexibility: Strategic Implications*

To understand strategies of competition, mutual adjustment, and adaptive adjustment, we need to consider not simply the power of different organizational forms as emphasized above but also their internal characteristics, particularly their ability to pursue available adaptive strategies. We refer to this as *strategic flexibility*. Strategically flexible organizations can take advantage of opportunities their environments provide, and can shift strategies to reduce the negative impact of environmental changes; rigid organizations cannot.

We can think of strategic flexibility along two dimensions: the degree of decision-making autonomy the organization has vis-à-vis its principals, and the degree of choice it has as to the policy niches in which it operates. Decision-making autonomy is primarily influenced by structural attributes, such as the number and type of principals and their level of control over organizational activities. The ability to select among policy niches is also influenced by the principals' powers, but may also be constrained by organizational mandates and by the quality of organizational leadership.³³

Regulatory organizations in world politics exhibit great variation in their strategic flexibility. We array them as follows, beginning with the least flexible:

- *Treaty-based IGOs with limited autonomy* have little flexibility on either dimension. Their secretariats and organs cannot act strongly on their own; states exercise relatively close oversight; consensus or other restrictive decision procedures are required to authorize new initiatives; and charter mandates limit them to specific domains. Treaty mandates may also constrain IGOs from abandoning portions of their domains; committed state principals may reject strategies such as adaptive adjustment and exit even though they would reduce competition and discord. Indeed, as the regime complex literature notes, states may promote discord in pursuit of their individual interests.³⁴

³³ On leadership, see N. Keohane (2010). Advocacy NGOs are not included in the list below because they typically do not have regulatory authority.

³⁴ Raustiala and Victor 2004.

- *Treaty-based IGOs with strong executive bodies*, such as the World Bank, have greater autonomy because their executives and organs can act independently and with relatively weak state oversight; they may also have greater freedom to choose which problems to address, especially if their mandates (as with the World Bank) are broad.
- *Informal clubs of states and transgovernmental networks of regulatory agencies or sub-state governments* vary along both dimensions. In general, plurilateral clubs suffer structural constraints similar to those of IGOs – weak executives, strong state oversight – but gain flexibility from more streamlined decision processes and more fluid mandates. Transgovernmental networks may also have non-state principals which exercise less coercive oversight, although decisions to act often require consensus; they also benefit from elastic mandates. Both are normally more flexible than IGOs.
- *PTOs*, such as the FSC, Gold Standard for carbon offsets, and Greenhouse Gas Protocol for measuring carbon emissions, again vary widely. Organizations whose principals share convergent preferences (e.g., environmental NGOs in the Gold Standard) typically feature less intrusive oversight and simpler decision-making; multi-stakeholder organizations like FSC have more complex and costly decision procedures. In general, though, PTOs have flexible mandates and entrepreneurial leaders and principals. In addition, unlike most public institutions, individual members can easily move to other organizations with more amenable structures or strategies, reducing oversight pressures. Public-private partnerships normally fall between transgovernmental networks and PTOs in their strategic flexibility.

As this ranking makes clear, the two organizational forms we consider – intergovernmental organizations and standard-setting private transnational organizations – have very different levels of strategic flexibility. PTOs, with high strategic flexibility, face lower entry costs, as they benefit from strong and entrepreneurial executives, flexible mandates and limited oversight. This enables entrepreneurs to create new organizations more easily, and to do so experimentally, modifying organizational features based on early experience. PTOs can also respond rapidly to perceived opportunities, including opportunities that less flexible IGOs cannot capture. Once a niche has been identified, strategic flexibility enables PTOs to proliferate

rapidly. And it provides PTOs with wide choices of organizational strategies, especially regarding adaptive adjustment.

The concept of strategic flexibility allows us to identify more precisely the specific strategies that organizations are likely to adopt in conditions of institutional density. We assume that all organizations wish to maintain their autonomy to the greatest extent possible. Figure 3 suggests strategies to attain this objective, depending on the availability of adaptive opportunities (vertical dimension) and organizations' strategic flexibility (horizontal dimension). Figure 3 focuses on the left-hand column of Figure 1, where power disparities are large, to highlight the differing strategies of strong and weak organizations.

Figure 3: Organizational strategies when power disparities are large

<i>Strategic flexibility:</i> Adaptive opportunities:	<i>Flexible</i>	<i>Inflexible</i>
Limited	Strong organizations: compete or dominate Weak orgs: adjust or adapt (with difficulty); or exit	Strong organizations: compete or dominate. Weak organizations: exit
Extensive	Strong organizations: compete or dominate Weak orgs: adjust or adapt, especially by finding niches	Strong organizations: compete or dominate Weak organizations: become more flexible; or exit

Powerful organizations within a population can adopt a strategy of competition or domination, depending on the strength of rivals. Weak organizations within the population, by contrast, need to adjust, adapt or exit. When adaptive opportunities are extensive and organizations possess strategic flexibility, they will be able to adjust or adapt, particularly by locating niches in which they can prosper (lower left cell). Without both adaptive opportunities

and strategic flexibility (upper right cell), however, weak organizations will be unable to compete; they will be forced to exit.³⁵

These insights have important implications for competition within the contrasting populations of intergovernmental organizations and private transnational organizations. In general, IGOs have significant potential for authoritative rule-making, because states provide their authority and can put their coercive and financial resources behind them. Powerful organizations compete for substantive influence and “turf,” especially with organizations pursuing divergent goals; conflict between the WTO and environmental IGOs illustrates the point. The most powerful are able to exclude competitors from their policy niches. Weaker IGOs, however, are in a difficult situation. Their rules overlap and would substitute for those of the more powerful organization, but they cannot make their rules authoritative or effective in the face of greater power. The inability of the UN Environment Programme to expand its ambit to trade-related environmental issues is an example of unsuccessful competition.

In addition, IGOs operate in a situation of very high institutional density, resulting from decades of growth in both numbers and the ambit of rules and policies. As discussed further below, because formation of new IGOs is costly, existing IGOs have extended their reach into many areas where governments have sought regulation, tending to fill the institutional space. Moreover, IGOs themselves have created new organizations—or emanations—which further increase institutional density.³⁶ This level of institutional density limits adaptive opportunities for IGOs.³⁷ The denser the institutional environment, the fewer empty niches there are likely to be (even for organizations flexible enough to seek them). This forces IGOs to rely on the costly strategy of competition. The situation is worst for weak and strategically inflexible IGOs, which can neither compete successfully nor find niches.

Private transnational organizations, in contrast, have less potential than intergovernmental organizations for authoritative rule-making, because they are not backed by states; their legitimacy and authority even as voluntary standard-setters are often questioned and still developing. Even the strongest PTOs, moreover, lack authority to exclude rivals from their

³⁵ As the lower right cell of Figure 3 suggests, some organizations may be able to increase their strategic flexibility to take advantage of opportunities.

³⁶ Shanks et al. 1996

³⁷ The exception is when new issues emerge due to exogenous changes in the world. In the case of climate change, an example would be the emergence of geoengineering as a new regulatory issue.

niches. Within their population, PTOs sometimes compete vigorously for substantive influence and “turf,” as rival forestry certification schemes based in business and civil society do. As institutional density increases, competition should become more common and intense. Competition is further heightened because PTOs must recruit voluntary adherents to their standards. PTOs thus face potentially ongoing competition, which would drain existing resources, impede obtaining additional resources, and distract organizations from their substantive goals.

PTOs, however, are far more nimble than IGOs: they are not accountable to states and typically have more fluid mandates, less cumbersome decision-making procedures and more entrepreneurial structures and leaders. To the extent that adaptive opportunities exist, PTOs have the strategic flexibility to seize them, avoiding costly competition, discord and conflict. We therefore expect that PTOs will relatively often seek and be able to enter unoccupied or more sparsely occupied niches, enabling them to thrive without the debilitating effects of intense competition and discord.

PTOs have an additional advantage: while they form a separate organizational population, PTOs can frequently provide standards that complement and enhance the policies of IGOs and other public institutions. For example, in many circumstances PTOs can adopt standards and implementation mechanisms that parallel the rules and procedures of IGOs, but apply to business firms and other private targets rather than to states. The institutional density of the IGO population, and the difficulties IGOs face in responding to new needs, create numerous adaptive opportunities of this kind.

Complementing public organizations provides important new resources for PTOs, including greater legitimacy, support, and even a form of protection. Indeed, IGOs often need mediators between themselves and the public and private actors whose behavior they ultimately must affect. In those cases, they may actively forge links with PTOs through “orchestration,” in which an IGO “enlists and supports intermediary actors to address target actors in pursuit of IGO governance goals.”³⁸ Orchestration can be mutually beneficial: it provides the IGO with access to private targets, information and other benefits at low transaction costs (as the IGO deals only

³⁸ Abbott, Genschel, Snidal & Zangl 2012: 2.

with the intermediary rather than with a multitude of targets), while empowering the intermediary PTO and providing it a valuable niche.

Our analysis of organizational strategies meshes well with the organizational ecology perspective. Increasing institutional density differentially affects IGOs and PTOs. IGOs can use the coercive power of governments to control institutional space within specific issue-areas; as a result, the institutional space is occupied and there is less room for new IGOs to occupy. PTOs, by contrast, are more nimble but lack coercive power; they therefore search for niches, many of which expand the relevant institutional space. As a result, the competitive pressures generated by institutional density inhibit the growth in numbers of IGOs, but may actually encourage the continued growth of PTOs.

d) Organizational strategies and Implications for Growth Rates

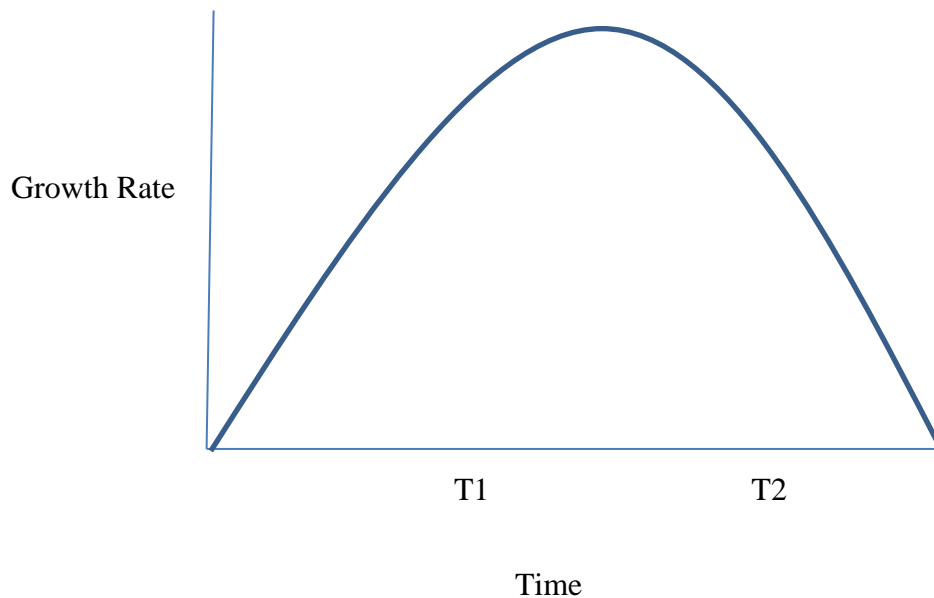
Having explicated the micro-level of organizational strategies, we now return to our original macro-level motivating question: What explains the differential rates of growth of intergovernmental organizations and private transnational organizations? We first need to recognize that organizational forms or populations may have different intrinsic growth rates. Some forms require large investments of time and resources to establish; such organizations may be highly stable, but few can be created. Many intergovernmental organizations are of this type; the need to obtain consent, financing and other support from numerous, diverse states makes creation costly and difficult. Other forms can be established with relatively small investments; these may be less stable, but many can be created.³⁹ Many private transnational organizations are of this type; they can be founded by a relatively small number of entrepreneurial actors and structured as networks. On this basis alone we might expect PTOs to expand in number more rapidly than IGOs.

Organizational ecology theory, however, posits broader regularities. When a new organizational form emerges that is well-matched to current environmental conditions, the number of organizations in the population grows rapidly in the early years; indeed, its net growth rate may increase for some time. Eventually, however, the rate of growth levels off, and may decline or even turn negative, as depicted in Figure 4. If we consider the patterns of growth

³⁹ These are referred to as K- and r-strategies, respectively. Hannan & Freeman 1989 at 118.

displayed by intergovernmental organizations and private transnational organizations, we would place IGOs around the point labeled T2 and PTOs around the point labeled T1.

Figure 4: Patterns of Organizational Growth over Time



Hannan and colleagues' explanation for the regularity they identify relies on *legitimation* and *competition*, two unobserved causal mechanisms; institutional density is a key variable in both. First, when a new organizational form originates, pioneer organizations of that form need to be seen as appropriate to the environments in which they operate, or as legitimate. Organizations will pursue varied strategies to gain legitimacy. In an ecological perspective, however, the mere fact that the number of such organizations is increasing will gradually make the form more widely acceptable under the logic of appropriateness;⁴⁰ it may become taken for granted.⁴¹ Initially, then, there is a positive relationship between institutional density and founding rates; density is self-reinforcing. But this process is subject to diminishing returns: eventually, additional organizations will not further enhance legitimacy.

⁴⁰ March and Olson 1998.

⁴¹ Hannan and Carroll rely in this argument on Meyer and Scott, 1977.

We do not find the legitimation explanation compelling. Legitimation is an unobserved variable for Hannan and Carroll; thus it is difficult to assess its explanatory power. It is unclear at what point in the organizational growth process it ceases to be an important factor.

Rather, a focus on competition—and specifically on differential strategies across populations of organizations – seems to us to provide more analytic leverage than the legitimacy mechanism to answer our question about relative growth rates of IGOs and PTOs. Organizations operating within a given niche must compete for resources, including members and adherents, financing and reputation. As more organizations occupy a niche, resource constraints begin to bind: new organizations find it more difficult to gain sufficient resources, while some existing organizations die out for lack of resources.⁴² Institutional density bends the growth rate curve downward, toward stability or decline. In terms of competition, then, there is a negative relationship between institutional density and creation rates.

Another aspect of institutional density also affects competition. Most IGOs are *regulatory organizations*, rather than organizations that provide goods and services (business firms) or advocacy (NGOs). Their niches, actual and potential, are arenas for international regulation demanded by governments, when states cannot effectively regulate those arenas unilaterally. When governments demand a new form of international regulation, existing IGOs are likely to have the first opportunities to supply it, because the requirement of state consent makes it costly to found new IGOs. In a dense regulatory environment, however, IGOs face problems of *rule overlap*; if an expanding IGO encounters other established IGOs with similar rules and ambitions, heightened competition for political resources and discord (perhaps leading to conflict) will result. The easiest way for IGOs to avoid such discord is to concentrate their expansionary efforts on areas that are not already occupied by other IGOs. Over time, then, their actions will tend to fill the available organizational space. An institutional environment dense in rules (like one dense in numbers) will make it difficult for new IGOs to locate niches and to obtain sufficient resources, reducing founding rates. If the argument presented in Figure 4 is correct, then PTOs will face similar competition over time, as more organizations expand to fill the regulatory space, and fewer unoccupied niches are available.

⁴² Hannan & Freeman 1989: 132-33

Our proposed explanation of the differential growth rates of IGOs and TPOs therefore rests on a strategic analysis, indebted to organizational ecology as well as to strategic theory in political science. Consider our key points:

- 1) *Intergovernmental organizations are more likely to be able to use the coercive power of states to exclude other organizations from their areas of activity than are private transnational organizations* [Section a) and Figure 1].
- 2) *Powerful organizations within a population are more likely to seek to dominate an issue-area; weaker organizations will adapt or adjust to avoid discord and will likely seek niches* [Section b) and Figure 2].
- 3) *Private transnational organizations are more flexible than intergovernmental organizations* and are therefore more able to develop strategies that are complementary to those of more powerful organizations, including IGOs, or to seek niches in which they can operate [Section c) and Figure 3].

In a sense, the greater coercive power available to IGOs, while an asset for individual organizations, shapes strategies in ways that have come to limit the growth of IGOs as a population. IGOs often have the power to exclude other IGOs from their territory. Karl W. Deutsch once defined power as “the ability not to have to adapt to change” (check quote). IGOs, being more powerful, have less incentive to adapt to change – in particular, to an increasingly dense institutional environment -- than TPOs. As a result, PTOs as a population can thrive under conditions of institutional density relative to individually stronger IGOs.

II. Hypotheses and Evidence

A. General Hypotheses

We have considered how institutional density, in conjunction with organizational goals, relative power and adaptive opportunities, affects choices of organizational strategy in world politics; and how these strategic choices affect organizational ecology. Powerful organizations, such as strong IGOs, compete for “turf,” especially with organizations pursuing divergent goals. Conflict between the WTO and public environmental institutions illustrates this point. So does a prevailing lack of inclination by states to establish a World Environmental Organization that could compete with the WTO.

Less obviously, we have argued that institutional density has very different effects on the behavior of PTOs and other transnational organizations, such as transgovernmental networks, which are more flexible but generally less powerful and less able to issue binding rules than treaty-based public organizations. Transnational organizations can often find policy niches, enabling them to thrive in situations of institutional density, unlike their more authoritative but less flexible public counterparts. Following this line of argument, we propose two specific hypotheses regarding the effects of institutional density.

The first hypothesis refers to the strategic flexibility of PTOs. The second hypothesis compares relations among public organizations with those among private ones (P-P vs. p-p). These are hypotheses, not conclusions; we probe their plausibility in the following subsection with examples of the organizational ecology in the domain of climate change.

H1: In situations of institutional density, private organizations will avoid costly competition, discord and conflict by locating niches that complement the policies of public institutions or are unoccupied by public institutions. PTOs have many opportunities to seek niches that provide them essential resources and avoid costly competition and discord. Moreover, PTOs are flexible enough to pursue these strategies.

H2: At any level of institutional density, we will observe less discord and conflict about rules among private organizations (p-p) than among public ones (P-P). The voluntary rules of private organizations are less highly legalized and therefore more easily changed.⁴³ These characteristics produce extensive adaptive opportunities and make mutual adjustment more feasible. Niche-finding is typically both available and attractive.⁴⁴

An implication of these hypotheses is that *institutional density will discourage growth in the number of public organizations due to competition for dominance among them, but will encourage the growth of private and other transnational organizations by creating opportunities for them to complement powerful public organizations and fill governance gaps.* Density affects relative growth in organizational populations differently, because organizations and their founders, as part of their entry decisions, consider the level of discord they are likely to face and the strategies likely to be available; these expectations are more favorable for transnational

⁴³ Auld and Green 2012.

⁴⁴ Hirschman (1970) argues that the possibility of “exit,” broadly conceived, reduces the inclination to exercise voice. For organizations, the same should be true of finding an acceptable niche.

organizations. Moreover, the greater strategic flexibility of private and other transnational organizations reduces their entry costs, certainly compared to the arduous processes of institutions such as the UNFCCC and KP. Private organizations have developed streamlined processes for standards development,⁴⁵ often moving from conception to an operative standard in remarkably short periods of time. In addition, extant transnational organizations can more easily adapt to changing circumstances, increasing their chances of survival. If valid, these implications help to explain the broad trends discussed at the outset: the much more rapid expansion of private and other transnational organizations compared to public international organizations.

B. Organizational Ecology in the Domain of Climate Change

In this section, we probe the plausibility of our hypotheses with examples drawn from the transnational regime complex for climate change. Climate change is an area of high and increasing institutional density: many institutions of all stripes (public, private, hybrid, transnational) seek to affect policy outcomes in this domain.⁴⁶ Supporting evidence for our theory should demonstrate that private organizations can adapt better to institutional density than can public organizations, due to greater strategic flexibility. Accordingly, the set of private organizations will in the aggregate grow more rapidly than that of public organizations.

Hypothesis 1: PTOs will locate complementary and unoccupied niches in conditions of density

PTOs can gain important resources by providing standards or services that complement the policies of public institutions. By entering complementary niches, PTOs can gain legitimacy, reputation and public support, as well as a level of protection from costly competition. Similarly, by entering niches unoccupied by public institutions, PTOs can respond to demands for regulatory governance while avoiding any potential public-private discord. Our examples focus on private niche-finding at the time of entry, with organizations and their founders shaping rules and programs to allow them to thrive.

⁴⁵ The ISEAL Alliance Code of Good Practice for Setting Social and Environmental Standards helps structure these processes. <http://www.isealalliance.org/our-work/codes-of-good-practice/standard-setting-code>

⁴⁶ Andonova et al 2009, Bernstein et al. 2010, Hoffman 2011, Keohane and Victor 2011, Abbott 2012.

Complementary activities

The Clean Development Mechanism (CDM) CDM is the largest of three market-based mechanisms created by the Kyoto Protocol (KP). It allows developed nations to purchase carbon offsets produced from projects in the developing world to help achieve their emissions reductions commitments. The CDM thus creates a "compliance market" for offsets: the purchase of carbon credits monitored by KP supervisory bodies advances developed countries toward their legally-binding reduction requirements.

After the creation of the CDM, PTOs began creating their own carbon offset rules—often more stringent than the public CDM rules.⁴⁷ In addition, many private rules expand on the CDM through a "climate-*plus*" logic. Like the CDM, the projects they certify provide emissions reductions, but they also provide additional benefits: e.g., preservation of biodiversity, local economic development, and long-term sustainability.⁴⁸ Private offset rules and the private market they support thus complement public rules in terms of meeting — and then exceeding — CDM goals.

Not only do PTOs intend to complement the CDM; analysis of their rules reveals that they are in fact substantively complementary. A network analysis of public and private carbon offset standards shows that overwhelmingly, private standards choose to link to CDM rules: roughly 80% of all private transnational carbon offset standards recognize those rules.⁴⁹ Given the uncertain future of the KP and carbon markets more generally, private standards are trying to "hedge their bets" by ensuring maximal compatibility with other standards—including the dominant public standard, the CDM. This compatibility increases the likelihood that a given private standard will continue to be usable in a future regulatory regime. In other words, creating complementary private rules helps reduce future switching costs. This strategy maximizes organizational autonomy, as private standards need not compete directly with the CDM (though they do compete with each other). It also allows PTOs to maintain relevance—and thus survive—into the future.

Examples of complementary private standards also arise in climate finance. In the mid-1980s, the World Bank and European Investment Bank issued "Green Bonds" and "Climate

⁴⁷ For a full explanation of the emergence of the private offset market, see Green 2013.

⁴⁸ Of course, the extent to which private offset standards actually deliver these benefits is subject to debate.

⁴⁹ Green 2013.

Awareness Bonds,” respectively. Those bonds included financial terms equivalent to commercial bonds and were (highly) rated on the same bases; however, the proceeds were “ring-fenced” for use exclusively in environmentally beneficial projects. In 2010, environmental NGOs (such as the Natural Resources Defense Council) and investor groups (such as the CERES Investor Network on Climate Risk and California State Teachers Retirement System) created the non-profit Climate Bond Initiative (CBI).⁵⁰ CBI has developed a standard for private sector “climate bonds” to complement public bonds and other forms of climate finance. In 2011 – only a year after its establishment -- CBI launched a prototype Climate Bond Standard, for a trial period focused on bonds backed by wind energy assets. CBI and voluntary private offsets both suggest that the niche-finding strategy, especially on entry, may involve creating a new niche not previously identified as part of a domain.

In some areas, public institutions encourage private institutions to provide complementary standards. In 1997, UNEP – having long attempted to persuade businesses to report on their environmental impact as a complement to treaty-based national reporting mechanisms – collaborated with the environmental NGO CERES to found and promote the Global Reporting Initiative (GRI), reducing its entry costs. GRI is now an independent, multi-stakeholder institution. Its protocols for environmental reporting, which address carbon emissions and energy consumption among other behaviors, have become the global standard.

Finally, public institutions afford opportunities for PTOs to provide complementary services. This strategy may involve a form of exit from standard-setting, or a choice on entry to focus on services rather than standard-setting. The 2002 World Summit on Sustainable Development (WSSD) encouraged public-private and private-private partnerships to develop operational projects that would further implementation of global norms, including the Rio Declaration and WSSD outcome; more than 200 so-called Type II partnerships were announced at the Summit. A leading example is the Renewable Energy and Energy Efficiency Project, which funds demonstration projects. The 2012 United Nations Conference on Sustainable Development (Rio+20) similarly encouraged private “voluntary commitments.”

Low-density issues

⁵⁰ www.standards.climatebonds.net

The Greenhouse Gas Protocol provides a useful example of private organizations seeking a niche by moving into an area scarcely populated by public institutions.⁵¹ The Protocol was created by two NGOs, one based in the private sector: the World Resources Institute and World Business Council on Sustainable Development. It is a measurement tool that allows organizations to account for their carbon emissions. Different measurement tools are required for different scales of emissions. Thus, the tools used for measuring carbon offsets are distinct from those used by states to measure national-level emissions. The Protocol was created for the "corporate level"—allowing individual organizations to account for their emissions.

The first version of the standard was published in 2001. At that point, the KP had just been signed, but had not yet entered into force. There was a smattering of national and private experiments with carbon markets, such as the UK Emissions Trading Scheme and the Chicago Climate Exchange. In general, however, the institutional landscape was sparse, with few private initiatives and virtually none at the corporate level. As planning for the Protocol was underway, only one other institution, UNEP, was working on a corporate-level measurement tool. However, UNEP's program had a slightly different audience, and never gained traction.⁵² Thus, the Greenhouse Gas Protocol entered a low-density environment, where it could establish itself without worry of competition; by filling a recognized governance gap that UNEP itself had been unable to fill, moreover, it gained some of the benefits of complementarity. These conditions allowed it to gain political resources, avoid discord and establish itself as a credible and legitimate private rule-making organization.

Since then, like GRI, the Protocol has enjoyed considerable success. It is currently the most widely-used corporate-level accounting standard. 63% of Fortune 500 Companies reported using the Protocol in 2007.⁵³ More importantly, it serves as the basis for a variety of other carbon accounting frameworks, including the global standard of the International Organization for Standardization (ISO-14064, Part 1). In short, the Protocol is *the* basis for corporate-level emissions accounting and reporting. Its staying power and high level of adoption evidence the success of the niche strategy.

⁵¹ This discussion is drawn from Green 2010.

⁵² Green 2010: 14.

⁵³ <http://www.ghgprotocol.org/about-ghgp>.

The Verified Carbon Standard (VCS), which recently launched a new standard for REDD – reduced emissions from forest degradation and deforestation – has followed a similar low-density logic. Although the UN and a number of private organizations have undertaken REDD activities, these have all been project-based. However, there is an emerging consensus that REDD activities are ideally undertaken across a jurisdiction, rather than as a discrete, geographically delimited projects. “Jurisdictional REDD” reduces the likelihood of “leakage”—simply pushing deforestation from a project area to other locations. Recognizing the lack of appropriate rules and tools, the new VCS standard is designed to help states and other subnational actors implement jurisdictional REDD. VCS’ entry strategy was explicitly to select a low-density domain.⁵⁴

Hypothesis 2: Public-Public Discord Greater than Private-Private Discord

Our second hypothesis is that competition, discord and conflict will be more intense within the population of IGOs (and other public organizations) (P-P) than within the population of PTOs (p-p). The Rio Conventions and related PTOs provide useful evidence to support this proposition.

The Rio Conventions, signed in 1992, include the UN Framework Convention on Climate Change, UN Convention on Biological Diversity and UN Convention to Combat Desertification. Like many environmental agreements, they have significant substantive overlap.⁵⁵ Land conversion is a catalyst for climate change, the destruction of biological diversity and desertification. Some sources of biological diversity are also significant sources of greenhouse gases when destroyed. Accordingly, policy measures adopted under one convention necessarily affect the others. In some cases, these present the potential for rule overlap and discord. For example, forestry projects recognized under the CDM allow for monoculture plantations—a clear threat to biological diversity. Conversely, afforestation and reforestation projects, if designed correctly, can potentially advance the twin goals of combatting climate change and

⁵⁴ <http://v-c-s.org/news-events/news/groundbreaking-jurisdictional-redd-requirements-released>.

⁵⁵ Young 2002 refers to this as “horizontal interplay.”

preserving biodiversity.⁵⁶ Similar scope for potential cooperation—or conflict—exists in the domain of renewable energy (hydro, wind and solar).

The Rio Conventions have recognized both the potential and actual rule overlap among the treaties; however, concrete actions have done little to resolve these conflicts. In 2001, the Secretariats of the three Conventions created a "Joint Liaison Group" (JLG) to share information and coordinate efforts. One clear goal was to reduce conflict: the relevant decision "[u]rges Parties to take steps to harmonize policies and programmes...with a view to optimising policy coherence, synergies and efficiency in their implementation, at the national, regional and international levels."⁵⁷ However, reducing *actual* rule overlap has proven rather elusive. More than a decade after its first meeting, the JLG is still largely focused on shallow forms of cooperation such as information sharing and coordination. Indeed, at its most recent meeting, the Executive Secretary of the UNFCCC expressly noted that the JLG should *not* undertake implementation activities, nor should it work at the level of international rules. She distinguished among three levels of activity: "the conventions level, the secretariats level and the Parties efforts and policies...at the national level."⁵⁸ The role of the JLG, she argued, is to support Parties' activities at the national level. In other words, despite a mandate to promote harmonization, the JLG does not appear to fundamentally reduce discord through cooperation, since rule overlap persists. The primary goal is to coordinate implementing activities, rather than a fundamental adjustment of rules.

Discord and competition among PTOs (p-p) differs from that among public institutions like the Rio Conventions (P-P). First, because private standards are voluntary (although often backed by economic and reputational incentives), they do not subject adherents to inconsistent mandatory standards, as environmental conventions may. Overlapping private standards present targets a choice – based on considerations such as perceived benefits, cost and relevance – rather than placing them in a situation of conflict.⁵⁹ Indeed businesses and other targets frequently adhere to multiple standards on the same issue. As a result, mutual adjustment among private organizations is often aimed at reducing costs for multiple adherents, rather than avoiding more

⁵⁶ <http://www.cbd.int/doc/publications/cbd-ts-10.pdf>.

⁵⁷ <http://www.cbd.int/decision/cop/?id=7194>

⁵⁸ <http://www.cbd.int/doc/reports/jlg-11-report-en.pdf>, p. 2.

⁵⁹ To be sure, some private standards, such as the Forest Stewardship Council and Programme for the Endorsement of Forest Certification, overlap directly and compete intensely.

serious forms of discord. For example, since 2010, GRI and the Carbon Disclosure Project have worked to align their disclosure standards. Other organizations exploring standards alignment include the Forest Stewardship Council (FSC) and Gold Standard (which is acquiring the private forest climate standard CarbonFix – a form of exit for CarbonFix and of entry for Gold Standard); VCS and the Climate, Community and Biodiversity Alliance, both offset standards; and the 4C Association and Rainforest Alliance/Sustainable Agriculture Network (which are both introducing climate standards).

Second, PTOs use niche-finding strategies to avoid costly competition and discord with other private organizations, much as they do with public institutions. For example, the Climate Bond Initiative complements private carbon offset standards by providing additional financing for offset projects. Yet because CBI entered a low-density (indeed a new, unoccupied) niche, there is virtually no overlap among these standards.

The recently created Natural Forest Standard⁶⁰ entered a niche crowded with private forestry schemes, but limits discord by narrowly defining its mission: it focuses only on “REDD+” projects for conservation and restoration of natural forests, on relatively large projects, and on projects not involving commercial forestry. The Green-e Climate Certified Carbon Offset program similarly shaped its mission to avoid discord with private offset organizations.⁶¹ Green-e addresses the behavior of retail sellers of voluntary offsets. Echoing the recognition of CDM standards by private organizations, Green-e requires that the projects underlying retail offsets be certified by organizations such as the Gold Standard and VCS; it complements those standards by verifying that credits sold to consumers are retired from inventories, and by regulating disclosures and advertising to consumers. These cases illustrate the “conscious parallelism” that niche-finding produces.⁶²

For these reasons, private organizations working on climate change have experienced limited discord. There are some 20 private standard-setting organizations certifying carbon offsets alone, many with their own individual niches. Because of their strategic decisions to enter low-density domains or complement existing institutions, there has been little need for

⁶⁰ www.ecosystemcertification.org

⁶¹ www.green-e.org

⁶² Abbott 2012.

cooperation among these myriad private organizations. This stands in stark contrast to the extensive efforts at mutual adjustment among the Rio Conventions.

These two hypotheses have implications for the differential growth of public and private organizations in world politics and the resulting organizational ecology. *As the institutional environment becomes denser, private organizations will have greater opportunities to enter regulatory domains and to expand their activities than will public organizations; as a result, the number of private organizations will increase relative to the number of intergovernmental organizations.*

Conclusion

This paper is motivated by a puzzle: *why are private transnational organizations growing at markedly faster rates than intergovernmental organizations?* To answer this question we turned to organizational ecology, focusing on how competition is different within these two populations. In our view, the keys to answering this question lie in differential power, and differential flexibility, across these organizational forms; these differences condition the strategies available to them. Intergovernmental organizations (IGOs) are more powerful than private transnational organizations (PTOs), since IGOs receive resources from, and are granted authority by, states. But PTOs are more flexible and nimble: they can more easily devise strategies that are complementary to those of more powerful organizations, including IGOs, and they more readily find niches that are not fully occupied. Hence their strategies engender less discord and costly competition. Thus, as a population, TPOs are increasing at a much faster rate than IGOs.

Our key explanatory variable is institutional density, defined in terms of numbers of organizations in a given issue space and in terms of overlap among organizational rules. Density has increased dramatically over recent decades. Organizations behave differently in dense environments than in sparse ones; and different types of organizations are differently affected by increased density. IGOs tend to be more authoritative and powerful but less strategically flexible than PTOs; they can compete in and sometimes dominate their issue-area, but have difficulty switching domains and making quick and decisive strategic decisions. TPOs are more flexible, but less authoritative and powerful.

We argue that higher levels of institutional density will tend to generate discord among intergovernmental organizations, and will discourage growth in the number of public organizations due to competition (and anticipated competition) for resources and dominance among them: relatively inflexible IGOs cannot easily shift target behaviors, domains or activities, especially when state principals reject such strategies, but must compete. In contrast, institutional density will encourage growth in the number of private transnational organizations by creating low-cost opportunities (and anticipated opportunities) for them to complement or avoid more powerful private and public institutions. Relatively flexible transnational private institutions are able to seize such opportunities, on entry or over time. As a result of these differences, we expect the ecology of international institutions to continue to change, toward relatively greater activity by private organizations, clubs, networks and partnerships compared to formal public institutions.

This paper deliberately emphasizes theory-building rather than empirical testing. We build on sociological work on organizational ecology and seek to combine it with the strategic, incentive-oriented emphasis of political economy. We focus on two explanatory variables – institutional density at the systemic level and strategic flexibility at the organizational level – that have previously neither been clearly conceptualized nor considered together. We develop hypotheses about the likely effects of institutional density, with implications for changes in institutional ecology, and we provide illustrative evidence about their plausibility. This analysis opens up a potentially fruitful area of inquiry, applicable across a variety of empirical domains.

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