gatekeeper position of national executives. In political science, these phenomena have been labeled paradiplomacy or studied as multilevel governance.

That subnational political entities such as states, provinces, and cities are getting involved in international activities can be interpreted as a reaction to the socioeconomic processes of glocalization. City regions that serve as nodal points for the information and network economy are becoming disembedded from the national context because their fates depend more on their international contacts than on their national ones. Diverging interests and autonomous activities in the international field are the consequences.

There is another line of argument for explaining the stronger involvement of subnational political entities in international activities. The starting point of this line of reasoning is the assumption that transnational socioeconomic integration has strengthened the roles of national executives. To regulate socioeconomic interactions on a larger scale, national executives have successfully acquired more competencies and have managed to reduce the restrictions and controls they usually face in purely domestic political processes. From this viewpoint, the transnational activities of subnational actors are strategies to either defend autonomy and competences or to compensate for the loss of regulatory leeway using nonregulatory means of governance.

—Joachim K. Blatter

See also Antiglobalization; City-Region; Devolution; Global Civil Society; Globalization; Localization; Nongovernmental Organization; Space; Territoriality; Transnational Urbanism

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Good Governance

There are various definitions of the term *good governance*. These definitions are based on normative assumptions about how decisions should be made within organizations and the functioning of formal and informal structures for implementing such decisions. The United Nations' Commission on Human Rights identifies transparency, responsibility, accountability, participation, and responsiveness as key attributes of good governance. By linking good governance specifically to human rights and sustainable human development, the UN explicitly recognizes that governance issues are global in nature and consequently require a more nuanced and integrated approach. The Canadian International Development Agency defines good governance as the exercise of power by an organization (or government) in an effective, equitable, honest, transparent, and accountable way. This definition is consonant with a shift among member countries of the Organisation for Economic Co-operation and Development to respond to increasing pressure ushered in by fiscal crises, a globally coordinated economy, and dissatisfied citizens. Some of the trends that flow from this changing governance context include downsizing the public service, undertaking regulatory reforms, measuring performance, benchmarking progress, and linking more explicitly actions and outcomes. This approach to governance focuses on how organizations are directed, controlled, and shown to be acting responsibly.

Good governance is increasingly seen as essential for ensuring national prosperity by increasing the accountability, reliability, and predictability of decision making in governments, corporations, and nongovernmental organizations. Furthermore, this concept is being used in the development and management literature because "bad" governance is often identified as a root cause of social inequality, development failures, and corporate scandals.

The UN Development Program (1997) articulates eight principles of good governance. First, good governance involves equality of participation in decision making. All people, irrespective of sex, class, or race should be heard and allowed to participate in deliberations that affect them directly or indirectly. In democratic societies, citizens can participate in various ways, ranging from voting to involvement in acts of civil disobedience. Unfettered participation is key to good governance since it counterbalances dominant actors in society with checks and balances that expand the discursive space in which societal debates can unfold. In many instances, participation must be informed and organized through civil society actors who can often leverage resources more successfully. Good governance implies that organizations encourage participation from those who may both benefit or be harmed by any decisions taken. Additionally, good governance involves sacrificing some decision-making authority by empowering other actors to seek and collectively achieve ends that maximize the public good. Lastly, participation also means that individuals have the rights of freedom of association and expression, and to participate in organized civil society without fear of retribution or the stigma of being labeled unfairly as a "special interest" group.

Second, organizations must be responsive to the needs of all stakeholders in a reasonable timeframe. Good governance is about building trust and ensuring that all stakeholders are treated fairly. To achieve these goals, organizations must have the technical and managerial competence to respond in a timely manner. On one level, this means that organizations must hire, train, and retain employees to achieve optimal response time and high quality outcomes. On a more general level, organizations must ensure that they have the capacity, and in some cases the autonomy, to implement changes to structure and management systems to maximize efficiency.

Third, organizations must mediate differences between stakeholders to reach a broad consensus. This implies that organizations, especially governments, work to achieve sustainable human development and fairness of outcomes. In many instances, consensus is difficult, if not impossible, to achieve. For example, current societal debates on morally charged issues such as abortion, stem-cell research, capital punishment, human cloning, and euthanasia demonstrate how problematic consensus formation can be. Nonetheless, good governance requires that organizations involved in divisive issues like those listed previously enter such debates in the spirit of cooperation and mediation. To achieve this goal, organizations must treat all stakeholders consistently and fairly.

Fourth, organizations must be accountable to the stakeholders they serve. Good governance requires a broad definition of who such stakeholders may be. Many organizations limit intentionally the list of those they define as valid stakeholders to narrow the scope of decision-making authority, the range of topics addressed, and the nature of the decisions that are made. In general, organizations should be accountable to those affected by the entire range of decisions or actions made and implemented by an organization. Regulatory authority often proscribes this requirement of accountability in narrow ways that inevitably challenge organizations when additional stakeholders demand consideration. For instance, publicly traded corporations are accountable to shareholders. In some cases, this relationship between corporation and shareholder erects obstacles that interfere with the ideals of good governance. The desire of a publicly traded corporation to maximize return on investment in the form of increased share value and dividend payments may postpone or prevent some corporations from investing in other areas (e.g., environmental stewardship, community development) that could satisfy a wider range of stakeholders.

Fifth, organizations must strive for transparency in their decision-making processes so that interested parties can understand the bases of decisions and monitor progress. Information must be freely available and accessible to all stakeholders. Good governance requires that organizations justify decisions made by demonstrating how such decisions respect the precedent from previous decisions. Consistency and fairness in the application of rules and regulations are needed to ensure that stakeholders can appreciate that due diligence and the principle of equality were followed. To achieve this goal, some organizations have developed decision-making matrices that feed into other instruments such as the balanced scorecard approach for measuring and managing key indicators within an organization that correlate with various outcome metrics.

Sixth, organizations must work within legal frameworks that are crafted in fair ways, enforced impartially, and attuned to human rights issues. The rule of law must prevail and be overseen by an independent judiciary and an incorruptible police force. Good governance means that a country's legal environment should be conducive to development. Investors must feel comfortable that due process will be followed in all countries of interest, and that a wide range of issues including protection of intellectual property, fair application of trade subsidies and sanctions, and a regulated financial marketplace exist. Organizations must also follow the laws of the land and ensure that all decisions made are consistent with such laws. However, good governance requires an additional step. To satisfy the other criteria discussed previously (e.g., accountability to all stakeholders, consensus orientation), organizations should also develop a set of voluntarily imposed regulations and best practices internally and through external bodies such as industry associations. Leadership in a field, policy realm, or industrial sector that goes beyond minimum criteria as specified by law is an indicator of an organization's willingness to adopt and expand on good governance practices.

Seventh, decisionmakers should have a broad and long-term vision on how to better the processes of governance to ensure continued economic and social development. Processes must be in place to ensure the most productive use of resources. Ideally, such decisions should be made within the context of environmentally responsible stewardship and be cognizant of criteria for sustainability.

And eighth, good governance involves guaranteeing the rights of all individuals to maintain and improve their well-being in an equitable and inclusive manner. This last point is perhaps the most important principle of the UN approach to good governance because it requires that all decisions of an organization be made within a framework that is outward looking and future-oriented. Moreover, this principle conveys the message that good governance is about stewardship and care and that it involves the highest ethical positioning possible.

Clearly, good governance is more political than technical in nature and emphasizes the primacy of equality and the value of vision, strategic thinking, and planning. Good governance is a tool for making organizations work more effectively in a world where trust is declining in government, industry, science, and other institutions.

Good governance is about fostering trust and ensuring the accountability of decisionsmakers. Trust implies a willingness to make oneself vulnerable to another by delegating certain functions to individuals or organizations to achieve mutual goals. Trust reduces complexity and uncertainty when it is high and creates anxiety or anomie when it is low. Because trust is usually given to an actor based on incomplete (or even absent) information, an assessment of trustworthiness is likely to be a function of informal and formal accountability mechanisms. In an informal sense, accountability implies that social sanctions can be directed toward actors that fail to meet the expectations of others. Such sanctions vary in their degree of intensity and duration, based on the nature of the relationships between actors; the seriousness of the situation (e.g., consequences, reversibility, alternative courses of actions) and cultural or subcultural differences. By contrast, formal accountability mechanisms include legally sanctioned audits, market mechanisms, regulations, and a range of criminal and civil code provisions. Trust is often difficult to build, yet easy to destroy. By its nature, trust falls along a continuum and is distributed according to the following considerations: (a) Trust is higher when values are shared. This provides a basis for comparing outcomes with expectations. (b) Trust is higher when intentions are known and understood, and when actors are consistent with their roles. (c) Trust is higher when individuals or organizations have the competence to carry out assigned tasks. (d) Trust is higher when such tasks can be verified independently in a transparent environment (e.g., when accountability exists).

Good governance is based on democratic values that stimulate administrative reforms that affect a range of organizations. A series of public-sector management reforms have been instituted on a global basis to improve the capacity of governments to respond to external demands for better and more responsive services, managing budget deficits and surpluses, and addressing competitive pressures resulting from globalization. Additionally, these responses are often geared toward increasing the effectiveness of bureaucracies through a range of organizational, administrative, and policy reforms. The World Bank has compiled a list of six dimensions of public-sector governance that are used in an aggregate fashion to measure the quality of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. As new global standards of governance emerge, indicators like these can be used to diagnose failures and to suggest solutions to a range of performance and process issues. Performance measures assess the quality of governance by examining the severity of corruption within government, the degree to which civil liberties are supported, bureaucratic efficiency, and the predictability of policy making. Process measures describe how institutional inputs result in good governance outcomes and include measures such as how salaries of civil servants compare with equivalent private-sector employees, the nature of electoral rules and the type of political system, and the organization of government (e.g., the number of independent branches of government). Good governance is about recognizing those forces within a society or organization that may work against building capacity to undertake economic and social reforms.

Within the context of corporate and nongovernmental organizations, different models of governance prevail and generally focus on the function of the board of directors. The agency or stewardship model views the board's role as an auditing function where boards ensure that an organization's resources are safeguarded by identifying and minimizing risks and articulating strategic plans and executing them. The principles of good governance are critical for ensuring that boards can conduct their oversight function and so that individual members have the opportunity to practice due diligence in the performance of their duties. The political model assumes that boards function as intermediaries to represent the competing interests of multiple stakeholders. In this role, boards assist organizations by resolving disputes and aligning the organization's business and strategic plans to maximize the benefit of stakeholders. The managerial model treats boards as the apex of an organization and directs board recruitment on the basis of the expertise and contacts that individual directors can bring to an organization's decision-making processes to maximize value. It has been suggested that a board's main functions are to act as trustees for ownership, set explicit policies for governance that reflect the values of the organization, and to ensure executive performance. These functions require good governance practices to assist boards in being proactive, forward thinking, and externally focused.

Good governance is an ideal that is difficult to achieve. Although good governance requires a systematic approach to ensure that organizations are transparent, honest, and oriented toward equity issues, its practice is uneven across organizations and sectors. To ensure that good governance prevails, elected representatives, corporative executives and boards of directors, professional bodies, and civil society groups need to become more active in learning about the perils associated with "bad" governance and push for stronger laws and policies that protect the public interest.

—Michael D. Mehta

See also African Governance; Asian Governance; Effectiveness; Global Governance; Governance; Governance Indicators; Governmentality; Policy Transfer; Rule of Law; Transparency

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