

## 2 Motivation and ability to act and influence

The current state of research indicated that no one theory on international policy making can answer why some foreign non-state actors appear to be influencing policy more successfully than others. Based upon the theoretical premises laid out above, this chapter therefore describes the theoretical building blocks that are used to construct a framework for understanding why some international non-state actors seemed more successful than others in influencing energy policy in Azerbaijan.

The rationality of political action is limited by complexity and uncertainty conditioning decision-making and by the constraints of decision-makers' capabilities as well as multiple stakeholders' diverging interests. Still, rationality is a commonly accepted ideal of decisions and of decision-making processes and irrationality is generally considered problematic. "As a practice, however, decision processes [...] tend not to be rational" (Brunsson 2007, p. 1). Proponents of complexity in fact refute the possibility of rational choices (Harrison, Singer 2006, p. 14). How, then, can the present analysis accept complexity but assume rationality?

Rationality is not understood as an overarching principle that explains systemic outcomes, but as an ambition that with its severe inherent limitations helps to understand action. In other words, actors will act in their own best interest given what they know, feel and are able to do at any point in time. In retrospective, their deliberate choices might seem extremely irrational even to themselves. The level of analysis is not the whole system, but actors within it. The analysis focuses on political decisions, that is on a context where devised or evolved institutions matter. Real choices are often not perfectly deliberate but a result of a lack of alternative options.

This chapter explains how rationality motivates action (part 2.1) and how capacity affects organizations' agency in general and states' agency in particular (part 2.2). This allows formulating some assumptions and hypotheses for the research question (part 2.3).

### 2.1 Rationality in complex systems

Complexity makes rationality a barrier to organized (collective) action and development in some societies. Given the incompleteness of contracts, cooperation

bears the danger of being taken advantage of and social capital lets actors take that risk. Positive experiences with specific actors or shared norms (identification among members of a group) may create social capital (trust). The limits of human cognitive ability restrict the size of groups within which social capital can form (Geddes 1994, pp. 30f). It is easier accumulated within small groups (see part 2.2.1.1 for more detail) and members of a group are unwilling to risk dealing with outsiders (Geddes 1994, p. 32), unless known common institutions are enforced up by common sanctioning mechanisms e.g. through the state. This isolation may hinder the aggregation or assimilation of group norms to general societal norms and creates a certain distance between groups and the societies within which they exist. If governments intervene heavily in the economy in thus fragmented societies, as they have “in virtually all developing countries, many of the benefits that cement cooperation within clientele networks are product of state intervention” (Geddes 1994, p. 33), because decision-makers will distribute favors to members of their own clan / network. The government prevents collective action in these cases. The resulting inability to act collectively as society and vested interests prevent change (Geddes 1994, p. 34). Geddes concludes that “collective action problems frequently involve not inducing people to cooperate *per se*, but inducing them to cooperate in a new and risky game at the expense of an old and predictable one” (Geddes 1994, p. 34). Policy-makers face that problem if they want to implement change.

Complexity is consequently a problem for governance. The multitude of things actors (individual or collective) can do lets social systems defy “such well-known policy strategies as coordination from the center, model building, and reduction of the problem to a limited number of controllable variables” (Wagenaar 2007, p. 17). Of several studies assessing how to most efficiently provide public security, none deemed centralized strategies superior to de-centralized strategies (Ostrom 2010, p. 644). Studies around the world on irrigation systems and forest management also challenge the idea that governments can through central coordination “always do a better job than users in organizing and protecting important resources” (Ostrom 2010, p. 641), because specific solutions have to be accepted by whom they affect<sup>24</sup>. This notion is confirmed by management literature (Hocker 2008, pp. 37–38). Ostrom has identified the factors that determine under what conditions groups do manage to act collectively (cooperate) successfully over time. She and her colleagues found that successful groups had “created boundary rules for determining who could use the resource, choice rules

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<sup>24</sup> E.g. “it is not the general type of forest governance that is crucial in explaining forest conditions; rather, it is how a particular governance arrangement fits the local ecology, how specific rules are developed and adapted over time, and whether users consider the system to be legitimate and equitable” (Ostrom 2010, p. 658)

related to the allocation of the flow of resource units, and active forms of monitoring and local sanctioning of rule breakers” (Ostrom 2010, p. 650). The prerequisite for organized action is the simplification of the system by effectively limiting the number of actors and by limiting their discretionary power, e.g. with rules (Ostrom 2010, p. 660). This simplification raises monitoring costs and overall, the benefit of cooperation needs to justify this investment for a group to survive.

The key challenge complexity poses pertains to information. It is especially severe for actors foreign to a decision-space.

“The assumption that individuals have complete information about all actions available to them, the likely strategies that others will adopt, and the probabilities of specific consequences that will result from their own choices must be rejected in any but the very simplest of repeated settings.” (Ostrom 2010, p. 659)

Furthermore, actors sometimes do not know for certain what they want, even regarding issues they are interested in. Ignoring boundedness to simplify research of real-world problems is an omission so egregious that research based on this assumption should be disregarded as unrealistic. Yet, understanding complex systems requires a focus on parts. Since the 1970ies some social scientists started to embrace complexity and uncertainty by departing from orthodox theories in opening up dichotomies (Ostrom 2010, p. 643). Notably the transaction cost approach from classical economics (Richter, Furubotn 1984, p. 2), albeit insufficient for its basic assumptions, captures an aspect of boundedness. It assumes a rational, opportunistic, rent maximizing homo oeconomicus whose rationality is limited by the availability of information and his ability to process information (Husted 1994, p. 19; Scharpf 2000, pp. 319, 72, 75f; Crouch 2003, p. 72). “Transaction cost” in this sense<sup>25</sup> denominates investments in the acquisition and analysis of information on the present and future. Transaction costs are obviously influenced by other actors’ willingness to disclose information (transparency). Due to the incompleteness and uneven distribution of information (uncertainty) and due to actors’ discretionary power (complexity), any transaction requires trust and/or safeguards (Husted 1994, p. 19). Transaction costs accrue disproportionately to actors foreign to a context (system), because they need to learn before they can effectively influence. The collection and interpretation of information requires resources that could be spent on the execution of a decision instead of on informing it. This indicates that foreign actors are in a worse position than native ones to influence decision-making.

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<sup>25</sup> Transaction cost also refers to the specificity of assets and knowledge thus the cost of using something or someone for a new or unintended purpose.

Organizational dynamics of collective actors add another layer to complexity and further limit the rationality of collective actors. Once a group is institutionalized – organized by rules that are stable enough to be identified – it is likely that the goals of individual members do not fully converge with the goals of the organization as a whole. The rationality of collective action is limited by the individual actors' discretion to act in their own interest (Friedberg 1977, pp. 2, 4). Discretion is fundamental to understanding the impact of a decision. It is the freedom of action that is retained because of the incompleteness of contracts (Hocker 2008, p. 67). A residuum of variability exists in every situation where someone is required or expected to do something. Inside of public and private organizations alike it is considered a management problem, because the task of management within an organization is to ensure that members of that organization comply with its rules and that they act in congruence with its aspirations. Discretion figures into the same colon as norms and values as actors know what is expected, but none can now for sure that everyone will comply. If the interests of an organization are not fully in line with the individual interests of its members, compliance can be achieved through force, incentives and loyalty / conviction. However, there is always an asymmetry of information between the principal and its agent. The rationality of each is bound by a lack of information, because none has exactly the same knowledge as the other, and by expectations, because they expect each other to fulfill certain tasks and make certain decisions (see part 2.2.1 for further reflections).

### 2.1.1 *Interests*

Interests influence the allocation of resources. Interests, as opposed to goals, aspirations (Shinkle 2011, p. 416) and benchmarks, which are usually concrete, can be general and immaterial. Interest pertains to a desired change or resistance to change. It implies that a degree of significance is attached to the desired change which is why interests are the individual motivation for action against structural reasons – values and norms. Norms signify how things should be done, values signify what is good (moral), and interests signify what an actor wants (Nohlen 2003, pp. 536, 540). Internalized norms and values shape interests. The desirability of an aspiration – or the intensity<sup>26</sup> of an interest – determines how

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<sup>26</sup> “The viewpoint will be taken here that interpersonal comparison of utilities has no meaning and, in fact, that there is no meaning relevant to welfare comparisons in the measurability of individual utility. The controversy is well-known and hardly need be recited here. During the entire controversy, the proponents of measurable utility have been unable to produce any proposition of economic behavior which could be explained by

much of the available resources (time, money etc.) an actor is willing to spend to achieve them. Obviously, resources are limited and might not be sufficient, even if they are completely expended and put into efficient use.

Formalization and participation in decision-making processes shapes which interests and concrete goals an organization pursues. The more formalized and participatory a decision-making process, the closer choices should be to common interest and goals, but that does not mean that formalized and participatory decision-processes are rational (Brunsson 2007). To be effective, decision-processes paradoxically have to take several actors' irrationality and diverse abilities into account (Friedberg 1977, pp. 1f.), which can make them (look) haphazardly. Interests are paramount to understanding decisions and their impact, but how can we find out about them? Neither behavior nor outcome is an indicator for an actor's preferences, because the motivation for and expected results of an action<sup>27</sup> are not observable but known to the actor only (Scharpf 2000, pp. 110f). Organizational interests can be differentiated into preservative and functional (Bohne 1981, p. 118). The former means that organizations want to survive (Friedberg 1977, p. 20) and the latter pertains to the external purpose of an organization. Functional interests relate to "how something should be" (e.g. healthy environment), "how others should behave" (e.g. sustainably), and "how others should be" (e.g. well). External interests do not have to be altruistic. Organizations and individuals will try to change or conserve their environment according to their normative, ideological or material aspirations. Politicians, managers and other individuals with institutional power are like organizations assumed to want to 'survive', meaning that they will want to keep or enhance their position within an organization (Bueno de Mesquita, Morrow 1999; Bueno de Mesquita, Smith 2010). It is not clear that organizations and individuals would always prioritize survival / power over their functional interests, should they collide, although politicians in Azerbaijan do seem to prioritize their personal position over public interests systematically (see part 4.2.2). The more constrained an individual's institutional powers and the more internalized organizational expectations, the less likely the actor prioritizes personal over organiza-

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their hypothesis and not by those of the indifference-curve theorists. Indeed, the only meaning the concepts of utility can be said to have is their indications of actual behavior, and, if any course of behavior can be explained by a given utility function, it has been amply demonstrated that such a course of behavior can be equally well explained by any other utility function which is a strictly increasing function of the first. If we cannot have measurable utility, in this sense, we cannot have interpersonal comparability of utilities *a fortiori*." (Arrow 1970, c1963, p. 9)

<sup>27</sup> We cannot know for sure what actors thought would happen and if they intended the consequences we deem most important.

tional goals (see above). In Azerbaijan, where e.g. the President's institutional powers are all-encompassing (see part 4.3.1.1), it is all about personal goals.

Interest, positive or negative, can be directed at a concrete actor (organization or individual). Theories that consider the strategic interplay of various actors usually assume that players act to pursue goals that are only indirectly related to other players: In zero sum situations, negative consequences for others are collateral damage and synergetic effects resulting in win-win are lucky results of negotiations. The possibility that an actor wants to help (or harm) another just for the sake of it (Shakun 2013) as formally in humanitarian aid, or that a leader refuses to cooperate with a certain organization because he dislikes its leader is discarded as emotional and rarely analyzed because it does not fit into the rationality paradigm. Yet, those very concrete motives (and equally "emotional" interests) which may be rationalized but are not necessarily reasonable, are of fundamental importance to understanding real political decision-making. Those subjective motivations, which can, but do not have to be founded in marketing / power considerations, can be mitigated by formal decision-making procedures. However, if one person has near complete power over a decision, those "emotions" and whims can figure importantly into choices. Therefore uncertainty of decision-making processes increases if decision-makers are not constrained by institutions. It is not always clear from the outside (or the inside), how decision-making processes in organizations really function and what factors are ultimately taken into account by decision-makers (Macmillan 2000, pp. 127ff). Decision-makers might be more constrained informally than by formal institutions.

While the normative and functional integration of members into an organization is limited (Friedberg 1977, p. 4), members' loyalty to the organization, their feeling of responsibility and a sense of purpose may motivate them to act for their organization rather than for themselves even in lack of perfect monitoring (Tyler 2011; Staffhorst 2010; Stretton 1994). The capacity of an organization to integrate actors<sup>28</sup> (e.g. the capacity of the bureaucracy to instill loyalty in its bureaucrats) is an important determinant of organizational power, because implementation (action in accordance with decisions) requires all concerned members to pursue organizational interests in their decisions to act. Therefore, an analysis of the environment for policy-making and implementing in Azerbaijan can further understanding of policy outcomes.

Uncertainty may turn individual rationality into a barrier for systematic rationality (also see above). Actors do not know for sure the motivation, strategy and degree of opportunism of others. They "attribute less value to benefits that

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<sup>28</sup> In this regard, Ostrom notes that groups can organize themselves effectively if they have a "sufficient degree of autonomy for action" (Ostrom 1990, p. 15).

they expect to receive in the distant future, and more value to those expected in the immediate future” (Ostrom 1990, p. 34), because they cannot be sure that they will actually receive benefits and they cannot know the future value of those benefits. To rationally choose the allocation of resources in complex undertakings, an investment decision is commonly framed as a defined (duration, size, purpose etc.) project or measure. The investment is assigned a net present value<sup>29</sup>, which is to a large extent determined by a discount factor that is based on assumptions<sup>30</sup>. The less trust investors have in their investment environment, the higher the discount factor will be and the less likely it is that there will be any investment, given the need to use limited resources best over a wide range of possible investments. Discounts can pertain to normative and idealistic issues as well: The less immediate and the less tangible the expected results the harder it is to motivate action, e.g. political activism. Opportunism can create immediate benefits, whereas compliance to institutions or values may support long-term gains. An actor’s trust in institutions (their merit and their enforcement) determines compliance. This means that rational investments (or other action) may not be undertaken, because actors are not willing to take risks in environments that lack institutional structuring.

### 2.1.2 *Institutions*

Rules and norms structure action and thereby limit uncertainty. They can be called institutions if they are relatively invariant and resilient to change and are complied with. They are one organizing principle for political systems – and other organized systems – besides the individual capabilities and shared values of the actors within that system (March, Olsen 2008, pp. 3f.; Friedrich 1974, p. 11). Institutions describe the appropriateness of action and prescribe action (Schimank 2007, p. 171). In economics, institutions are “contractual arrangements between principals and principals and agents, made to maximize their wealth by realizing the gains from trade as a result of specialization (including specialization in violence or coercion)” (North 1984, p. 8). Consequently, “the frequency of transactions and the uncertainty surrounding transactions help to explain economic organization”. (Richter, Furubotn 1984, p. 2) In less formal terms: habits facilitate action (Ostrom 2010, p. 660). Mimicry is one of the most common (and intuitive) methods to handle uncertainty<sup>31</sup>. – It is the basic mecha-

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<sup>29</sup> that covers the expected expenses and income within the project

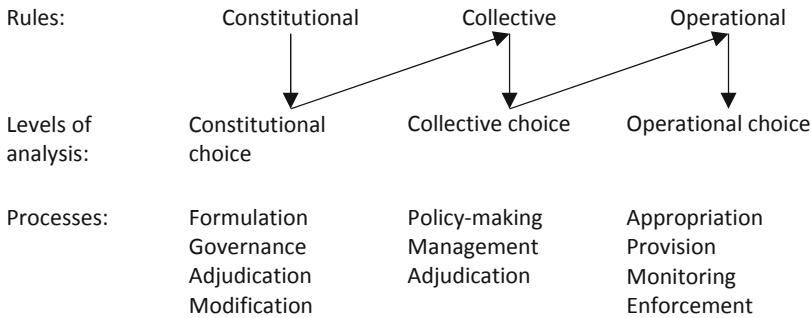
<sup>30</sup> Assumptions are often without sufficient grounds based on past experiences.

<sup>31</sup> If something worked for others, why shouldn’t it work for me, too?

nism of institutionalization and de-institutionalization. However, as mentioned intuition is not the best strategy to handle complex situations.

Institutions are sticky, but not fixed. Norms and rules can be de-institutionalized. For norms and values to be significant and to retain their character as institutions, they have to be perceived as legitimate (and morally sound). Ostrom differentiates rules according to their depth and relevance for a given structure (see Figure 1).

Figure 1: “Linkages among rules and levels of analysis”



(Ostrom 1990, p. 53, own presentation)

Usually “operational roles are easier to change than collective-choice rules, and collective-choice rules are easier to change than constitutional-choice rules” (Ostrom 1990, p. 54). Therefore, it should be easiest for international non-state actors to influence operational rules, meaning that success is more likely in changing what is being done than in changing how e.g. the political system works.

Young assumes that norms are changed deliberately by external actors (Young 1999b). Different resources are required to change different kinds of decisions: the structural interference in a decision requires material resources of power, collective action problems could be solved by mediation and the course of the decision process could be manipulated through intellectual leadership (Young 1999b, pp. 805f). Norms at the very heart of a person’s or people’s identity give general meaning and guidance to right and wrong, good and bad (Clapp, Swanson 2009). They are “shared (social) understandings of standards for behaviour [sic]” (Klotz 1995, p. 451). If there is a hierarchy of rules, norms are at the top. They, like ideas, spread by being discussed (McNeill 2006; Payne 2001). Once something is accepted as “good”, it becomes part of the identity of people or is at least formally endorsed. This is true for individuals as for organizations



and can lead to minor as well as major changes (Sandholtz, Gray 2003, p. 761). The verbal or formal endorsement of a norm might not directly change practice, but it gives those actors that do believe in the norm leverage (Elgström 2000, pp. 472f) and helps to create an “enabling environment”.

Flockhart assumes that norms change through a process intrinsic to groups (Flockhart 2006). She aims to understand why sometimes norms originating elsewhere are adopted in domestic practices<sup>32</sup> based on the observation that elites do not always seem to follow the same rules and norms as the rest of society (Flockhart 2006, p. 91). In line with social identity theory and the findings of Eisenstadt (e.g. Eisenstadt 1995, p. 132) she assumes that

“individuals attach high value to their social group, and that membership of a social group is important to human beings, and that groups and their individual members use the acquired norms and values to compare and evaluate themselves and those around them within a system of differently valued ‘social groups’” (Flockhart 2006, p. 94).

Accordingly, social groups adopt norms of other social groups that they wish to emulate. The elite is a different social group than the rest of the people and both groups may find different other groups worth emulating (Flockhart 2006, p. 99). Norm change is triggered by “critical junctures” (Flockhart 2006, p. 91) (see also (Sabatier 2007, pp. 204f) and part 2.1.3.3) that leaves people looking for re-orientation and the adoption of new norms at different societal levels “(international; domestic, state/elite level; domestic-nation/people level)” (Flockhart 2006, p. 100) is filtered by social practices (Flockhart 2006, p. 99). Norm adoption depends on whether the elite and the nation (masses) both hold a positive orientation towards the influencing foreign social group (Flockhart 2006, pp. 99–103). In other words, propositions need to be attractive in order to be adopted.

The elite are most relevant for norm-change. “Socialization by external agents such as Europe’s international organizations can only take place vis-à-vis a political elite with a “Western” orientation” (Flockhart 2006, pp. 104f), because through socialization the masses could adopt the elite’s norms (also Eisenstadt 1995, p. 47), but not the other way around. Flockhart essentially describes the normative autonomy of elites (Skocpol 1985, p. 9), which seems to be one source of state autonomy (see part 2.2.2.2). Working with non-elites, for example civil society, to influence guiding norms and policy in authoritarian regimes (e.g. to increase accountability) may be unavoidable (since only non-elites would be interested in such change) but can be cumbersome, because of considerable

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<sup>32</sup> She unfortunately does not present a convincing way to determine if a norm has actually changed and fails to differentiate between formal and informal institutions.

structural barriers that limit the effectiveness of civil society – Flockhart's filters. The 'West's' current economic crisis against the success of e.g. China<sup>33</sup> as well as the stalemate in international political debates on transnational problems, such as climate change, put organizations that aspire to transmit 'Western' norms in a difficult position (see part 4.6.1), because reference groups need to confer prestige particularly in the economic sphere (Eisenstadt 1995, pp. 57f). For companies interested in a license to operate, the first address are decision-makers who can grant such permission, but the view of the rest of the people matters, too, especially to maintain the license to operate. Within the government bureaucracy as within most organizations (Friedberg 1977, p. 25) there are some actors who per their function as interlocutors with foreign organizations or because of their inclination filter or even block foreign influence on decision-makers (Friedberg 1977, pp. 5f). For foreign actors it can be difficult to move past these people respectively use them to gain access to decision-makers. A reason for that may be that there are barriers to change e.g. in the form of informal institutions or actors' vested interests – which might not be obvious.

Informal institutions that are incoherent with formal institutions are a special problem for external actors who might not have any information on the former. The main criterion to distinct formal from informal institutions is if the institutions are recorded, publically accessible and changeable only by processes which themselves are formally institutionalized. Formal institutions are typically legible for everyone. Informal institutions, on the other hand, frame appropriate social action where formal institutions do not. When behavior deviates from formal institutions, it might be that formal institutions are weak (Musayev 2010, p. 96) and behavior is instead guided by informal rules and norms (Weißenberg 2003, p. 1). Although implied, the deinstitutionalization of formal institutions (e.g. official rules that were dropped after the break-up of the Soviet Union) does not leave an institutional void. If formal institutions (rules) had been legitimate, they would still determine what actors expect of others and if they had been substituted by informal institutions in practice anyway, then there is hardly any effect of the demise of formal institutions, other than potentially the formal codification of what actors had been doing all along.

Informality poses a risk for all actors. Most actors operate in environments where, if push comes to shove, they are not the most powerful player or where they, at any rate, cannot be sure, that they are. (Bonanno et al. 2000) This is a very important factor for an actor that contemplates breaking the formal or informal rules. Rule-breaking might not only entail punishment according to the rules, but it might inspire everyone to break the rules and punish with full force.

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<sup>33</sup> that adheres vocally to a different set of norms

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