

1 | *Introduction*¹

In the early 1990s when “green” businesses were seldom observed in the US and the very idea of “green and competitive” was considered on the cutting edge of management practices, “eco-lodges” were already very popular in Costa Rica. Indeed, at that time the symbiosis between hotels and Costa Rica’s world-class national parks was yielding one of the most impressive examples of hotel industry prosperity directly linked to proactive business environmental protection. Conversely, in the late 1990s and early 2000s, the US ski resort industry was showing strong resistance to new environmental regulation demands and to the protection of biodiversity in US national forest lands. At first glance, this dynamic may seem paradoxical: higher beyond-compliance environmental protection by businesses in a developing country much poorer than the US. To understand this apparent paradox, this book provides a framework of analysis and empirical studies developed over a period of more than ten years in collaboration with several outstanding colleagues. More generally, in this book I contribute towards providing answers to three broad research questions that continue to attract the attention of a large number of scholars, policymakers, and managers interested in environmental and social protection issues:

- (1) How are the stages of the environmental and social protection policy process linked to different levels of business resistance?
- (2) How does country context affect the level of resistance shown by business to environmental and social protection policy demands?
- (3) How do firm-level characteristics affect the environmental and social protection policy process–business response relationship?

Main book ideas and propositions

Public policies and regulations that demand increased environmental and social protection (hereafter called protective public policies) by

business have been growing in number, complexity, and stringency over the last few decades not only in industrialized countries but also in developing nations (Baron, 2005; O'Rourke, 2004; Vig and Kraft, 2006). Neo-institutional scholars interested in organizations have contributed significantly to our understanding of the logic that shapes business' responses to government laws and other socially enacted values, beliefs, norms, and routines. Although some scholars have begun to stress a wide array of legitimate organizational responses to multiple and sometimes conflicting institutional pressures (Hoffman, 1999; Oliver, 1991), most neo-institutional research continues to highlight compliance as the most legitimate and expected response to coercive regulatory pressures (Dacin *et al.*, 2002; Hirsch, 1997).

Thus, a relatively limited view has emerged that portrays public policies and regulations as followed by business (Friedland and Alford, 1991; Hirsch, 1997; Hoffman, 1999; Suchman and Edelman, 1997). To be sure, compliance with environmental and social protection public policies and their regulations is certainly the prevalent response of firms in the US but not of those in developing countries. Yet it is important to highlight that in the US it has taken decades to enact and implement these protective policies and for them to reach the point of being internalized by business managers and other influential social groups. This long US public policy process is affected by intense advocacy and/or opposition by multiple social, government, and business actors. Additionally, it requires massive public expenditure to create and institutionalize new government agencies with strong monitoring–enforcement capacity and political clout. Hence, in the first part of this book (Chapters 2–4), I seek to contribute to the neo-institutional literature by focusing on developing a conceptual understanding of the protective policy process–business response relationship. Specifically, my first goal is to discuss, in Chapter 2, the underlying logic explaining the protective public policy process dynamic in the context of the US to elucidate how its stages are associated with business' political strategies involving different degrees of resistance and/or cooperation. To do this, I integrate neo-institutional scholarship with ideas from the policy sciences literature that has for a long time emphasized the importance of taking a process perspective to understand policymaking (Clark, 2002; Lasswell, 1971).

I see business as both influenced by protective public policies and actively involved in the intensely adversarial socio-political process of

contesting, remaking, and redefining them (Fligstein and McAdam, 1993; Hoffman, 1997; Oliver, 1991; Seo and Creed, 2002). That is, during the policy process businesses and their stakeholders are not just bystanders constrained by the coercive force of regulations; they are also strategic actors trying to shape them (Oliver, 1991; Steinmo *et al.*, 1992). Specifically, I posit that other things being equal – such as firm characteristics and in-country regional conditions – business responses are likely to have an inverted U-shaped relationship with the protective policy process dynamic in the US, showing increasing resistance as the process moves from initiation to selection and thereafter declining resistance that turns into growing cooperation in mid-implementation.

Another important gap in the neo-institutional literature on organizational analysis is its focus on studying business behaviors in industrialized countries such as the US, those in Europe, and other developed nations. Except for studying how business behavior is affected by variations in different styles of democracy and state control, organizational neo-institutional scholars have paid little attention to significant contrasts in other key country contextual characteristics such as: level of democracy, system of interest representation, regulatory approach, and national economic income. Thus, another goal of this book is to contribute towards filling this gap by developing, in Chapter 3, a conceptual framework of analysis clarifying how these additional country contextual variables may intervene to moderate the protective policy process–business response relationship described for the context of the US in Chapter 2 of the book.

In general terms, my propositions suggest, other things being equal, higher levels of business resistance to different stages of the protective policy process in countries with:

- (1) Lower levels of democracy,
- (2) A predominant reliance on command-and-control regulatory instruments (as opposed to incentive-based ones), and/or
- (3) Lower economic income per capita,
- (4) I also posit that a country's system of interest representation moderates the inverted U-shaped relationship between the protective policy process and firms' responses in such a way that firms operating in pluralistic countries are more likely to offer: (i) higher political resistance during the different stages of the policy process

than firms operating in neo-corporatist countries; and (ii) lower political resistance during the different stages of the policy process than firms operating in state-corporatist countries.²

In Chapter 4, I relax the assumption that holds firm-level characteristics constant to discuss their moderating effect on the protective policy process–business response relationship. Firm-level characteristics may also affect how different firms are socialized into distinct country political and economic traditions (George *et al.*, 2006) thus affecting how they may respond to the pressures and demands exerted by policy process stages. To be sure, there are extensive literatures on corporate political strategy and corporate social and environmental management that have identified how a large array of company characteristics is respectively associated with differences in corporate political practices and environmental/social protection practices (Berchicci and King, 2007; Cavazos, 2005). Building upon these literatures, I develop a set of propositions that focus only on a few of the firm characteristics that have more prominently and consistently been identified to affect these practices. In general terms, the propositions suggest lower resistance and higher environmental/social performance during the different stages of the protective policy process for firms with:

- (1) Higher financial performance,
- (2) Larger size,
- (3) Higher export orientation,
- (4) Chief executive officers with higher levels of formal education,
- (5) Multinational corporation ownership,
- (6) Public ownership, and
- (7) Membership in industry associations.

When considering these propositions it is important to keep in mind a critical caveat: the moderating effect of firm-level characteristics on firm responses to protective policy demands is particularly important during the enactment and early implementation stages of the protective policy process when regulatory demands are not yet fully institutionalized (Tolbert and Zucker, 1983). As regulations and standards become fully institutionalized, this moderating influence that firm characteristics have on business responses to the policy process may decline to the point of showing no significant effect (Baron *et al.*, 1986; Friedland and Alford, 1991; Tolbert and Zucker, 1983).

In delineating the boundaries of the first part of the book (Chapters 2–4), it is important to stress first that this part is focused exclusively on conceptual development. I do not provide empirical evidence testing the logic and propositions advanced. The few examples included in these chapters are illustrative only and not offered as empirical evidence. Also, while in my theorizing I recognize the importance that country regional conditions may have on determining firms' responses to government demands, their effect on the policy process–business response relationship proposed is explicitly not considered. Although holding country regional conditions constant in my analysis precludes me from developing a more general framework of the policy process–business response relationship, it allows me to take a first step towards exploring a central component of this framework; explaining how business-level and country-level contextual characteristics moderate the policy process–business response relationship above and beyond the effect of regional in-country conditions. This approach is, of course, the traditional science-based method for the initial analysis of specific relationships of interest while acknowledging that other variables may have an effect on such relationships (Kuhn, 1962; Popper, 2002; Rowley, 1997). I also do not consider economic policies and regulations that, in contrast to protective policies usually opposed by firms, tend to be traditionally supported by existing businesses.³

Empirical studies

In the second part of the book (Chapters 5–9), I present empirical studies that examine business environmental protection behavior in the US and Costa Rica. The significant differences in the contexts of these two countries suggested some of the ideas proposed by the conceptual framework developed in the first part of the book. They involve the evaluation of two voluntary environmental programs: the US ski industry's Sustainable Slopes Program and the Certification for Sustainable Tourism in Costa Rica. For more than a decade now, having had the luck of working together with outstanding co-authors, my empirical research and refereed academic journal publications have been focused on the study of these two voluntary environmental programs (VEPs) both in the US and developing countries (in the acknowledgments section I thank these co-authors whose gifted insights have at all times improved my research and ideas. Also, the

journal articles from which the book chapters were developed are specified in the initial endnote of each chapter). Studying VEPs also helped with the initial examination of the conceptual framework developed in this book because VEPs tend to attract participants displaying a wide range of responses to protective policy demands: from highly cooperative firms, seeking to adopt the most proactive environmental management strategies, to highly resistant firms that follow a manipulative free-riding approach.

Chapter 5 analyzes the initial implementation of the Sustainable Slopes Program (SSP), a voluntary environmental initiative established by the US National Ski Areas Association in partnership with federal and state government agencies. The findings from this study indicate that participation of western ski areas in the SSP is related to institutional pressures in the form of enhanced federal oversight and higher state environmental demands exerted by state agencies, local environmental groups, and public opinion. The analysis also suggests that, despite these institutional pressures, participant ski areas appear to be correlated with lower third-party environmental performance ratings. This behavior seems to reflect the lack of specific institutional mechanisms to prevent opportunism in the current design of the SSP. That is, the program does not involve specific environmental standards, lacks third-party oversight, and does not have sanctions for poor performance.

In Chapter 6, I focus on two basic questions: are voluntary programs effective in promoting higher environmental performance by participant firms? If so, which distinct areas of environmental performance are more likely to be improved by firms joining a voluntary environmental program? These questions are addressed by assessing the environmental effectiveness of the ski industry's SSP in the western United States between 2001 and 2005. I found no evidence in this five-year analysis to conclude that ski areas adopting the SSP displayed superior performance levels than nonparticipants for the following areas of environmental protection: overall environmental performance, expansion management, pollution management, and wildlife and habitat management. SSP participants appear to show a statistically significant correlation only with higher natural resource conservation performance rates.

Changing country context and the program examined, the study discussed in Chapter 7 aims to identify how institutional forces, such

as regulatory and stakeholder pressures, are related to proactive environmental behavior by hotel facilities participating in the Certification for Sustainable Tourism (CST), a voluntary environmental program established by the Costa Rican government. This program is among the first third-party performance-based environmental certification initiatives implemented in the developing world. Findings suggest that voluntary environmental programs that include performance-based standards and third-party monitoring may be effective in promoting beyond-compliance environmental behavior when they are complemented by isomorphic institutional pressures exerted by government environmental monitoring and trade association membership. Surprisingly, findings also indicate that compared to locally owned hotels, foreign-owned and multinational subsidiary facilities do not seem to be significantly correlated with higher participation and superior environmental performance in the CST.

In Chapter 8, I evaluate whether the education, environmental expertise, and nationality of firms' chief executive officers (CEOs) are associated with greater participation and environmental performance in the CST. The findings suggest that CEOs' level of formal education and environmental expertise appear to be significantly associated with higher corporate participation in voluntary programs and also with higher beyond-compliance environmental performance ratings. Contrary to conventional expectations, CEOs from industrialized countries (as opposed to developing countries) do not appear to show a statistically significant association with participation in the CST program and with higher beyond-compliance environmental performance.

Chapter 9 evaluates the ability of voluntary environmental programs to generate economic benefits for firms. Given their voluntary nature, provision of economic benefits to firms is a necessary condition for these programs to become effective environmental policy instruments. Specifically, the paper focuses on assessing the price premium and sales benefits for hotels participating in the CST program. Results indicate that hotels with certified superior environmental performance show a positive relationship with differentiation advantages that yield price premiums. Participation in the CST program alone is not significantly related to higher prices and higher sales.

Finally, in Chapter 10, I wrap up the book by outlining a few concluding remarks and suggest a future research agenda.

Notes

1. This chapter includes slightly modified portions of: Rivera *et al.* (2009), reproduced with kind permission of Springer Science and Business Media.
2. See definitions of pluralistic, neo-corporatist, and state-corporatist countries in Chapter 3, pages 58–9.
3. Economic policies are regulations that establish prices, subsidies, trade tariffs, accounting practices, etc., and tend to be demanded by existing businesses which are their main beneficiaries (Hawkins and Thomas, 1984; Kagan, 1984; Stigler, 1971; Winston, 1993). Tax-increasing policies are exceptions to this generalization about the tendency for businesses to support economic policies and regulations (Stigler, 1971).

2 *Business responses to the protective policy process in the US¹*

The conceptual ideas discussed in this chapter build on policy scientists' work that has long emphasized the importance of taking a process perspective to understand policymaking (Clark, 2002; Lasswell, 1971). This chapter also follows sociology's neo-institutional scholars in drawing from Berger and Luckmann's (1967) phenomenological approach to understanding institutions and institutional processes (DiMaggio and Powell, 1983; Scott, 1991, 2001; Tolbert and Zucker, 1996). In particular, I borrow from Andrew Hoffman's seminal work (1997, 1999) studying the evolution of corporate environmentalism in the US chemical and oil industries between 1960 and 1993. His work illustrates the predominant pattern of business responses to the institutional dynamic associated with evolving environmental protection demands in the US: initially chemical and oil firms show high levels of resistance that over a couple of decades turns into cooperation and even proactive beyond-compliance. This change from resistance to cooperation arises from new understandings, metaphors, norms, and regulations redefining appropriate business protective practices that gradually become taken for granted. Important elements in this redefinition of legitimate business behavior include: stakeholders' demands, new environmental protection paradigms, external environmental crises, and industry-generated accidents (Hoffman, 1997, 1999).

I advance this work by detailing the specific nature of the protective policy process–business response relationship in the US. Most importantly, this book contributes to previous work by integrating the policy sciences and organizational sociology's neo-institutional literatures to outline an underlying phenomenological logic explicating changes in business responses to different stages of the protective policy process in the US. This expanded focus on a socially constructed legitimacy-seeking rationality as opposed to exclusively self-interest maximization rationality, also differentiates this book from work by economists

such as Tom Lyon and John Maxwell (2004). Assuming self-interest maximization and using a policy process perspective, they propose a framework that explains corporate resistance to environmental policy demands in the US. Their basic view is that firms' resistance to public policies increases as the cost of these policies climbs (Lyon and Maxwell, 2004: 36). In this book, this perspective is not rejected but it is made part of an expanded view of rationality as not only profit-seeking but also legitimacy-seeking.

Neo-institutional theory and public policies

Sharing an open systems perspective with other social science theories, sociology's neo-institutional theory gives the external context a central role in determining organizations' strategies (Katz and Kahn, 1966; Scott, 2001). Accordingly, managers' behavior is seen as restricted and shaped by the social and cultural environment in which they are embedded (Granovetter, 1985; Meyer and Rowan, 1977). Institutions are seen as the most important element of this external context and they are understood as: formal state organizations, policies and regulations, informal shared schemas, routines, norms, symbols, and ceremonial traditions that are highly stable and facilitate and constrain the behavior of social actors (DiMaggio and Powell, 1983; Hall, 1986; Meyer and Rowan, 1977; Powell and DiMaggio, 1991).

Neo-institutional scholars also challenge the traditional notion that businesses and their managers are exclusively rational profit-maximizers and emphasize the importance of also achieving social legitimacy for long-term business survival and competitiveness (Meyer and Rowan, 1977; Powell and DiMaggio, 1991; Scott, 2001). Legitimate businesses are those whose actions are seen as, or presumed to be, "desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). Because legitimacy is context specific, what is "rational" varies across countries, industries, and individuals experiencing different socialization processes. In other words, business preferences, interests, and values are often modified by their operation in different contexts and by their interaction with actors possessing different understandings of reality and appropriateness (Fligstein and McAdam, 1993). Additionally, neo-institutionalists highlight that it is not rare for decisionmakers to