



Business and Public Policy

It is increasingly common for businesses to face public policies and government regulation that demand some form of environmental or social protection. These protective public policies have grown in number, complexity, and stringency over the last few decades, not only in industrialized countries but also in the developing world. In this book, Jorge E. Rivera presents a new theoretical framework for understanding the relationship between protective public policies and business compliance. This framework explains different levels of business compliance in terms of three distinct factors: the link between the stages of the protective public policy process and different levels of business resistance, the moderating effects of country context, and firm-level characteristics. The second part of the book supports and elaborates on this framework by presenting empirical studies that examine two voluntary environmental programs: the US ski industry's Sustainable Slopes Program and the Certification for Sustainable Tourism in Costa Rica.

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Business and Public Policy

Responses to Environmental
and Social Protection Processes

JORGE E. RIVERA
The George Washington University



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press
978-0-521-89781-5 — Business and Public Policy
Jorge E. Rivera
Frontmatter
[More Information](#)

CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom
One Liberty Plaza, 20th Floor, New York, NY 10006, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
314-321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre, New Delhi - 110025, India
103 Penang Road, #05-06/07, Visioncrest Commercial, Singapore 238467

Cambridge University Press is part of the University of Cambridge.

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www.cambridge.org

Information on this title: www.cambridge.org/9780521897815

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First published 2010

First paperback edition (with corrections) 2012

A catalogue record for this publication is available from the British Library

Library of Congress Cataloging in Publication data

Rivera, Jorge E.

Business and public policy : responses to environmental and social protection processes / Jorge E. Rivera.

p. cm. — (Business, value creation, and society)

Includes bibliographical references.

ISBN 978-0-521-89781-5

1. Business. 2. Industries — Social aspects. 3. Industries — Environmental aspects. 4. Political planning. I. Title. II. Series.

HF1008.R58 2010

658.4'083—dc22 2010014628

ISBN 978-0-521-89781-5 Hardback

ISBN 978-1-107-40628-5 Paperback

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Cambridge University Press
978-0-521-89781-5 — Business and Public Policy
Jorge E. Rivera
Frontmatter
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To my parents, Jorge and Leonor, and
my wife Jennifer, with love

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Foreword

In this book, Jorge Rivera makes a very important contribution to our emerging knowledge about how private strategies and public policies interact to advance the cause of sustainability. By looking across theories (e.g., institutional theory and policy sciences) and country contexts (developed and developing) he is able to generate important new insights that should help inform future action.

First, he clearly documents and illustrates the “dance” that exists between business and government when it comes to the policy process. Rivera shows that companies both influence and are influenced by the policy process. He posits an inverted U-shaped relationship, with increasing resistance from business as the process moves from initiation to selection, and thereafter, declining resistance that turns into growing cooperation in implementation. Corporate behavior is not the simple result of a one-way flow of isomorphic pressure as the neo-institutionalists might have us believe.

Even more importantly, Professor Rivera proposes that country matters when it comes to business resistance to environmental and social policies, with countries with lower levels of democracy and income per capita evincing more business resistance to environmental and social policy. Other things being equal, this would tend to suggest that “developing” countries would show more business resistance to such policies than “developed” countries, the result being poorer environmental and social performance. However, Rivera also shows us that the actual *design* of the policy might be more important than the country characteristics. Indeed, through close examination of two voluntary environmental programs – the US ski industry’s Sustainable Slopes Program and Costa Rica’s Certification for Sustainable Tourism – he shows that the opposite behavior can result: Costa Rica’s program results in beyond-compliance behavior whereas the US ski industry program actually attracts players with lower environmental

performance ratings. This counter-intuitive result stems from fundamental differences in program design: the Costa Rican program is run by the government and includes third-party, performance-based certification, which provides certified hotels with a price premium and sales benefits not available to uncertified hotels. The US ski industry's program, in contrast, lacks third-party certification, involves no specific environmental standards, and has no sanctions for poor performance. The result is that superior performers steer clear, leaving only the laggards to participate, perhaps for the "public relations" benefit.

Finally, Professor Rivera shows that company characteristics also influence the likelihood of engaging in the private–public "dance" described above: chief executive officers' level of formal education and environmental expertise are associated with higher corporate participation and also with higher beyond-compliance environmental performance ratings.

We are very pleased indeed to publish this book in the series on *Business, Value Creation, and Society*. The purpose of the series is to stimulate thinking about new ways to combine economic value creation with social contribution and environmental sustainability. Professor Rivera has made an important contribution toward this end.

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Acknowledgments

I owe much gratitude to many individuals and organizations that helped make this book possible. The support from The George Washington University and my colleagues in the Strategic Management and Public Policy Department was instrumental in all my efforts. Tim Fort's help, advice, encouragement, and example planted the seed for me to start thinking about the possibility of writing a book-long manuscript. He also opened the door that gave me initial access to multiple university presses. Mark Starik's friendship and advice have been invaluable in helping me survive my initial journey as Professor. At GW, the grants from the Center for International Business Research, the School of Business' Dean Research Fellowship, and the Institutes for Corporate Responsibility and Latin American Studies were particularly instrumental in allowing me to dedicate the extra time required to finish this book. Rochelle Rediang, Aditi Vira, Prathima Parthasarathi, and Resmi Jacob deserve much appreciation for their support in editing the book's citations and references.

My writing would not be legible without the immense help and patience of Brian Oetzel. His thorough reviewing of the multiple drafts of my journal articles and book chapters has been critical for improving the clarity of my work. Many thanks Brian for your excellent and always prompt support! In Costa Rica, I am indebted to the help of many friends, colleagues, and organizations. In the mid-1990s the Instituto Centroamericano de Administración de Empresas (INCAE) Business School provided me with financial support and valuable assistance for the early research of the hotel industry in that country. In particular, INCAE's Professor Alvaro Umaña's advice and mentorship was instrumental in allowing me to follow my dreams to do research and pursue a doctoral education. Rodolfo Lizano, the creator of the Certification for Sustainable Tourism at the Costa Rican

Acknowledgments

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Institute of Tourism, provided me with access to unique data and was also very generous in responding to my many questions and requests for additional information. In early 2009, I had the privilege of spending my sabbatical at the Centro Agronómico Tropical de Investigación y Enseñanza (CATIE; the Tropical Agricultural Research and Higher Education Center) as a research associate of the Environment for Development Center in Central America. The time, freedom, and ideas from my great friends Francisco Alpizar, Juan Robalino, and Allen Blackman gave me the energy to finish this book when exhaustion made it seem an impossible task. Additionally, I want to thank my editor, R. Edward Freeman, for his trust and comments, and the great people at Cambridge University Press: Paula Parish, Thomas O'Reilly, and Jennifer Davis who patiently guided me through the production process for the book.

I am also thankful for the mentorship, ideas, and inspiration that I received from many professors: in college, Thelma de Gallardo, Willy Knedel, Janet Willer, and Raymundo Zea; at Duke University, Robert Healy, William Ascher, and Stuart Hart. Robert Healy, my dissertation chair, was particularly influential in shaping my research while giving me the freedom to pursue my own interests. Equally inspirational have been the ideas and enthusiasm of Peter deLeon, my co-author and great friend. Of course, my deepest gratitude goes to Jennifer, my wife, and my parents, Jorge and Leonor, whose unconditional love and support fill my daily life with the hope and energy to try to make a difference.

Publication acknowledgments

This book compiles research work that I have conducted over the last ten years. Previous versions of this work have been published in academic journal articles and they are reproduced with the kind permission of the co-authors and publishers. I am deeply thankful to my co-authors for their help, ideas, encouragement, criticism, and companionship during this long journey of discovery. Portions of Chapters 1, 2, 3, and 10 appeared in an article published in *Policy Sciences*: Rivera, J., Oetzel, J., deLeon, P., and Starik, M. 2009. “Business responses to environmental and social protection policies: towards a framework for analysis,” *Policy Sciences* 42: 3–42.

The analysis of the US ski industry’s Sustainable Slopes Program presented in Chapters 5 and 6 was originally published in two *Policy Studies Journal* articles: first, Rivera, J. and deLeon, P. 2004. “Is greener whiter? The Sustainable Slopes Program and the voluntary environmental performance of western ski areas,” *Policy Studies Journal* 32 (3): 417–37; and second, Rivera, J., deLeon, P., and Koerber, C. 2006. “Is greener whiter yet? The Sustainable Slopes Program after five years,” *Policy Studies Journal* 34 (2): 195–224.

The studies of the Costa Rican Certification for Sustainable Tourism discussed in Chapters 7, 8, and 9 were respectively published in the following three journal articles: Rivera, J. 2004. “Institutional pressures and voluntary environmental behavior in developing countries: evidence from Costa Rica,” *Society and Natural Resources* 17: 779–97.

Rivera, J. and deLeon, P. 2005. “Chief executive officers and voluntary environmental performance: Costa Rica’s Certification for Sustainable Tourism,” *Policy Sciences* 38 (2–3): 107–27.

Rivera, J. 2002. “Assessing a voluntary environmental initiative in the developing world: the Costa Rican Certification for Sustainable Tourism,” *Policy Sciences* 35: 333–60.