



BOOK REVIEWS

***Business and Public Policy: Responses to Environmental and Social Protection Processes*, by Jorge Rivera (Cambridge: Cambridge University Press, 2012), 266 pages**

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In his book *Business and Public Policy: Responses to Environmental and Social Protection Processes*, Jorge Rivera explores the complex and dynamic interaction between business and environmental public policies. Although this relationship has been the subject of considerable scholarship, Rivera ensures a novel contribution by integrating complementary perspectives from the policy sciences and organizational sociology. Rivera develops a policy process perspective to elaborate on prior neo-institutional research, which has otherwise assumed compliance to be the only legitimate and therefore expected strategic response of business to coercive government pressure to provide social and environmental protection. Instead, Rivera argues that firms, along with other important stakeholders, play an active role in shaping policy outcomes and that compliance is only one of a myriad response strategies. He proposes that, all else equal, business responses are likely to display an inverted U-shaped relationship with protective policy development; increasing in resistance as the process moves from initiation to selection and then decreasing in resistance during mid-implementation, eventually moving to cooperation and beyond compliance. He examines the role that country-specific factors can play in moderating this relationship, thus conceptually broadening the focus of what has primarily been a US and developed country-oriented dialogue. He also examines the role that firm-specific factors can play in moderating this relationship. The book is well written and easy to understand, and is relevant to academic scholars, policy makers, and managers alike. By outlining specific propositions that follow from his proposed conceptual framework, Rivera creates an opportunity for further empirical research into these issues and relationships.

In the first half of the book, the author presents a general framework describing the iterative process through which business and environmental policy interact and develops a series of propositions to explain how varying country contexts and firm-level characteristics moderate the 'protective policy-business response relationship.' The second chapter serves as the book's theoretical anchor. Indeed it is the longest and most densely informative chapter, where Rivera describes the characteristics of the 'protective policy-business response relationship.' This analysis is based on

the US context, which Rivera describes as a distinctly pluralistic system of interest representation, with strong reliance on command-and-control regulation, effective enforcement, and high GDP. Expanding Andrew Hoffman's seminal work on the response of chemical companies to the evolution of environmental policy (Hoffman 1999), Rivera proposes businesses resistance to protective policies follows an inverted U-shape as the policy process progresses from initiation, to selection and implementation (see figure 1 below). Firms are more likely to resort to resistance strategies such as manipulation, defiance, and avoidance of compromise in the initiation and selection phases of the policy process and more likely to cooperate with acquiescence and beyond compliance strategies during the implementation phase of regulations.

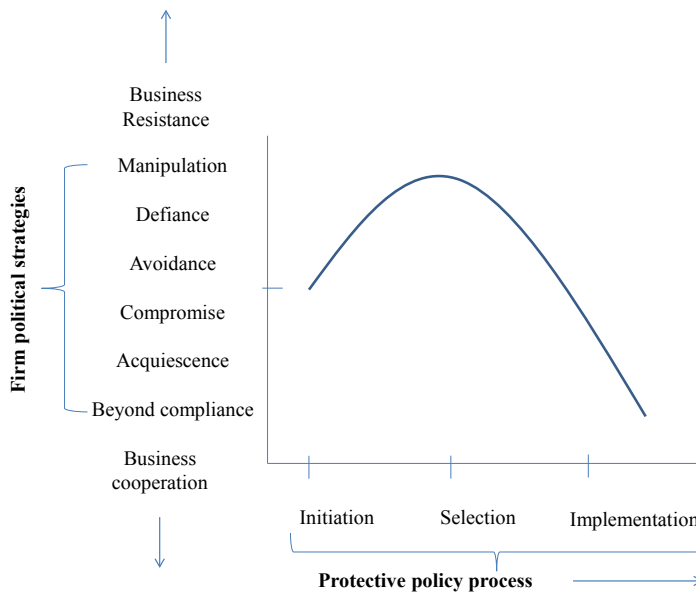


Figure 1. Adapted from Rivera Figure 2.1 Protective policy process–business response relationship: US context

In chapter 3, Rivera describes how country-specific characteristics mediate the inverted U-shaped relationship outlined in chapter 2. He argues that higher levels of business resistance to different stages of the protective policy process are likely to occur in countries with lower levels of democracy; a reliance on command-and-control regulatory instruments as opposed to incentive-based ones; lower per capital economic income; and stricter regulations. In chapter 4, Rivera describes how firm-specific characteristics mediate the inverted U-shaped relationship. He suggests that we should see lower resistance and higher environmental/social performance in firms with higher financial performance; larger size; higher export orientation; CEOs with higher levels of formal education; multinational corporate ownership; public ownership; and membership in industry associations. These chapters' aforementioned propositions are ripe for future empirical testing, and provide insight into observed variation between firms not fully explained by the institutional literature.

Noting the high concentration of research devoted to the business-policy relationship in industrialized nations, a necessary emphasis is placed on using the framework to elucidate how the reaction of business to protective policies differs for developing nations. This particular emphasis continues in the book's latter half, where the author provides evidence for several of his propositions from an impressive body of empirical research conducted in the 1990s on two voluntary environmental programs (VEPs) from the Costa Rican hotel and the US ski industries. These studies support some of the propositions made earlier in the book, and also highlight how the nuances of policy-related characteristics can influence the level of business resistance to environmental policy demands. Interestingly, the studies reveal what appears to be a paradoxical finding: at a time when being 'green' was only a nascent concern to business in industrialized nations, the Costa Rican hotel industry implemented a successful VEP. In contrast, the voluntary program developed by the US ski industry was largely incapable of improving environmental performance or producing economic benefits for members. Rivera uses the theory developed in his first four chapters to explain many of the conditions underlying this apparent paradox. Although Costa Rica is a developing country, its per-capita levels are not low enough for economic concerns to trump protective policies and it has a relatively strong tradition of democracy. With a neo-corporatist system of interest representation, however, and a greater emphasis on incentive-based environmental policies Costa Rica differs significantly from the US. According to Rivera the design of the Costa Rican hotel program reflects these differences in country context, as predicted in chapter 3, and ultimately the success of the two programs. That is, despite a more advanced economy US businesses showed greater resistance to protective policies due in part to the nation's pluralist system and command-and-control approach to regulation.

I applaud the emphasis of Rivera's book on the analysis of the entire spectrum of firm responses to environmental regulations. Rivera's book makes apparent that the business and the environment literature has been studying almost exclusively the tip of the iceberg of corporate environmental strategies, or the most visible beyond compliance strategies, while most of the policy process is in fact marked by corporate resistance. Indeed, Rivera places firm response strategies on a continuum from resistance to beyond compliance and stresses the prevalence of resistance strategies. Rivera analyses in detail the different tactics of resistance such as manipulation, defiance, and avoidance. In Rivera's framework, not only are these resistance strategies recognized, but also legitimate. That is to say, they are the expected response from firms to coercive regulatory pressure. In doing so, Rivera brings a strategic and more realistic perspective on firm responses to environmental regulation, which contrasts with the institutional perspective.

Another strength of Rivera's book is to open the organizational "black box" in order to understand firm characteristics that drive resistance strategies. As such, his book is particularly relevant for scholars and managers interested in explaining and understanding firm-specific characteristics that affect variations in firm environmental and social performance.

While Rivera sees firm characteristics and contextual factors as moderator variables that change the shape of the inverted curve, he does not, however, discuss whether these characteristics could significantly alter the inverted U shape. That is to say, in Rivera's perspective, resistance followed by compliance always marks the legitimate corporate response to the policy process. This raises the question of when organizations subjected to the same level of institutional pressure would pursue different strategies. It seems possible that in the same context some firms adopt beyond compliance strategies while other prefer resistance strategies. It would therefore be interesting to analyze when firms deviate from the norm and how firm characteristics explain this deviation.

Institutional scholars have traditionally described how institutional pressures lead to common organizational practices. In the traditions of this framework, persistent heterogeneity among various firms within the same industry might be attributed to differences in the level of institutional pressure. As a consequence, few have employed institutional theory to understand questions of strategy, which focus on persistent differences among organizations that share common organizational fields. I believe that Rivera's framework provides a rigorous platform to build research on how organizations operating during the same stage of the protective policy process adopt different political strategies. It provides a sound understanding of firm normative behavior in each of the different phases of the political process. This will help researchers identify deviation from the norm so they can investigate the factors that explain such deviation.

Another interesting area for further research is related to collective political strategies and how these vary in these different stages of the political process. In my own work, I have observed some firms taking the lead with "beyond compliance strategies" to support general industry resistance strategies. For example in 1995, some major electric utilities launched Climate Challenge, an industry voluntary program in collaboration with the Department of Energy. These electric utilities showed significant reductions in CO₂ emissions in order to slow the political process and avoid a potential regulation on climate change (Delmas and Montes-Sancho 2010). Based on Rivera's framework, future research could test how such collective political strategies interact with the different phases of the policy process. Corporate political activity represents a classic problem of collective action because legislative and regulatory decisions affect all firms within the pertinent jurisdiction, albeit unevenly. Therefore, the benefits that firms seek from their corporate political activity will accrue, to some degree, to other firms regardless of each firm's contribution. Consequently, firms may be tempted to behave opportunistically and free ride on the corporate political activity of others. This is particularly true for collective strategies that engage several firms. Voluntary environmental programs represent an example of such collective political strategies and as Rivera observes, these are often used opportunistically by firms, who free ride on the reputation benefits they confer while failing to implement substantive improvements. Scholars could try to identify the phases of the political process when collective political strategies are more likely to be pursued and when we should anticipate free riding behavior. For example, in the case of the Climate Challenge Program, increasing free riding

behavior or symbolic behavior (in the form of participation in the program without significant environmental improvement) was observed over time. In that case, the threat of regulation declined over time and the climate change regulation was never adopted. Based on Rivera's framework, we can conjecture that a more compliant behavior might have been pursued by the electric utilities with a stronger threat of a climate change regulation.

Building on Rivera's framework, researchers could also examine the evolution of the relationship between environmental and financial performance during the policy process. There has been a long-standing debate in the business strategy literature over whether or not firms profit from improving their impact on society and the natural environment. However, much of this research has focused on regulated environmental issues and there has been minimal theoretical or empirical examination of how emerging environmental issues affect competitiveness before they are regulated. Scholars have largely overlooked the unique conditions associated with emerging environmental demands, such as climate change, that entail regulatory uncertainty and institutional change. This raises important questions about the time horizon over which the environmental-financial performance relationship is evaluated. In particular, how does the profitability of proactive environmental strategies differ in the short- versus long-term for emerging environmental issues, such as climate change? Are win-win strategies feasible in the initiation and selection context of environmental policy issues? Drawing on Rivera's process-based view of environmental issues researchers can investigate these questions.

In conclusion, I strongly recommend Rivera's book. Rivera proposes an excellent framework to analyze dynamic relationships between business and environmental public policies and offers many propositions that are ripe for empirical testing.

REFERENCES

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