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Social Comparison as a Policy Tool to Promote Corporate Environmental Responsibility

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Abstract

Measures imposed on the Ministry of the Environment, Conservation, and Parks (MECP) have compelled the provincial agency in Ontario, Canada, to seek policy alternatives in carrying out its enforcement duties. Addressing this problem is important to the public, whose welfare is paramount, and to MECP managers, who must contend with the budget cuts. Smith's social comparison theory provided the framework for this qualitative research study, in which the perceptions of MECP policy advisors regarding the applicability of social comparison as a policy tool to influence private sector firms to practice corporate environmental responsibility (CER) was explored in relation to air emissions policy. Data were extracted through semistructured interviews with a purposeful sample of nine participants. The data were manually analyzed using attribute, structural, and pattern coding techniques. The findings stipulate that for-profit firms become environmentally proactive due to societal and market pressures, industry norms, financial incentives, future potential strict regulations, risk management, technological advancement, and environmental certifications. Furthermore, the applicability of a social comparison policy would depend on the types of emissions and firms being compared, implemental scale of the policy, the level of public interest on the emissions, accountability and dependability of the submitted information to prevent misleading reporting, also known as greenwashing, and governmental support for firms at the bottom of the ranking to avoid corporate apathy and defeatism. Social change implications may be the promotion of broader CER practices in the corporate community by policymakers, improvement of administrative efficiencies, and safeguarding of public interest.

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Chapter 1: Introduction to the Study

Introduction

In this research study, I explored the applicability of incorporating social comparison theory into public policy to nudge for-profit firms to be more environmentally responsible. The reasoning behind the study is multifaceted. On the one hand, public expectations of businesses to be good corporate citizens have heightened since the global financial crisis of 2008; on the other hand, there is an enhanced demand for efficient and effective government. Meanwhile, the use of social comparison as a nudging policy tool to influence individual environmental behavior has become more prominent. The prospective policy application of this theory to nudge corporate behavior could improve environmental policy outcomes, ameliorate administrative effectiveness, and promote corporate environmental responsibility (CER).

The social change implications of the study are extensive. While researchers have focused on environmental policy, social comparison could be applied to other policy areas as well, such as labor practices, pay equity, and other issues related to corporate socially responsible behavior. This could eventually shape a competitive ecology in the private sector that encourages institutions to exceed their regulatory and legal obligations, enabling public agencies to be more efficient, while ensuring public welfare is safeguarded. The result could be that of a mutually beneficial scenario for all stakeholders, including administrators, corporate actors, and the public.

This chapter is organized as follows. The background of the study is first discussed, leading to the associated problem statement. Next, the purpose of the study,

research question, and the theoretical and conceptual framework are considered. The nature of the study, relevant definitions, and assumptions are then examined, followed by the scope, delimitations, limitations, and significance of the research.

Background

There is a substantial amount of existing literature on behavioral economics, social comparison, and CER. Public administrators regularly use pecuniary tools to incentivize environmental behavior. These tools are easy to enact and produce quick results but are not without shortcomings. For instance, the Canadian federal government offers rebates of up to $5,000 to the public for purchasing electric vehicles, but there has been much backslash from the media that the administration has spent nearly half of its 3-year budget in 8 months (Morello, 2020; Rabson, 2020). After the Ontario conservative government canceled the electric vehicle incentive program implemented by the previous liberal administration, the sales of electric vehicles plummeted by 55% (Jones, 2019). The evidence strongly indicates that economic policy tools are not always politically welcomed or sustainable.

In academia, some researchers have also expressed reservations around the use of monetary tools. Ouvrard and Spaeter (2015) asserted that market-based policy instruments, including government-imposed fees, quantity restrictions, and taxation, have drawbacks such as lobbying pressures from industrial interests. Additionally, these policy instruments are often not socially acceptable. In the United States, oil industry lobbyists valiantly opposed the tax credits for electric vehicles in Congress, as the policy would severely impact fuel demand and usage (Bade, 2019). When money is involved, lobbyists

recognize the instant effects on consumer behavior and react strongly against any economic policy unfavorable to their interests. With the use of nudges as a complementary or alternative nonmonetary policy tool, there are double benefits. Not only it is inexpensive to implement the policy, but also it is a response to the social pushbacks (Ouvrard & Spaeter, 2015). As the public importunity for effective government increases, this proposition is greatly appealing to policymakers.

The application of behavioral economics has thus been a rising trend in many aspects of environmental policy. Croson and Treich (2014) discussed that nudges have been used in both individual and corporate contexts, and the concept of bounded rationality is the main driver of the application. Particularly, some of these nudges use social influence to affect individual energy and water usage habits by comparing consumption data in the neighborhood, and the impacts have proven to be significant; nudges based on social comparison can provide a powerful alternative to economic instruments (Croson & Treich, 2014). Ölander and Thøgersen (2014) agreed with those assertions, adding that these nudges engender voluntary behavior in environmental protection and that information and education alone are not always adequate or efficacious. Hence, the idea of bypassing the human cognitive system to alter behavior through nudges is increasingly popular (Ölander & Thøgersen, 2014). Through literature review, Ölander and Thøgersen (2014) illuminated the differences among the uses of label, request, and social context and found that the herding effect has a remarkable impact on energy conservation. This herding effect lends argument to the core of this study, which focuses on social comparison, a component of behavioral economics.

Leon Festinger was the first proponent of the social comparison theory. The U.S. social psychologist hypothesized that human beings are naturally driven to evaluate their capabilities and pay great attention to situations where others are somewhat close to them (Festinger, 1954). Individuals consequently tend to change their positions to be closer to others in the group to rectify any perceived discrepancies. Festinger's seminal work provided the bedrock for social comparison research, which has progressed over the decades to enrich the initial framework (Goethals & Darley, 1977; Kruglanski & Mayseless, 1990; Suls et al., 2002; Wheeler, 1966; Wills, 1981). The historical developments not only appended to the original theory, but also settled debates among scholars about the meaning of social comparison.

There is strong indication in recent literature that the social comparison process is becoming highly relevant in the corporate world. Liu et al. (2018) posited that for-profit firms are prone to isomorphic pressures. These pressures urge the firms to model themselves on one another and emulate one another on carbon management (Liu et al., 2018). There are three principal types of isomorphic processes: coercive, normative, and mimetic (Liu et al., 2018). Using questionnaires to survey random for-profits firms, Liu et al. found that mimetic and normative processes, which come from competition and standardization respectively, are stronger in influencing firms to undergo changes than the coercive processes derived from regulations. The efficacy of social comparison is intrinsic to the outcomes of the processes, and I deconstruct these concepts and connect them to this research in Chapter 2.

One of the major conundrums associated with using behavioral economics to nudge CER is the moral question: Are firms practicing CER for ethical reasons? Lampert (2016) argued that when firms demonstrate socially responsible behavior, society sees it as a form of business ethics, but it is emphatically erroneous because that would be considering corporate entities as moral agents. Lampert inferred that firms undertake corporate social responsibility (CSR) for reasons of political aspirations and not moral goodness; thus, rather than seeing CSR as an ethical capacity, it should be viewed through the lens of politics (Lampert, 2016). On the contrary, some firms appear to display ethical capabilities when confronting disastrous situations as they undertake humanitarian efforts and other CSR activities (Fernando, 2007). Such polarizing division in scholarship on corporate morality is conspicuous and I present further scrutiny of this in Chapter 2.

Other scholars have related CER to market considerations. Khojastehpour and Johns (2014) investigated the impacts of environmental CSR on brand reputation and profitability, and through literature review, they discovered a positive relationship between the two aspects. Park (2019) also explored the impacts of CSR on corporate reputation related to customer satisfaction and attitude in the aviation industry. Park's (2019) study was carried out with questionnaires sent to airline customers, and the results indicated a significant connection between corporate reputation and CSR practices. Corporate reputation is critical to firms, and some go to great lengths to stand out from their competitors; Delta's commitment to be the first carbon neutral airline by 2030 is an

example (Bursztynsky, 2020). There is no governmental intervention in these arrangements, but solely the corporate ambition to differentiate.

These well-founded correlations between CER and financial performance, however, are not a cue that administrative involvement can be omitted. Alavi et al. (2016) dissected the significance of private industry self-regulation in managing CSR due to the perceived regulatory gaps and absences in government regulations and the possibly higher effectiveness in private regulations. Despite its increased popularity, the effectiveness of self-regulation remains questionable because of the multidimensional nature of CSR, so a multilevel approach that considers various factors is necessary (Alavi et al., 2016).

This multidimensional nature has other implications as well. Fisher et al. (2016) studied the international application of CSR and how globalization affects the practice. Using CSR scores, they compared corporations among continents on various types of CSR, such as governance, environmental, and social (Fisher et al., 2016). They reckoned that differences do exist across international geographical regions, and these distinctions could be caused by cultural, social, political, and economic factors (Fisher et al., 2016). The context-dependent essence of CER suggests a tailored approach to any prospective policy application using social comparison.

The existing literature has verifiably demonstrated the prevalence of social comparison in influencing both individual and corporate environmental behavior, but the application of the theory in public policy and its effectiveness have been limited to the former. Little research has been conducted to determine if and how social comparison

might be administered as a policy tool to nudge CER, which is the gap in knowledge I aimed to fill with this study. This endeavor was needed in the field of public policy and administration research because nudging could enhance administrative efficiency while protecting the public. This could mean more value for the money for taxpayers without sacrificing welfare or deviating from the missions of public agencies.

Problem Statement

In Canada, the Progressive Conservative Party was elected into power in June 2018, governing Ontario for the first time since 2003. To fulfill an election promise, the new premier confirmed that the administration would reduce spending by billions of dollars across the entire government (Parkinson, 2018). Every ministry was affected. The 2019 budget of Ministry of the Environment, Conservation, and Parks (MECP) was brought down by $350 million (Ontario Budget, 2019). The austerity was quite drastic because the amount was equivalent to 35% of the agency's previous year's budget.

One of MECP's key functions affected is regulatory enforcement. Environmental officers normally attend business properties to check if the firms are compliant with regulations, but the budget cut has made this difficult to carry out, especially in rural regions of the province requiring extensive travel for site visits. A policy alternative has become necessary because of the need for better administrative efficiency while protecting the environment in times of fiscal frugality. A possible solution is to incorporate social comparison into environmental compliance.

Throughout human history, people have always compared among themselves. This phenomenon is not exclusive to the of age of social media, but it is more dominant

now than ever (Alfasi, 2019; Chow & Wan, 2017). A powerful psychological impact is associated with such comparison, and governments have begun to recognize its potential as a policy tool. In fact, administrators now use social comparison to influence individuals in reducing energy consumption, which has produced successful outcomes (Croson & Treich, 2014). However, there appears to be little research on how social comparison might be used as a policy tool to influence corporate environmental behavior. Scholarship has attested that institutional isomorphism exerts pressure on firms to mimic one another on environmental management (Liu et al., 2018). This presents a potential opportunity for public administrators as they might be able to encourage these dynamics through policy. This research may fill the knowledge gap by exploring the relevance of social comparison as a policy tool to nudge for-profit firms to be more environmentally responsible. The inquiry was achieved by understanding environmental policymakers' perceptions on the matter.

Purpose of the Study

The purpose of this qualitative research was to explore the possible usefulness of social comparison in air emissions policy for promoting CER practices among private sector industries in Ontario, Canada. In-depth, semistructured interviews with MECP policy advisors produced data regarding their thoughts on using social comparison, a form of behavioral economics, in air emissions policy. The findings are reported in Chapters 4 and 5 to consider the applicability of a social comparison policy in nudging for ubiquitous CER practices among corporate actors.

Research Question

The research question for the study was: What are the perceptions of MECP policy advisors on the applicability of social comparison in air emissions policy to nudge for-profit firms to practice CER?

Theoretical and Conceptual Framework for the Study

The primary theoretical framework for the study was based on Festinger's social comparison theory. Festinger (1954), a U.S. social psychologist, hypothesized that human beings are often enticed by situations where others are similar to them because they have the innate desire to assess their capabilities. If people perceive there are discrepancies after comparison, they are inclined to change their behavior and decision making to be closer to others.

Since its inception, the initial theory has undergone copious advances. Wheeler (1966) suggested the concept of upward comparisons when self-improvement interests may prompt one to compare with others who are superior or better off in some way. Building on Wheeler's hypothesis, Gruder (1971) discovered a multifactor model to account for comparison choices, with the factors being uncertain, positive, and/or desirable. Goethals and Darley's (1977) attributional analysis brought further clarity into the theory, asserting that the inference of one's own and others' ability from relative performance is imperfect because performance is determined by effort and practice as well as ability, so the attribution regarding ability is ambiguous.

In response to Wheeler's upward comparisons, Wills (1981) posited that self-enhancement interests may cause one to compare oneself with those who are perceived to

be inferior, engendering downward comparisons. Later, the conceptual and empirical developments in cognitive social psychology have called for the classical social comparison theory to be further expanded; people may lack the desire to compare and the comparison tendencies appear to be highly fluid (Kruglanski & Mayseless, 1990). Additional researchers have argued that comparison can produce positive and negative contrastive and assimilative effects, and such impacts have become ever more prevalent in the social media era (Alfasi, 2019; Chow & Wan, 2017; Suls et al., 2002). The evolution of the theory has shown that it is primarily used to address human behavior and decision making.

Undisputedly, Festinger's theoretical work and its succeeding advancements have been prevalent in all aspects of social phenomena, including behavioral economics and the nudge theory. Social comparison is so effective as a form of nudging that governments have begun to use it as a policy tool to successfully influence individual energy usage, typically by providing feedback information about consumption data (Croson & Treich, 2014). This theoretical approach provided the foundation determining the applicability of the theory in environmental policy in the corporate context. In other words, in this study, I investigated a new application on a decades-long theory.

The conceptual framework that also formed the structure of this research includes behavioral economics and CER. Behavioral economics is concerned with the impacts of human decision making on economic behavior based on various psychological, cognitive, social, and cultural factors (Lin, 2011). This field of study dates the 18th century, with the Scottish economist and philosopher, Adam Smith, as the primary proponent (Ashraf

et al., 2005). Smith was instrumental in constructing the concept, which is discussed in greater detail in Chapter 2.

Self-interest and the desire to align with the norm have particular significance in the paradigm of behavioral economics, supporting the social comparison argument that individuals and firms take themselves, and others, into consideration when they make economic decisions (Ashraf et al., 2005). There are three main rationalities involved in the decision-making process: bounded, unbounded, and erotetic (Bendor, 2010; Dunn, 1997; Shakun, 2001). These rationalities are commonly applied to human thinking and could be independent of each other or relate to one another, but for-profit firms seem to exhibit those traits as well.

When a focal firm compares its own environmental practices to other target firms, whether direct competitors or similar organizations, the comparison generates mimetic isomorphism that pressures the focal firm to imitate or copy the target firms intentionally or unintentionally (Kim & Tsai, 2012; Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017). This mimicking allows the focal firm to remain competitive and legitimate, dominated by its exigency to survive and follow the industry norm. The rationalities manifest as underlying characteristics in the practice of CER, and these connections are analyzed further in Chapter 2.

The idea that social comparison and CER practices rely on corporate perceptions about industry reputation, brand image, customer expectations, competition, and legitimacy means that behavioral economics should be employed in a contextual manner, instead of a generalized application. Each firm might perceive those nudge factors

differently, so it is up to the policymakers to decide how social comparison might be used in which contexts, such as the policy types, industry characteristics, economic conditions, and so forth. This justifies the pursuit of a qualitative methodology for the study to attain the subjective views of policy advisors on the prospective policy application.

The theoretical and conceptual framework of the dissertation, including behavioral economics, social comparison, and CER, are all subjected to individual firm perceptions, confirming that the qualitative approach and research question were suitable for the study. The research tradition was generic qualitative inquiry as I sought the perceptions of policy advisors. The data analysis used attribute, structural, and pattern coding techniques in two coding cycles due to the straightforward answers from the participants.

Nature of the Study

The nature of the study was qualitative. I sought the perceptions of MECP policy advisors on the possibility of taking advantage of the business competition dynamics to nudge for ubiquitous CER practices in the form of social comparison. Therefore, the key concepts investigated were social comparison and CER in a policy context. The ontology was relativist because each advisor had their own views on the effectiveness of such policy tool.

Epistemology was the backbone of the study. Epistemology typically deals with the nature of knowledge and how it is acquired (Burkholder et al., 2016). In this case, the knowledge was gained by interviewing policy advisors in an in-depth, semistructured format. Participants' personal perceptions surrounding social comparison in a corporate

context constructed a form of collective reality about the applicability of such policy. As a result, the epistemology was constructivist. I substantiated the explication to code the attributes, structures, and patterns of the data, giving lucidity to the meaning of the new knowledge.

The logic concludes that an inductive and exploratory qualitative paradigm was the most fitting approach. This also connotes that a generic qualitative inquiry design with purposeful sampling strategy was the ideal path because it would allow me to build a subjective truth by garnering individual perceptions from those who could best answer the research question and fill the knowledge gap.

To conduct the research in a naturalistic setting consistent with the epistemology, my original plan was to set up the interviews in conference rooms inside MECP, but outside the policy advisors' offices. Due to the COVID-19 pandemic, all interviews were conducted online via a video conferencing platform. This might have given the advisors confidence and comfort to speak more candidly about their views and whether they thought it would be effective to use social information to nudge private sector firms in further lowering their emissions. I then analyzed the gathered data using attribute, structural, and pattern coding techniques, and extracted patterns in the data to reach conclusions.

Definitions

The following terms and definitions are pertinent to the dissertation:

Behavioral economics: A field of study concerned with the impacts of human decision-making processes, including psychological, cognitive, social, and cultural factors, on economic behavior (Lin, 2011).

Bounded rationality: A concept in the decision-making process that the rationality of an individual is limited by the information available and the cognitive limitations of the person's mind (Bendor, 2010).

Coercive isomorphism: An element of institutional isomorphism that includes direct or indirect pressures of other organizations that a firm is dependent on, including applicable laws and regulations, and cultural expectations of society (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017).

Corporate environmental responsibility (CER): A form of corporate governance in which a firm surpasses its legal responsibilities, voluntarily and proactively, to protect the natural environment in a sustainable manner (European Commission, 2011; Global Affairs Canada, 2019; World Bank, n.d.).

Erotetic rationality: A concept in the decision-making process that the rationality of an individual is to mitigate ignorance by expanding one's boundary of knowledge through a series of rational questioning and answering (Dunn, 1997; Koralus & Mascarenhas, 2013).

Institutional isomorphism: A process of structural homogeneity that molds organizations within an area of institutional life to become more similar to one another to cope with a common set of environmental circumstances and to compete for institutional

legitimacy in terms of social and economic prowess, for customers and resources as well as political power (Shepard et al., 1997).

Mimetic isomorphism: An element of institutional isomorphism that refers to a firm's intentional or unintentional modeling of other peer organizations that are more legitimate or successful (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017).

Nonmarket valuation: A psychological tendency of evaluating the environment with some degree of favor or disfavor, without economic justification (Hawcroft & Milfont, 2010).

Normative isomorphism: An element of institutional isomorphism rooted in professionalization and standardization, driven by education and interactions within professional networks (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017).

Social comparison theory: A phenomenon in which humans have the inclination to alter their decision making and behavior to be closer to others when compared to those who are somewhat different, but not too divergent, from them (Festinger, 1954).

Unbounded rationality: A concept in the decision-making process that the rationality of an individual is based on spirituality and connectedness through consciousness to solve problems (Shakun, 2001).

Willingness to accept: The minimum amount an individual is willing to accept to give up a commodity (Shogren & Taylor, 2008).

Willingness to pay: The maximum amount an individual is willing to pay for a commodity (Shogren & Taylor, 2008).

Assumptions

In any qualitative research, various assumptions need to be addressed. These assumptions are out of the researcher's control, but without them, the study would be irrelevant (Simon, 2011). There were two major underlying qualitative assumptions in this study. First, it was assumed that the participants were truthful and straightforward during the interviews. Second, by selecting policy advisors who specialized in air policy, climate change policy, and environmental economics as participants, I assumed that their collective perceptions were adequately representative of MECP's position as a whole because the research problem was organizational. This approach in turn should be sufficient in answering the research question.

There were epistemological assumptions in the study as well. The epistemological assumption supposes that subjective evidence is assembled by the researchers getting as close as possible to the participants being studied, so it becomes important to conduct studies in the field (Creswell & Poth, 2016). By conducting interviews by video in a virtual platform with the advisors located at places of their choice, it was presumed that I was close enough to the interviewees' workplaces that the data were accurate and of good quality.

There are two other conceptual assumptions in the study. First, it is unclear if the social comparison phenomenon is more prevailing in some industries than others, so it is assumed that institutional isomorphism is similarly present in all for-profit industry sectors. Second, the definition of CER as elucidated in this paper is based on the social values of the western world, so it is believed that firms in Ontario would see CER

through the same lens. These conceptual assumptions are necessary because the research does not target any specific industry sectors for the social comparison policy application, and because the geographical context is a Canadian province, the relationships between the government and industries are expected to be different from those in more traditional societies (Jeong & Kim, 2020; Uddin et al., 2018). Such relationships play into the political motivations behind CER and will be examined in Chapter 2.

Scopes and Delimitations

To understand the boundaries of a study, the scopes and delimitations must be defined. Delimitations are characteristics that limit the scope of the research, so unlike assumptions, they are under the researcher's control (Simon, 2011). The context in which this research was investigated provides those insights.

For the first time in 15 years, Ontario is governed by the Progressive Conservative Party. The sudden change in political climate has presented considerable challenges to the regulatory practices among ministries. Specifically, MECP is facing issues with carrying out its enforcement duties. This area needs to be addressed because, since the days of the liberal administration, the goal has been to turn MECP into an enforcement-oriented agency; the budget cuts by the conservative government have made that target more difficult to achieve. This research might help address the problem as behavioral economics could improve administrative efficiency and save costs. Compliance with air emission standards is a significant portion of MECP's work, so focusing on this policy area might elevate the potential effects of the proposed policy tool.

Exploring the applicability of social comparison in industrial air emissions required the input of policy advisors at MECP. Their expertise in environmental economics and/or air emissions policy was elemental to the relevance of the data, so they were the sole participating population group. The corporate executives were excluded from the study as this dissertation was authored from the public policy and administration standpoint. Moreover, although there are three elements of institutional isomorphism, including coercive, normative, and mimetic processes, this research initially focused only on mimetic processes and, to a lesser extent, normative isomorphism as social comparison is the theoretical foundation, so the coercive aspects were excluded from the initial coding framework.

The potential transferability of the study is prodigious. Although the policy context in this case was air emissions policy, the application might be germane in other media of industrial contaminants as well, such as waste and wastewater. It might also be apposite in other social policy issues such as labor practices and pay equity. Depending on the cultural and social implications of CER, some form of corporate social comparison in public policy might be felicitous in other jurisdictions as well.

Limitations

Comprehending the limitations helps to delineate the potential weaknesses in a study. One key limitation to the research design was the privacy of the participants. Because the interviewees were Ontario public servants, their names and contact information were a matter of public record on the government website. MECP, the organization under study, is not anonymous, so one might easily search for the names of

the potential participants. To reasonably mitigate this concern, the advisors were named P1, P2, P3, and so on to mask their identities.

Another limitation was the transferability and dependability of the research. The data were collected within a single public organization, so to ensure triangulation, policy advisors from three separate disciplines, including air policy, climate change policy, and environmental economics, participated in the study, so multiple data sources were established. All interview questions were also free of geographical context and designed as a generic structure, so the data might reasonably be more transferable to other social and cultural settings.

Researcher bias was minor. I do not work in behavioral economics or air emissions policy, so I did not gain or lose from the research personally or professionally. Regardless of the outcome of the data analysis, I saw the study as a great opportunity to potentially fill a knowledge gap in the literature, so it did not matter to me whether the policy advisors supported, opposed, or were divided on the topic. I openly included all positive, neutral, and negative cases in my analysis.

Significance

In this study, I aimed to contribute to the literature by exploring the various ways of incorporating social comparison into one public policy issue of nudging for-profit firms to be more environmentally responsible. It may be an important endeavor in the public policy and administration literature because nudging could enhance administrative efficiency while protecting the public. Perhaps administrators could then concentrate on other environmental areas without sacrificing public welfare or the agency's mission. The

social change implications could be that enforcement officers no longer need to chase compliance on a regular basis and instead could support new businesses, which could benefit the economy. At the same time, public well-being could remain safeguarded.

Summary

The austerity measures imposed on MECP as a result of a government change have compelled the environmental agency to amend its ways of carrying out enforcement duties. As it becomes more challenging for provincial officers to visit industrial sites to ensure compliance, behavioral economics, particularly social comparison, could be a potentially useful policy tool to nudge industries to undertake CER, exceeding their regulatory obligations. By doing so, a competitive ecology might be created to promote broader CER practices in the private sector and might allow MECP to shift their efforts to support new businesses, while ensuring regulations are still met.

The existing literature emphasizes that social comparison has been successfully applied in environmental policy to influence individual behavior, and the phenomenon is also common in the business world, but its use in public policy to nudge corporate environmental behavior remains unexplored in the existing research. Through generic qualitative inquiry, purposeful sampling, and the use of attribute, structural, and pattern coding techniques, I intended to fill that knowledge gap by interviewing MECP policy advisors to obtain their perceptions on the issue. There were three different data sources to address dependability and triangulation, and the interview questions were free of geographical context, so they should help address transferability. As there was no conflict of interest on my part, researcher bias was minimal.

After an overview of the study, the next step is to scrutinize the current literature surrounding behavioral economics, social comparison, and CER to establish a detailed understanding of the existing knowledge gap.

Chapter 2: Literature Review

Introduction

In Ontario, MECP's budget was cut drastically by the conservative government in fiscal year 2019. The severe austerity has impelled the agency to retrench its spending and operations. One major impediment is that it has become more difficult for enforcement officers to visit industrial properties to check for regulatory compliance in person. A policy alternative is imperative in the interest of addressing the budget reduction, improving efficiency, and above all, safeguarding the environment. Social comparison could be applied to environmental compliance as a possible solution.

Throughout history, humans have always compared among themselves as a means of self-evaluation. In the age of social media, social comparison has come to great prominence, even causing depression in individuals (Alfasi, 2019; Chow & Wan, 2017). Despite the negative psychological impact, governments have started to realize the power of the process and have employed social comparison as a policy tool to successfully nudge people in reducing energy consumption (Croson & Treich, 2014). However, there is scant research on applying social comparison as a policy tool to influence corporate environmental behavior.

Evidence has shown that firms emulate one another on environmental management because of isomorphic pressures, so there could be a policy opportunity for the Ontario government to promote these dynamics (Liu et al., 2018). Hence, in this research, I aspired to fill the knowledge gap by investigating how applicable social comparison might be as a policy tool to nudge environmental sustainability in for-profit

firms. To answer the research question, I sought to understand environmental policymakers' perceptions on the matter.

The purpose of this qualitative research was to explore the perceptions of MECP policy advisors on the usefulness of social comparison in air emissions policy to encourage broader CER practices in the province of Ontario, Canada. Through in-depth interviewing with the advisors, data were generated to understand their thoughts on the use of social comparison in air emissions policy. The ontological assumption was relativist because each policy advisor had their own views on the effectiveness of such policy tool. The epistemological assumption was constructivist as I interviewed the advisors, in a semistructured format, to gain knowledge on their perceptions surrounding social comparison. The findings are discussed in Chapters 4 and 5 in relation to the applicability of social comparison as a policy tool to nudge for ubiquitous CER practices in the private sector.

The current literature seems to emphasize the impacts of social comparison on individual decision making and behavior. After the theory's inception in 1954, there has been a sea of literature advancing the philosophy from the human perspective. Since the 1970s, scholars began to elucidate the concept of institutional isomorphism as a driver of CSR, which occurs when organizations in a field compete with one another for institutional legitimacy in terms of social and economic prowess, for customers and resources as well as political power (Shepard et al., 1997). This definition is related to competition for legitimacy, which I revisit later in this chapter.

From a different angle, CSR has been described as a multidisciplinary concept that reflects a firm's response to the expectations and demands of a wide range of stakeholders, including society, the environment, and individuals (Yuan et al., 2020). The various interpretations of CSR have led some researchers to conclude that there is a lack of theoretical foundation and coherence in CSR research because of its complexity and context-dependent nature (Wang et al., 2020). Despite the differences within academia, there have been attempts to construct a conceptual framework surrounding institutional isomorphism and CSR (Roszkowska-Menkesa & Aluchna, 2017). Nonetheless, there is minimal literature on how isomorphic pressures induced by corporate social comparison could be fostered through public policy. This apparent lacuna in the academic policy research establishes the relevance of the problem under study.

The literature review is organized as follows: Because social comparison is a form of behavioral economics, I first discuss the concept of behavioral economics, including bounded, unbounded, and erotetic rationalities and the associated policy applications. I then home in on the social comparison theory and its history of development, along with the CER concept and the five main factors that influence the decision making behind the practice. Next, social comparison in a corporate context engendered by institutional isomorphism, the three elements of isomorphic pressures, and the potential benefits and shortfalls of a corporate social comparison policy are analyzed.

Literature Search Strategy

The Walden Library and Google Scholar were the primary tools used in the literature search. No specific academic journal databases were used because no

restrictions were applied in the advanced search of the Walden Library. Many keyword searches were conducted, including *behavioral economics, bounded rationality, unbounded rationality, erotetic rationality, nonmarket valuation, social comparison, social comparison policy, corporate social comparison, isomorphic pressures, institutional isomorphism, anticompetitive practices, corporate environmental responsibility,* and *corporate social responsibility*. The iterative search process started with the theoretical and conceptual framework, using terms such as *behavioral economics*, *social comparison*, *institutional isomorphism*, *corporate social responsibility*, and *corporate environmental responsibility*. The reference lists in the chosen articles were then reviewed to identify additional relevant literature.

Theoretical and Conceptual Framework

Behavioral economics as a concept has been around for centuries. During the classical period of economics between the late-18th and mid-19th centuries, human psychology was strongly associated with economics. Scottish economist and philosopher Adam Smith first proposed in 1776 that individuals have no interest in using their assets unless the profits bear some proportion to the extent of those assets, demonstrating the preponderance of self-interest in economic behavior. In an earlier publication, *The Theory of Moral Sentiments*, Smith went a step further and asseverated a dual process in human decision making. Smith (1759) theorized that humans make moral decisions based on concerns for the happiness of self and others, which is caused by the *impartial spectator* that controls the passionate actions of oneself for the purpose of being agreeable and becoming. This impartiality, or objectivity, empowers an individual to

consider the views of others and may help deter one from being overtly selfish when making decisions.

Smith's work laid a critical foundation for behavioral economics research. In the 20th century, economic psychology emerged from the works of economists such as George Katona (1951), who contrasted habitual behavior and genuine decision and expounded that one should not assume the existence of rational human behavior in microeconomic analysis. Katona, considered one of the founding fathers of the traditional behavioral economics, criticized conventional economists for paying little attention to the psychological foundations of economic behavior (Katona, 1951). For example, economists predicted that rapid inflation would emerge after World War II ended because people had been saving money during the war, causing the demand to far exceed the supply, but that forecast did not materialize (Katona, 1951). Using survey data from 1945 and 1946, Katona adduced that people felt optimistic about their own financial situations as well as the economic consequences after the war ended, so they did not overspend and the inflation never occurred (Katona, 1951) This neglect by mainstream economists about consumer perspectives motivated Katona to describe a psychological approach to economic analysis and intricately link economics to psychology.

Since the beginning of the 21st century, economics research has become increasingly sophisticated. Incorporating behavioral economics into environmental policymaking has been a growing trend (Croson & Treich, 2014; Garai, 2017). Such an application is based on the notion that environmental issues invoke strong moral feelings in individuals, such as pride, shame, and guilt, due to the long-term and global effects,

and this knowledge would lead to bounded rationality that may subsequently affect behavioral patterns (Croson & Treich, 2014). The ethical undertone of applying behavioral economics to environmental policy is key in nudging individuals to change their behavior and decision making because they know and understand, within their bounded rationality, that it is morally wrong to pollute.

Bounded rationality is a concept in the decision-making process that the rationality of an individual is constrained by the information available and the cognitive limitations of the person's mind (Bendor, 2010). The idea was initially articulated by U.S. economist Herbert Simon, who challenged that rationality is bounded because there are limits to the human thinking capacity based on time and available information (Simon, 1957). Put another way, an individual's ability to comprehend the information presented to them and the amount of time restricted for them to understand the information affect their subsequent decisions. In the context of environmental behavior, by knowing the adverse impacts of unsound practices and the urgency for corrective actions, a person may tend to make better environmental decisions.

Nonetheless, bounded rationality does not always bring about positive decision making. The individual cognitive limitations imply that if a person is unable to make sense of the information communicated to them, then they may not act in accordance with the intent of that information (Rugeley & Gerlach, 2012). One example is the phenomenon of climate change skepticism; some people continue to deny the existence of climate change, despite the overwhelming scientific evidence supporting it and attempting to persuade the public to reduce carbon footprint. This is mainly due to the

complexity of the environmental domain, so citizens might default to quotidian experiences to form opinions (Rugeley & Gerlach, 2012). For instance, people often confuse the distinction between climate and weather, so the involuted topic of climate change has led some to opine that because they see the weather change all the time, climate change is nothing to be worried about. These cognitive shortcuts are common and can lead to poor decision making or snap judgments that precipitate behavioral failure.

Another important contribution from Simon is a model of decision making that aids in the understanding of collective choice in organizations, signifying the entrance of behavioral economics into the field of public policy and administration. In the seminal publication, *Administrative Behavior*, Simon (1947) provided the basic formulation on the tenets of bounded rationality. An *organization man* strives to satisfy rather than optimize because their capacity to solve complex problems is very small compared to the size of the problem, the solution to which requires objective and rational behavior (Simon, 1947; Simon, 1957). The relationship between human bounded rationality and organizational decision making is inherently causal.

The second form of logic, unbounded rationality, is applied in decision making as well. It is based on spirituality and connectedness rather than information and can be a salient factor in determining the path an individual chooses (Shakun, 2001). In the world of postnormal science, where complexity, contradictions, uncertainty, and ignorance are dominant themes, people often need to make decisions well before any conclusive evidence is available (Sardar, 2015). Inevitably, they must reach beyond the boundaries of knowledge and into the realms of mindfulness to arrive at their conclusion.

Indeed, while bounded rationality deals with the limits of human understanding in the presence of information, unbounded rationality is associated with the limits of human knowledge. No one knows it all, and when decisions must be made in the absence of concrete data, the affective and conative faculties come into play (Shakun, 2001). The connections to one's own instincts, feelings, and attitudes may propel one to do the right thing, which essentially makes it an ethical decision.

This moral compass frequently guides behavior, and scholarship has defended that the phenomenon also occurs in the private sector. In the wake of the Asian tsunami in 2004, two Sri Lankan firms donated $100 million in relief funds, built houses, refurbished hospitals, constructed water wells, and undertook other CSR activities (Fernando, 2007). Through in-depth interviewing, the executives of the two firms explained that they wanted to provide what was appropriate and right to their compatriots according to their conscience, and it was more than an emotional experience for them (Fernando, 2007). This high degree of genuine virtue was augmented by the firm executives' concern that their actions might be perceived as taking advantage of the tragedy; one of the firms mounted a carefully crafted awareness campaign to insist that it did not exploit the disaster (Fernando, 2007). The firms' disquiet about public perception of their honorable actions signaled some kind of moral goodness, but it could also stem from their need to protect their business image.

Notwithstanding their admirable behavior, it was believed that the Sri Lankan firms acted because the tsunami was a significant event, and it was predicted that, as time passed, mitigative strategies would take over and the level of genuineness would decline

(Fernando, 2007). This prognosis was supported by the divergent views among firms about CSR before the tsunami (Fernando, 2007). In a later investigation involving in-depth interviewing with 10 additional Sri Lankan firms, Fernando and Almeida (2012) uncovered that, despite the tsunami, strategic CSR initiatives and organizational virtuousness were not all voluntary. These actions could be influenced by the country's religious culture, and in practice, the firms ultimately wanted to deliver some level of shareholder value as well as societal value (Fernando & Almeida, 2012). Extraordinary times call for extraordinary actions, but it would appear that the genuine intentions of executives were maneuvered by circumstances.

These articles on the Sri Lankan example have enabled the synthesis that while it is evident calamities could catalyze firms to act with unbounded rationality, there remains the question: if there is no apparent crisis, or the crisis is not apparent to them, are firms still capable of genuinely practicing CER, or are there other factors that they need to consider? Like bounded rationality, the unbounded version of thinking does not always beget positive outcomes in human behavior (Shakun, 2001). To that extent, it is logical to deduce that this could happen in firms as well. After all, firms are managed by humans. This chapter will dig deeper into the moral agency of firms and other elements that influence their environmental decisions.

The third type of reasoning is erotetic rationality. It deals with the nature of questioning and answering in the face of ignorance, so the boundary of knowledge can be expanded (Dunn, 1997). It could be seen as a heuristic form of thinking that is above both bounded and unbounded rationalities, but what does it mean?

Let us absorb the concept for a moment by comparing it to the other two rationalities. In bounded rationality, an individual makes decisions based on what and how quickly they can grasp about the information at hand. When the rationale is unbounded, the individual makes decisions that are spiritually dependent when they do not have that information. For erotetic processes, the individual does not make any decision until they have done further research because they do not understand or know enough. Thus, different from bounded and unbounded rationalities, in both of which a person does not intent on learning more, the limits of human knowledge and intelligence would in effect prompt the erotetic response of truth seeking to come to a more informed decision.

How does the erotetic principle work exactly? When we encounter new premises, we systematically ask selected questions as we interpret the premises (Koralus & Mascarenhas, 2013). These questions make us rational, and they induce conversations and social pressure to find the proper answers (Koralus & Mascarenhas, 2013). Our natural desire for strong answers makes us reasonable, which turns into our ability to ask the right questions (Koralus & Mascarenhas, 2013). This becomes a cycle of questioning and answering until we understand the premises, so that we can reach a decision.

Erotetic rationality is abundantly observed in everyday life. When a CNN journalist saw Rube Goldberg machines, he understood what was happening and found them fascinating, but he did not know the significance of these machines (Sutter, 2012). He began to wonder what made them so compelling, so he interviewed a Rube Goldberg machine designer, and through in-depth interviewing, which was a series of rational

questioning and answer seeking, the journalist discovered that the designer's purpose was to copy human behavior as much as possible, in a nonhuman way (Sutter, 2012). The inquiry added insight to the investigation, expanding the jouranlist's knowledge about Rube Goldberg machines.

Understanding the similarities and differences of these three rationalities is fundamental to behavioral economic policymaking because policy compliance hinges on how citizens decide to act upon the policy in question. Venkatachalam (2008) affirmed that environmental economics should be based on both bounded and unbounded rationalities to prevent policy failure as the actual human behavior shows both characteristics substantially. The mainstream economic models treat individuals as unboundedly rational, which is not a valid approach because they do not behave this way (Venkatachalam, 2008). Curiously, Venkatachalam went on to use a corporate phenomenon, called status-quo bias, to prove their point.

The status-quo bias is a habitual occurrence. It arises from the preference of staying in the status-quo position and has incurred great environmental costs (Venkatachalam, 2008). Oftentimes, industries tend to stick with outdated pollution control technologies, even though they know there are more updated and efficient ways to mitigate emissions (Venkatachalam, 2008). As a result, policymakers need to take such behavioral factors into consideration to bring about more effective policy outcomes (Venkatachalam, 2008). The article did not specify how policy actors should take these factors into account, but it ratifies the idea that firms can unquestionably exhibit unbounded rationality in a negative sense like individuals, and they share some of the

same human motivations that guide their strategic decisions (Jones, 2002). Hence, the focus of behavioral environmental economics has been on nudging for behavioral changes from different angles, as opposed to educating the stakeholders with numbers and statistics alone.

Erotetic reasoning has a parallel concept in that regard. In discussing the need to probe the boundary of knowledge, Dunn (1997) stressed that ignorance stemming from cognitive impairment impacts not only individuals, but also organizations including corporations. Conformity imposed on institutions foments such impairment, which blinds people to the need for probing possible solutions to problems (Dunn, 1997). Dunn's contention that ignorance affects firms as well as individual actors not only adds credence to the causal relationship between human rationality and organizational decision making discussed earlier, but also conveys that gradual expansion of knowledge is the best way to mitigate ignorance.

In public organizations, the presence of erotetic rationality in policy design has a long and endured tradition. Charles Lindblom's seminal article, *The Science of Muddling Through*, declared that policy changes must be incremental rather than revolutionary due to the limits of human intelligence (Lindblom, 1959). The more recent public policy research has concurred that in the incremental model, which includes erotetic rationality, administrators devise and implement policies that are at first satisfactory and not necessarily rational, but negotiations are part of the decision model that activates the process of choosing the best policy (Ticu, 2013). Policymakers must also operate under the conditions of uncertainty about future consequences, so constant policy evaluations,

through questioning and answering, reduce the risks and costs of those uncertainties (Anyebe, 2018).

These articles have yielded the discernment that scholarship has historically built on Lindblom's work to describe what policymakers must do to solve social problems, and erotetic rationality has been underscored more than other types of reasoning. This is an unsurprising revelation because bounded and unbounded rationalities could be deemed irrational due to the limits of human intelligence and knowledge, and the complexity of societal issues means the problems cannot be resolved with a single method, but multiple iterations to achieve optimal policy solution.

Though these authors used public policy analysis as the context, it is also applicable in the setting of this research as the articles have provided some insights into how firms might make environmental economic decisions. Like unbounded rationality, firms could be subjected to decision making based on conformity or status-quo bias. Unlike unbounded rationality, erotetic reasoning could mitigate the denial of ignorance by means of additional information. Therefore, the use of behavioral economics in environmental policy could bypass this unbounded ignorance by nudging firms to make favorable economic decisions because of their business instincts or their erotetic desire to learn more about the feasibility of economic actions that are beneficial to the environment. Firms might also make decisions based on bounded rationality if corporate managers are not concerned about or unable to apprehend the scope of the environmental challenges, so supplemental and relevant information might trigger their erotetic thinking to expand knowledge.

Other scholars have resonated with these assertions. Ölander and Thøgersen (2014) concurred that the provision of information alone on environmental issues is not always a successful way to instigate behavioral changes on the grounds of too much information and the rapidly evolving environmental field. Because nudging incorporates the unconscious and automatic processes in human psychology, in addition to the conscious and reflective ones, it has been a more effective tool than pure information provision in effectuating behavioral changes as it takes all aspects of the human nature into consideration (Ölander & Thøgersen, 2014). This is a reasonable assessment by the authors because information is often used to invoke bounded rationality, intellectualizing decision making.

While in some cases it is a fruitful scheme, if the information provided is inadequate or difficult to process, an individual could revert to the instinctive lizard-brain thinking and make decisions that may seem irrational, leading to the status-quo bias, which is related to unbounded rationality. Thus, the information provided should be adequate to provoke erotetic rationality, or bypass bounded and unbounded rationalities, and minimize behavioral failure.

Not every economist agrees that behavioral economics should be applied to environmental policy. According to Shogren and Taylor (2008), some economists have argued that people can learn to be rational by reason of market forces and evolution, as the market is more rational than an individual is and makes better decisions on resource allocations. The problem with that argument is, when it comes to environmental goods and services, such economic markets do not exist, so one cannot use conventional

economics to dictate environmental behavior (Shogren & Taylor, 2008). As an example, an individual may commit littering at the risk of a fine, perhaps because the person thinks the chance of them getting caught is low, so it would be more worthwhile for them to take the risk than making the effort to find a rubbish bin if one is not nearby. This mentality of worthiness could be unbounded rationality if the individual does not know what the fine is. It could also be bounded rationality if the penalty amount is known, but the person still chooses to litter simply because they are indolent. In either scenario, there is no monetary calculation to support the decision to litter.

This lack of economic justification is known as *nonmarket valuation*. It is a key construct in the decision-making process and one of the prime examples of behavioral failure (Shogren & Taylor, 2008). In the environmental context, nonmarket valuation is a psychological tendency of evaluating the environment with some degree of favor or disfavor as people often do not have core preferences about the environment (Hawcroft & Milfont, 2010). Such level of favoritism does not appear to be backed by any economic valuation, but it is motivated by personal perceptions and beliefs.

The noneconomic motives drive the behavioral intentions behind environmental decisions, so promoting environmental policy requires an understanding of these underlying reasons (Bartczak, 2014). To better interpret the noneconomic motives, some researchers have advocated the use of stakeholder analysis and cognitive mapping to apply nonmarket valuation in environmental policy (Kontogianni et al., 2012). Others have endorsed the contingent valuation methods to capture the heterogeneity in consumption, production, and perceptions of irreversible losses (Thompson et al., 2017).

In any case, these articles have imparted additional sagacity into the tools that policy actors might use to nudge for behavioral changes.

Using the littering example once again, if administrators realize that unfavorable environmental attitudes are the main cause of people leaving their garbage behind, a coordinated awareness campaign about the benefits of living in a clean neighborhood, such as lower chances of a viral outbreak and higher quality of drinking water, could nudge those noneconomic motives to the positive spectrum, in addition to the littering fines.

Nonmarket valuation has also contributed to other phenomena. Because market values cannot be assigned to environmental goods and services, there is often a disparity between "willingness to pay" and "willingness to accept" behaviors in society (Bartczak, 2014; Shogren & Taylor, 2008). Let us delve deeper into the denotations of these two types of behavior.

In economics, willingness to pay is the maximum amount that an individual is willing to pay for a commodity, whereas willingness to accept is the minimum amount that an individual is willing to accept to give up a commodity (Shogren & Taylor, 2008). Ideally, both amounts should be about equal for the exact same commodity, but research has shown that it is often not the case because the buyer and seller may value the same commodity differently, resulting in value discrepancy (Shogren & Taylor, 2008; Thompson et al., 2017). Note that such discrepancy can apply to both tangible and intangible commodities.

In environmental terms, what this entails is that some individuals may see the environment as an essential commodity or asset to society, so they would be willing to put in additional efforts or spend extra money to protect it, such as participating in Greenpeace missions or installing solar panels in their properties on their own dime. By contrast, other individuals may see environmental protection as a hindrance or nuisance, so they would be willing to put in only the minimum efforts just to obey the law and avoid troubles with the government, such as not littering. This begets the phenomena where some individuals become very proactive, or even activists, in environmental protection, while others are merely following the law.

This willingness gap can be quite noticeable in a society where divergent environmental views are pervasive, but it can be justified by the three rationalities. In some cases, individuals may base their environmental decisions on the climate scientific information that they already know and understand, so bounded rationality would be the best explanation. In other circumstances, people may be motivated by their spiritual or personal views about the Earth without the need for climate change evidence, so unbounded rationality would be the most obvious. Some individuals could also invoke erotetic rationality to search for additional climate change data before they make their decisions. All these rationalities are omnipresent in society and govern the willingness gaps in all aspects of human behavior and decision making.

One might see the presence of this willingness gap among corporate entities as well. Some firms are high achievers and considered industry leaders in environmental governance, with CER being a central part of their operations, while others only prefer to

just comply with the regulations (Tench et al., 2018). This adds credibility to the submission that nonmonetary elements are critical contributing factors in behavioral environmental economics, and this is where social comparison could come into play and help close the willingness gap.

Social Comparison Theory

The social comparison theory hypothesizes that human beings are constantly driven to evaluate their abilities, and the availability of comparison with others, whose abilities are somewhat different from one's own, will produce tendencies to change one's evaluation of the ability in question (Festinger, 1954). It is also postulated that a person is less attracted to situations where others are very divergent from them than to situations where others are close to them (Festinger, 1954). This evinces that human beings are social animals. They do not wish to be quite different from others who are like them, ergo they have the proclivity to follow the crowd with those similar in abilities to be comparable to one another or to belong to the cohort.

Economic values are not factored into those predispositions to follow the crowd though. As a matter of fact, there was no deliberation in the Festinger (1954) article that individuals would give monetary wealth a great deal of consideration when it comes to decision making influenced by social comparison. According to Duesenberry (1949), who first stipulated the pertinence of social network in influencing individual decisions on consumption, people who experience relative deprivation when compared to those similar to them would actually increase their expenditure to keep up with others.

Individuals often do not mind spending more money to upgrade their status to remain comparable to others. As a result, in communities where social comparison is successfully applied, individuals who previously had vastly different values on the same commodity would now see that commodity with values similar to others, closing the willingness gap. This is consistent with the idea that bounded rationality, unbounded rationality, and nonmarket valuation could significantly influence behavioral patterns.

Since its inception, the initial framework of social comparison theory has gone through many advances triggered by the debates over Festinger's work. Wheeler (1966) averred the concept of upward comparisons when self-improvement interests may prompt one to compare with others who are superior or better off in some way. To validate Wheeler's hypothesis, Gruder (1971) created a bogus personality trait scale that informed the subjects regarding the scores in their group. He discovered that the subjects selected to compare themselves to those who were similar in rank order, clarifying the previous works of Festinger and Wheeler (Gruder, 1971). He also proposed a multifactor model to account for comparison choices, with the factors being uncertain, positive, and/or desirable (Gruder, 1971). Goethals and Darley (1977) ended the dispute on similarity interpretations with their attributional analysis, which brought clearer focus to the theory. They asserted that the inference of one's own and others' ability from relative performance is imperfect because performance is determined by effort and practice as well as ability, so the attribution regarding ability is ambiguous (Goethals & Darley, 1977).

In response to upward comparisons as presented by Wheeler, Wills (1981) posited that self-enhancement interests may cause one to compare with those who are inferior to oneself, effecting downward comparisons. The subsequent conceptual and empirical developments in cognitive social psychology have called for the classical social comparison theory to be expanded, that people may lack the desire to compare and the comparison tendencies appear to be highly fluid (Kruglanski & Mayseless, 1990). Further studies have propounded that comparison can enkindle positive and negative contrastive and assimilative effects, which are more prevalent in the social media era (Alfasi, 2019; Chow & Wan, 2017; Suls et al., 2002). Hence, since 1954, numerous researchers have contributed to the evolution of the social comparison theory as the behavioral economics research progresses. However, the focus has been on individual behavior rather than corporate undertaking.

How effective, then, is social comparison when applied to public policy? Ouvrard and Spaeter (2015) studied the use of nonmonetary policy tools to nudge behavioral changes, with social comparison used to reduce individual energy consumption. The authors found that roughly half of the households were concerned with their own energy consumption against the mean consumption of their neighbors (Ouvrard & Spaeter, 2015). From an individual application perspective, social comparison appears to have been successful in producing results.

It is worth mentioning that nudges are noncoercive, so individuals should not be penalized if they decide to continue their polluting way (Ouvrard & Spaeter, 2015). Therefore, social comparison cannot be based on conformance with laws and regulations,

which are hard lines that must not be crossed. Instead, it should be applied in situations where there are no, or no longer, needs for strict compliance, but as an encouragement to improve on the existing conditions. By going above and beyond, firms take on more environmental responsibilities than they are legally required, incorporating CER practices into their operations.

Corporate Environmental Responsibility

The concept of CER originates from CSR. It is a form of corporate governance that has been developing since the early 1970s and has attracted much attention around the world thanks to its pragmatic and enlightened approach to business practice and the promotion of corporate citizenship (Zondorak, 1991). CER as a separate term began to appear in the 1980s, often discussed alongside CSR, when a firm's environmental responsibility became progressively important, though it was mainly seen as a practice of compliance with laws and regulations. Zondorak (1991) recalled that CER in the 1980s was based on conformity and undertaken due to legal and civil liabilities, so firms endeavored to do just enough to meet the minimum requirements.

As the 1990s approached, it was recognized that such strategies would likely not be sufficient in combating future environmental challenges. Proactive measures, such as the Valdez Principles, were necessary within the corporate community to urge firms to adhere by a certain code of ethics, such as reduction of waste and environmental risks, sustainable use of natural resources, protection of the biosphere, and so on (Zondorak, 1991). The role that private sector plays in environmental production has slowly become more driven.

Such assertiveness in handling environmental affairs pushed the CER concept to further evolve over the decades, although until today, it still does not have a commonly accepted definition as it depends on the context in which it is applied. According to the World Bank, CSR is a business commitment to contribute to sustainable economic development by working with employees, their families, the local communities, and society at large to improve their lives in ways that are good for business and for development (World Bank, n.d.). The European Union defines CSR as a concept whereby firms integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis (European Commission, 2011). The Government of Canada also views CSR as voluntary activities undertaken by a firm, over and above legal requirements, to operate in an economically, socially, and environmentally sustainable manner (Global Affairs Canada, 2019). Notice that World Bank defines CSR with more specifications, whereas the other two organizations are more generic in their descriptions, so one might cognize the perceived incertitude over what CSR means.

The main commonality of these more modern definitions though is that firms are putting in additional efforts to benefit the society at large and doing more than their typical responsibilities. The *voluntary* nature also suggests that businesses are proactive in taking steps to exceed expectations. Drawing from the above three sources, this is the definition of CER that the dissertation is based on: A form of corporate governance in which a firm surpasses its legal responsibilities, voluntarily and proactively, to protect the natural environment in a sustainable manner.

A firm's willingness to integrate CER into its business operations undoubtedly tells its plan to make consistent and tangible progress to benefit society, rather than mere compliance. Because CER comes from a voluntary internal decision, a firm must weigh in certain factors associated with the initiative, as with any other business decisions, to determine its value.

Factors Influencing CER Decisions

Incorporating CER into corporate business strategy is by no means an automatic undertaking. Environmental protection has traditionally been viewed as a matter of public interest and external to private life, so public administrators are customarily tasked with the chief responsibility of ensuring proper environmental management (Mazurkiewicz, 2004). Consequently, firms are required to adhere to sets of regulations and they are free to pursue their business interests within the limits of those regulations.

Although the roles have changed in recent years, and firms have started to recognize the cruciality of their active participation in environmental protection, they continue to take various factors into consideration before deciding whether to be proactive in their environmental governance. For policymakers, it is vital to examine these factors and understand how firms behave regarding their environmental responsibilities, so policies could be formulated accordingly to inspire sustainable practices. In the current literature, scholars have looked at the potential drivers of CER from five main positions: moral agency, normative behavior, political motivations, social power, and market considerations.

Moral Agency and Normative Behavior

Environmental matters are often regarded as ethical issues, and society assigns such integrity on businesses as well as individuals. But can morality be applied to a firm in the same manner as to a person? Researchers have long submitted that a firm's main responsibility is to increase profits. The U.S. economist, Milton Friedman, stated in the influential essay, *The Social Responsibility of Business is to Increase Its Profits*, that the doctrine of social responsibility lies in the acceptance of socialist views, so market mechanisms are inappropriate for allocating resources, but they should be set up by political machinery (Friedman, 1970). Later, Corvino (2006) avouched that in situations where business ethics matter the most, doing the right thing does not pay, while doing the wrong thing is better for business. Mintzberg (2007) supported this notion that the most profitable firms place the least emphasis on social responsibility. There is consensus among earlier works that moral and business decisions are not innately compatible.

In more recent studies, scholars have also maintained that CSR cannot be wholly associated with ethical values. Vetterlein (2018) elucidated that corporate responsibility is situated between regulations and moral considerations because the term 'responsibility' refers to the act of responding to a claim. The relational nature of responsibility evokes the expectations of what responsible behavior means in a given context, so one should be cautious in attributing CSR to moral intentions (Vetterlein, 2018). Cheng-Guajardo (2019) contended that ascribing moral agency to corporations is just our way of using metaphor, but we should be wary of taking this route as it undermines our understanding of the reality about corporate entities, that they do not have the consciousness necessary

for real intentional actions. As it has been discussed in this chapter, based on earlier research, human rationality and organizational decision making have a causal relationship (Jones, 2002). These later publications have boosted our understanding that while humans are capable of making moral choices, organizations are not as they are not conscious, so corporate decisions might be viewed as business strategies that have moral consequences, instead of ethical decisions themselves.

There is media influence in the attribution of moral agency to firms as well. Lampert (2016) asseverated that although firms are frequently treated as entities capable of making moral decisions, and, in the media, moral agency is imputed to firms and organizations in a manner that is similar to personhood, such as 'Volkswagen was caught cheating in emission tests' or 'Canada signs new climate change agreement with the U.S.', it is a mistake to assign moral responsibility to organizations because they are not moral persons, and ergo are not moral agents (Lampert, 2016). While doing what is right and what is profitable seem to be the same thing theoretically, in reality that is simply not true (Lampert, 2016). Hence, the author stressed that CSR should not necessarily be rooted in ethics, but in *normative behavior* (Lampert, 2016). The drawback of the article is that the behavior described is based on regulatory conformance, that if a firm sees the others are complying with the law, then it would do the same (Lampert, 2016). This contradicts with our definition of CER because the firm is already compliant, but one might see how the idea of normative behavior may be of use here.

Doing what is the norm, rather than what is right, could be an effective driver for firms to incorporate CER, because it would allow them to remain legitimate and

competitive with one another, and such norm could be a form of ethical behavior. Therefore, if CER is publicized as a norm within an industry, one should expect firms to react to it. This is not in any way suggesting that for-profit firms are inherently immoral, but that the moral approach may not be as effective in environmental issues owing to the primary economic factors.

This also does not imply that firms undertake CER simply because others are doing it. There must be some type of incentive involved because a firm exists to make money. Nevertheless, Lampert (2016) went on to mislabel the normative behavior of compliance as a form of politics, that the legal requirements are a firm's political aspirations. This is a faulty logic because legal conformance is not political, but a necessity to avoid prosecution and penalties. One shall thus look at a firm's political motivations in a different light.

Political Motivations and Social Power

There could assuredly be political motives behind the practice of CER. Garriga and Melé (2004) discussed the political theories related to CSR, and one of the principles of corporate governance is what is referred to as the "social power equation". It expounds that if a firm does not exercise its social power, it will lose its position in society, and other firms will take over that space, because society demands responsibility from businesses (Garriga & Melé, 2004). Accordingly, losing the social position might equate to losing the public's respect.

This reasoning plays into the politics that could drive CER practices because it would help a firm gain relevance and legitimacy in society over other firms, retaining its

social position. Jamali and Mirshak (2007) also agreed that the desire of a firm to be a responsible societal actor may motivate its social responsibility actions. In studying multinational firms, it was discovered that 79% of corporate respondents questioned whether their goods and/or services had environmental value to society, and applied that knowledge in their decision making, which means these firms were aware of their obligations and that they were dependent on the society to exist (He & Chen, 2009).

These articles have further reinforced the belief that firms acknowledge their accountability not only to their shareholders, but also to society at large. Having a good environmental standing among members of the public, even when they are not direct customers, is indispensable to business success. I will revisit the connections between a firm's environmental reputation and its business performance later in this chapter.

There is another angle to look at the political underpinnings of CER. Using the United States as context, a CEO who has liberal beliefs might consider a democratic President to have similar values towards social issues, so the trust in government would prompt them to channel socially responsible work intentionally, and they would be less likely to protect those values (Jeong & Kim, 2020). If the executive feels that those values are under threat by a republican President, they would, ironically, be more likely to engage in CSR (Jeong & Kim, 2020). As with any other social actions, there could be an ingredient of activism in CER practices. Corporate executives might feel a sense of duty to protect moral goodness in the face of opposition that threatens their values, but they might be less compelled to do so when the political climate favors their beliefs, making them less socially responsible.

This complements our earlier analysis on the willingness-to-pay and willingness-to-accept behaviors: the practitioner's perceptions on the value of the environment and the situation could heavily influence their behavior and decision making. On the other hand, in more traditional societies, the political motivations behind CSR practices and disclosures are intricately linked to seeking and maintaining ties with the ruling party (Uddin et al., 2018). Such desire of alliance seems to be radically different from the practices in advanced nations, where firms could fight back against the government to safeguard socially responsible practices. These contrasts confirm that not only CER undertakings are dependent on context, but also there are governmental connotations in a firm's decision whether and how to practice and report CER activities.

Market Considerations

The fifth factor, market considerations, has perhaps the most direct impact on corporate decision making. Croson and Treich (2014) professed that some industries have become proactive in incorporating CER into their business strategies, in which they voluntarily integrate environmental concerns into their daily operations and stakeholder interactions, due to the fact that their consumers care about environmental goods and are willing to pay more to consume green products, so these firms are willing to reduce their emissions to please their customers. Meng et al. (2016) interrogated CER from an economic standpoint and posited that the level of competition has a profound impact on a firm's ability or willingness to undertake CER. If a firm faces extremely strong market power, or remarkably high competition, profit margins would be lower and it would have

fewer slack resources to invest in environmental programs, so the average level of CER would be lower (Meng et al., 2016).

On the flip side, if the market power is very weak, the firm would most likely be monopolistic with a well-established brand identity, and because there would be very little threat or competition, there is no pressure for the firm to invest in CER (Meng et al., 2016). As a result, the authors suggested that CER would be more frequently embraced when the competition is moderate or in neither extreme of the market power spectrum, because the resulting competitive advantage would be more pronounced and outweigh the costs of implementation (Meng et al., 2016).

These articles have revealed that while firms are generally concerned with how consumers view their environmental records and are willing to do what they can to appease the public, there are market limitations that constrain their proactiveness in environmental governance. Firms do not necessarily wish to engage in environmental philanthropy just because they have enough financial means. If doing so might give them an advantage over their competitors in terms of public perception without sacrificing their bottom line, then the probability of exercising CER would become higher.

More recently, the literature has evolved in the sense that researchers have affirmed a positive correlation between CER and market competitiveness. Analyzing the existing survey data with unique firms, Bardos et al. (2020) realized that CSR has a greater effect on product market perception in competitive industries, so CSR gives a firm competitive edge in differentiating its products. By improving the stakeholder perceptions, CSR indirectly enhances firm value as well (Bardos et al., 2020). In studying

the relationship between CSR and firm leverage, Sheikh (2019) also found that CSR increases firm value, but only when the competition is high, whereas in low competitive markets, CSR has no impact on firm value. By all means, there is an unquestioned connection between CER and market conditions, and it appears that whether the competition is high or moderate, firms have the incentives to practice CER for the purpose of gaining business advantage over others.

Nonetheless, there remains to be some doubts in the sustainability of CER when it is pitted against the market. The main obligation of a firm is to increase profits; it is not an expert in environmental protection. Hence, the general consensus is that leaving the environmental responsibility solely to the private sector would result in market failure such as pollution if corporate profits start to shrink by reason of fluctuating economic conditions, so government intervention in setting regulations is necessary to prevent such failure (Croson & Treich, 2014).

Another concern is that CER may not be sustainable if a moderately competitive market becomes fierce, then a firm may relax its environmental practices over time to remain economically competitive, though it is possible that the firm may do the opposite and ramp up its CER actions to gain an upper hand on the competition or reduce financial risks, so there are strong uncertainties (Croson & Treich, 2014; Sheikh, 2019). If the market becomes less competitive, a firm may also lessen its environmental commitments, because there would no longer be any incentives to maintain them or the impact would be negligible.

These are all important considerations for policymakers because, even though they cannot predict market trends, to encourage businesses to apply CER sustainably, they should recognize which industries might be more likely to do so than others, and, within those industries, understand what might make the firms tick, so the policies could be tailored accordingly. This vindicates the relativist ontological approach of this research as the policymakers' comprehension of these factors would ultimately shape how social comparison might be applied in policy.

In summary, based on the existing literature, the normative behavior in the industry, the prevailing political climate, a firm's social power, and the level of market power are fundamental elements in the decision making behind CER. One should take note that all these elements are external influences: competition, politics, society, and consumers. In other words, corporate governance can be molded by the behaviors or views of outside communities. This is where social comparison has the potential of being an effective policy tool.

Institutional Isomorphism

Since the genesis of the theory, social comparison has been well established in literature pertaining to individual behavioral economics, but scholars have long discovered that the phenomenon exists in the corporate world as well. The neo-institutional theory studies the patterns of organizational response to institutional changes, and stipulates that institutional environment strongly influences organizational elements such as structures and practices (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Shepard et al. (1997) postulated the emergence of "proactive corporation", which

is proselytized by the social embeddedness of the economy. This creates institutional isomorphism, a process of structural homogeneity that molds organizations within an area of institutional life to become more similar to one another in order to cope with a common set of environmental circumstances (Shepard et al., 1997). In the context of CER, this process would allow firms to model after one another on environmentally responsible practices, so firms would become more homogenous in the area of environmental governance.

One does not need to go far back in history to look for an example of institutional isomorphism. In November 2019, Apple announced that it would invest $2.5 billion to help alleviate the housing crisis in Silicon Valley, following the footsteps of Google, which announced in July it would spend $1 billion on affordable housing in the Bay Area, and Facebook, which made the same $1 billion pledge in October (Elias, 2019). The Apple announcement surprised many in the tech industry because the firm had long been noncommittal to its surrounding communities (Elias, 2019). Apple executives would not openly admit that they made the investment to imitate or outdo Google and Facebook, but the timing of their announcement imparts the impression of institutional isomorphism.

But why would firms do that? What is the purpose of being similar to, or even copying, others? Some researchers have asserted that institutional isomorphism is neither a form of competition nor a requirement of efficiency, but an organizational pursuit of legitimacy (Mizruchi & Fein, 1999). This legitimacy is associated with constituents, institutional environment, politics, and market position (Mizruchi & Fein, 1999). Such

view further supports the normative behavior, political power, and market conditions discussed earlier in this chapter when it comes to the factors impacting CER decisions. Particularly, this resonates with the social power equation that firms have a social contract with the society to be good corporate citizens, so if they fail to act responsibly, other firms will take over the space. Therefore, the legitimacy has relevance in both institutional and social aspects.

In later research, scholars have connected corporate social comparison to business competition. Kim and Tsai (2012) scrutinized the application of social comparison theory among competing firms, which the authors called "competitive comparison", from a product market perspective (Kim & Tsai, 2012). They argued that although consumers generally play a pertinent role in dictating the strategic course of a firm, a focal firm may also position itself against a target firm that is not normally seen as its direct competitor by consumers, called "self-asserted comparison" (Kim & Tsai, 2012). Conversely, the focal firm may dismiss its position against another firm that is normally perceived by consumers as its direct competitor, called "self-dismissed comparison" (Kim & Tsai, 2012). The authors used an example of self-asserted comparison to illustrate their point.

Hyundai had not historically been viewed as a competitor to BMW. In 1998, Hyundai management decided to assert the firm into that position by enhancing its research and development, investing in improved design and technology, and undertaking strategic marketing campaigns to compare itself to BMW (Kim & Tsai, 2012). Over time, it gradually became a recognized competitor to BMW and other premium automotive brands in the eyes of the buyers (Kim & Tsai, 2012). This shows that such competitive

dynamics could have a positive impact on the focal firm's business if it is competing upwardly with a more reputable target firm, so a competitor can surely be a benefit instead of a threat (Kim & Tsai, 2012). From this point of view, social comparison has a discernible competitive connotation, but one might advocate that ultimately firms are competing to attain legitimacy. Hyundai targeted the luxury market to compete, so the firm must align itself with other luxury brands to be legitimate. Competition and legitimacy go hand in hand in business; one does not exist without the other.

This adds a new perspective to the social comparison theory. When used on individuals, social comparison aims to manipulate the human propensity to belong and affiliate (Festinger, 1954). In the case of industries, firms typically work to eliminate or diminish their competitors, but it appears that they also want to use their perceived rivals to enhance their own reputations. Thus, a firm's social reputation should have similar effects on its organizational strategy as the effects of an individual's social reputation would have on their decision making. In any case, Kim and Tsai (2012) looked at corporate social comparison only through the financial lens, but it has been made evident in this literature review that environmental protection does not have a distinct economic market or clear monetary value.

Despite the lack of tangible justification, Shogren (2012) cited evidence showing that people are verily concerned with unobservable payoffs such as reputation and are willing to sacrifice personal wealth to buy such a reputation. This reverberates with our concept of CER, because, as Bénabou and Tirole (2010) propounded, corporate pro-social behavior is motivated not only by the sacrifice of money for a good cause, but also

how the behavior reflects the management's own desire to engage in philanthropy. This brings us back to institutional isomorphism, which could be a central factor in kindling that desire.

Elements of Institutional Isomorphism

In recent studies, researchers have contended that there are three elements of institutional isomorphism: coercive, normative, and mimetic. Coercive isomorphism results from direct or indirect pressures of other organizations that a firm is dependent on, including applicable laws and regulations, and cultural expectations of society (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017). The CER incited by this process is defensive and reactive in nature, as lawmakers and organizational resource providers are forcing the changes to minimize business irresponsibility (Roszkowska-Menkesa & Aluchna, 2017). In this case, firms are undertaking responsible practices to avoid penalties, lawsuits, decrease in sales, and consumer boycotts, and these activities are often ad hoc and not related to core business strategy (Roszkowska-Menkesa & Aluchna, 2017). The coercive nature somewhat aligns with our discovery that corporate responsibility is about responding to a claim, and there have been many instances when firms are legally forced to be socially responsible.

One example of coercive isomorphism can be taken from the aftermath of the Volkswagen emission test cheating scandal. As part of the settlement with federal regulators, the firm must invest $2 billion over 10 years to develop a nationwide network of charging stations accessible to all brands of electric vehicles in the United States (Eisenstein, 2019). Coerced CER is sometimes necessary to hold firms accountable if

they have violated regulations, and it could be seen as a more productive measure than pecuniary penalties, but it does not agree with our definition of CER as it should be a voluntary and proactive undertaking.

Normative isomorphism has more voluntary implications than coercive processes. It has roots in professionalization and driven by education and interactions within professional networks, so firms may become more conducive to changes (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017). This mechanism comes from standardization within industries, shaping organizational culture and shared value (Roszkowska-Menkesa & Aluchna, 2017). For instance, one key shared value in the tech industry is innovation to meet society's needs, so tech firms, regardless of size, are inclined to embed a social purpose of some sort into their business models (Pfitzer et al., 2013). On this account, advanced industries might generally be more socially progressive than other traditional sectors, so one might expect normative isomorphism at work in the advanced industries when it comes to CER matters.

There are some similarities and differences between normative and coercive isomorphisms. Unlike the coercive processes, normative pressures can induce systemic changes that are integrated into core business strategy, so they are more sustainable than the coerced undertakings (Roszkowska-Menkesa & Aluchna, 2017). Like coercive isomorphism, there can also be charitable and altruistic actions stemming from normative processes, so there are some proactive characteristics in the ensuing CER initiatives (Roszkowska-Menkesa & Aluchna, 2017). This type of isomorphism bears some semblance with the normative behavior that has been identified in this chapter as one of

the factors effecting CER decisions: both normative isomorphism and behavior are influenced by industry norms and values.

The third element is mimetic isomorphism. It refers to a firm's intentional or unintentional modeling of other peer organizations that are more legitimate or successful (Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017). On conditions of uncertainty in growing stakeholder expectations, resource scarcity, and accelerating globalization, firms purposely mimic successful peers to stay relevant by adopting similar socially responsible practices that would answer social pressure or maximize shareholder value (Roszkowska-Menkesa & Aluchna, 2017). The Apple investment on affordable housing discussed above could be an example of mimetic isomorphism, in which the firm might have intentionally imitated its competitors in helping to alleviate the housing crisis. There might be some presence of normative isomorphic elements as well because, as mentioned earlier, the tech industry has the shared value of innovation to meet society's needs.

Note that the mimicking efforts could also be unintentional. This could be due to the influence of consultants or employees hired from other firms (Roszkowska-Menkesa & Aluchna, 2017). This distinguishes mimetic isomorphism from coercive and normative isomorphisms and insinuates that there could be some type of nudge involved in mimetic processes, justifying our investigation into the prospective use of social comparison policy. The modes of CER in this situation are promotional and strategic, so they might or might not be related to core business strategy (Roszkowska-Menkesa & Aluchna, 2017). They are still in congruent with the factors of market considerations, social power,

and political motivations that influence CER decisions discussed earlier. This makes mimetic isomorphism more aligned with our research than the other two processes.

All three isomorphic elements could certainly lead to firms becoming more environmentally responsible, but the pressures do not have the same strengths. From their quantitative research with Chinese firms, Liu et al. (2018) found that in the adoption of low carbon development, the respondents felt the strongest pressures from competitors due to the market-oriented economy, then the governmental coercive pressures were weaker caused by an absent carbon management policy framework, whereas the normative pressures were the weakest because of the collective struggles by the professionals to define standards.

These findings were obviously dependent on the context where the research was conducted, but they nevertheless help solidify the contention that market power has a salient influence on CER decisions (Meng et al., 2016). In Ontario, the environmental policy framework is strongly instituted and the professionalization in industries is robust, so social comparison as a nudging policy application in this dissertation will focus on *mimetic isomorphism* and, to a lesser extent, *normative isomorphism*. The rationalities and factors influencing CER decisions provide some additional insight into the phenomena.

Among the elements of normative behavior, social power, and market conditions, the presence of bounded, unbounded, and erotetic rationalities is conspicuous. Market economics would play a key part in bounded rationality because revenue and profitability are tangible financial figures that directly guide corporate thinking, determining if a firm

is on the right track. Normative behavior and social power would fall under the category of unbounded rationality, because the connectedness with other organizations and the society respectively, could steer the corporate path. As a result, it could be said that there are some correlations among external influence, behavioral economics, and corporate behavior. The combination of the three elements could effectuate erotetic rationality, encouraging firms to act by probing for knowledge to mitigate complacency.

Environmental Reputation of Firms

The current literature imparts further insight into the significance of environmental reputation in the private sector. Although firms do not generally experience the deprivation that drives individuals to make behavioral changes, scholars have for decades maintained that corporations care greatly about their environmental reputation in the eyes of their customers (McGuire et al., 1988; Herremans et al., 1993). Such reputation is often ranked and posted publicly, such as the annual CSR ranking by Forbes (Valet, 2019). But why would a firm care about its environmental reputation?

Because the primary concern of a business is to make money, the environmental reputation should logically be linked to profits and earnings in some ways and to some extent. Hussainey and Salama (2010) studied the correlation between CER and a firm's earnings, and they concluded that stronger reputation in environmental affairs is associated with a firm's increased ability to predict future profits, which would give investors stronger confidence in the firm's stock.

There is also empirical evidence that CER raises the reputation of the firm and thereafter its stakeholders would have a favorable attitude towards its products (Jo et al.,

2015). The reduction of environmental costs also gives great advantages to a firm in the long run, enhancing its ability to hire more qualified staff, reduce capital costs, improve production competitiveness and efficiency, and increase its opportunities to profit (Jo et al., 2015). Consequently, some firms begin undertaking CER to enhance operational efficiency and improve their brand image, which is conceptualized as perception or esteem that stakeholders hold on the organization, resulting in value creation that is designed to generate subsequent economic benefits, especially if the CER is highly visible (Khojastehpour & Johns, 2014).

These articles have denoted the synthesis that if a firm decides to integrate CER into its business, it would not do so in secret, because that would have no impact on its value. On the contrary, the firm would want its CER practices to be as public as possible, so that it could appear to be socially responsible, raising its profile and value. The firm would want to instill an image that profits are not its only goal, but also the well-being of society. This would help enhance the firm's reputation in the eyes of the consumers by relating itself to the human moral agency, even though the firm is not a moral agent itself.

Subsequently, there has been a dramatic shift in corporate attitude towards CER in recent years. The failure to be a good corporate citizen can have devastating effects on a firm's deliverables to stakeholders, and negatively impact the firm's financial bottom line (Khojastehpour & Johns, 2014). Nonetheless, some firms remain reluctant in undertaking CER thanks to their economic priorities and the market power being too strong or too weak (Croson & Treich, 2014; Meng et al., 2016). Hence, industry reputation, brand image, operational efficiency, and public perception might be used as

nudges to influence firms to take environmental actions. It could reduce the need for monetary policy tools such as tax breaks, which are often used by public administrators to alter corporate behavior, but not always politically popular on grounds of the public perception of corporate welfare or handouts.

The case for or against corporate social comparison thus comes down to how it might work in a policy context. The current literature has revealed that isomorphic pressures caused by corporate social comparison are common in environmental governance, and social comparison is employed in environmental policy to nudge individual behavior, but there is notably limited research on the application of social comparison as an environmental policy tool on the private sector. The research question in Chapter 1 presented an opportunity for the dissertation to hopefully expand the existing social comparison theoretical foundation into a new policy application, one that might feed off on the competitive nature of firms, as well as affiliation and legitimacy, in the realm of environmental performance. This substantiated the constructivist epistemological approach as the policy advisors' perceptions helped build on the current knowledge, but these perceptions should involve an examination of the pros and cons to ascertain the prospective policy tool's practicality.

Benefits and Shortfalls of Corporate Social Comparison Policy

Before corporate social comparison could be implemented in policy, it is crucial to consider its potential benefits and shortfalls, so policymakers could determine the value of executing the policy tool and minimize any unintended consequences.

The first possible advantage of using social comparison as policy tool to nudge CER is achieving *industry-wide practices*. While firms are legally bound to comply with the law, it does not equate to sustainability because compliance is only a small part of sustainable development (International Institute for Sustainable Development, 2013). Because CER goes beyond mere compliance and into progressiveness, it would push a firm towards sustainability. With social comparison, all selected firms might be consistently ranked and posted based on performance, so firms could see the emission data of one another and might be nudged to improve accordingly. The resulting effects could then be industry-wide and might help enhance, or at least maintain, that sustainability.

Secondly, social comparison might allow the administration to undertake *regulatory pluralism*. It is defined as the combination of the command-and-control regulations and voluntary industrial arrangements (Gunningham & Sinclair, 1999). In our context, this means the government and the private sector would be working together to achieve sustainability. The industries would compete with one another on the advancement of environmental technology, while the regulatory body would safeguard the fairness of social comparison. The integration of top-down and bottom-up approaches might be more effective than the purely top-down style because businesses might own up to their end of responsibility, allowing the administration to dial back its on-site enforcement functions with the industries that have successfully responded to social comparison.

One must remember though that even if social comparison was highly effective, complete self-regulation should never be undertaken. Full self-regulatory approach can lead to market failure in environmental affairs (Croson & Treich, 2014). A consistent level of minimum government supervision should always be required to ensure that social comparison, or behavioral economics in general, is working the way it is intended.

Regardless, some researchers have attempted to make a case for total self-regulation in CER. Alavi et al. (2016) submitted that private international regulations could be used to monitor and certify environmental standards, such as contractual agreement among stockholders, professional community, and multi-stakeholder model that includes industry players, consumer representatives, and nongovernmental organizations, completely eliminating the involvement of state legislation. Namely, raising the normative and mimetic isomorphic pressures among industries and disconnecting coercive pressures could be the ticket to sustainability.

In spite of their ardent support, the authors conceded that environmental violations and the lack of legitimacy are some of the main disadvantages of their proposal (Alavi et al., 2016). The protection of certain interests such as assets could render self-regulation ineffective, so there is some level of conflict between a firm's environmental responsibilities and its economic interests (Alavi et al., 2016). Indeed, the capitalistic nature of the private sector ensures that firms only look out for themselves for economic survival, so environmental matters would most likely be left behind if the government does not intervene.

Such scenario defends why some scholars have insisted that public agencies must always be involved in environmental protection. O'Faircheallaigh (2015) professed that the calls to move away from public regulations and towards voluntary industry initiatives have inherent problems such as the lack of industry reliability, and the absence of industry governance capacities to implement the initiatives effectively. Goodland (2012) concurred with this notion, averring that self-regulation is not enough, but that government involvement is also required as a partnership to advance sustainable practices (Goodland, 2012). Moreover, the effectiveness of any behavioral economics policy application is not 100%, as it has been proven in individual behavior (Ouvrard & Spaeter, 2015). The literature is synchronous in the view that with the complex corporate dynamics, the fickleness of business practices, and the public welfare being at stake, some level of government intervention is categorically vital in environmental protection.

With an effectiveness that is less than perfect, it inevitably brings about some potential shortfalls in a prospective social comparison policy application. There are two main issues. Firstly, corporate social comparison, as it has been dissected in this chapter, is highly dependent on market and business, so the *inconsistent effectiveness* could be of concern.

Because CER is voluntary, the decisions behind it rely inordinately on the existing management, its business beliefs, and market situations. A change in firm ownership, shifting economic conditions, and changing priorities of the executives, could lead to the abandonment of CER (Goodland, 2012). Any existing CER program in place could be scaled back or cancelled to gain an immediate and short-term economic

advantage, and other firms might follow suit to remain competitive (Croson & Treich, 2014). In those cases, social comparison might no longer work and the target firms, or even the entire industry, might ignore the policy altogether.

As social comparison is noncoercive, its aim is to encourage firms to do more than their basic legal obligations. Firms should not face negative consequences if they decide to abandon their CER practices and fall behind their competitors, so there is not much the government could do if the firms do not respond to the policy (Ouvrard & Spaeter, 2015). Even if corporate environmental governance does not improve from social comparison, the government must continue to monitor and enforce to ensure the minimum regulatory requirements are still met, and the firms are not relaxing their basic environmental responsibilities to unacceptable levels.

Another potential shortfall is the emergence of *anticompetitive practices*. There are several types of this behavior. In market terms, such practices may come in the form of limit pricing, in which firms manipulate market power and set prices that are unachievable for new firms in order to discourage them from entering the market (Benchekroun & Chaudhuri, 2011). In environmental terms, anticompetitive practices may occur if the competition for lower emissions becomes so intense that firms may collude to stop competing with one another if they are spending too much financial means on environmental technologies and programs (Benchekroun & Chaudhuri, 2011). Anticompetitive practices are under-the-table agreements and illegal in many countries, with the United States and European Union having stiff antitrust legislation that deters such behavior (Bartalevich, 2017). How does this apply to our research context?

By publicly posting emission data in a prospective social comparison policy, the induced competition might become fierce for the target firms, potentially giving rise to a form of anticompetitive behavior. The top-ranking firms might set performance standards high enough that the lower-ranking firms could not achieve, so the former would constantly have an unfair advantage and always remain favorable in the eyes of the public and administrators. These unintended consequences are conceivable and probable because strict environmental policies have been linked to anticompetitive practices, causing firms to join or leave a coalition on the account of taxation versus incentives (Benchekroun & Chaudhuri, 2011). For instance, German carmakers faced inquiry from authorities when the firms were suspected of collusion to not compete on antipollution systems for diesel and petrol engines due to the strict emission standards (Boffey, 2018). Such connivance is unlawful because it takes the choice away from consumers, but there is another implication in the context of this study.

If this happened with the proposed application, it could reduce or null the effectiveness of social comparison policy because it might essentially eliminate competition if the government was simply applying the policy to all firms within an industry without analyzing their respective capabilities. This echoes with the original social comparison theory that individuals develop tendencies to evaluate themselves when compared to those that are *somewhat different* from them, but not under very divergent conditions (Festinger, 1954). Comparing large and small corporate players could lead to severe divergence as both may have vastly different levels of resources. It

would be ineffectual and pointless to attempt to nudge the smaller firms by showing them unattainable data from the larger firms.

Summary and Conclusions

The historical and recent literature has provided valuable insight into this proposed research on several fronts. The elements that affect CER decision making have been explored for their external influences, that firms could also be subjected to coercive, normative, and mimetic isomorphisms, and bounded, unbounded, and erotetic rationalities. Unbounded rationality could particularly engender nonmarket valuation, which opens a willingness gap that results in divergent environmental practices among firms, so social comparison could potentially be a useful policy tool to close that gap and help achieve sustainability by nudging the selected firms to be more environmentally responsible.

Factors such as brand image, industry reputation, operational efficiency, and public perception are linked to financial growth, so firms might reevaluate their environmental practices, and social comparison might help sustain that reevaluation thanks to the dynamics of competition and legitimacy. This could be carried out by understanding the market conditions, industry characteristics, and firm capabilities, so the businesses selected for nudging would be suitable for the policy. It could also help achieve industry-wide practices and regulatory pluralism, so there are apparent benefits to the private sector and the government. Inconsistent effectiveness and anticompetitive practices remind policymakers to research carefully which firms to be compared and be vigilant in monitoring and evaluating the policy to ensure fair competition.

After examining the theoretical and conceptual aspects to identify the research gaps, the next step is to present the methodology that was used to collect data to understand the applicability of such a policy application.

Chapter 3: Research Method

Introduction

The purpose of this qualitative study was to explore the perceptions of MECP policy advisors on the usefulness of social comparison in air emissions policy to encourage CER practices. The data were generated through in-depth semistructured interviews with the advisors to understand their perceptions on the application of the social comparison theory, behavioral economics, CER, mimetic isomorphism, and normative isomorphism in air emissions policy. The ontology of the research was relativist due to the individual perceptions of the advisors, and the epistemology was constructivist for the assembly of views from the participants. The findings are outlined in Chapters 4 and 5 to add to discussions of how applicable and effective a social comparison policy might be in promoting ubiquitous CER practices in the private sector.

This chapter is organized as follows: The rationale for the qualitative approach and my role as the researcher are presented. The methodology is then introduced, including the logic of participant selection, instrumentation, procedures for recruitment, participation, data collection, and the plan for data analysis. Finally, the issues of trustworthiness are discussed.

Research Design and Rationale

The research question for the study was: What are the perceptions of MECP policy advisors on the applicability of social comparison in air emission standards to nudge for-profit firms to practice CER? The central concepts under study were institutional isomorphism and CER. Institutional isomorphism is a process of structural

homogeneity that molds organizations within an area of institutional life to become more similar to one another so as to cope with a common set of environmental circumstances and to compete for institutional legitimacy in terms of social and economic prowess for customers and resources as well as political power (Shepard et al., 1997). In this study, CER was defined as a form of corporate governance in which a firm surpasses its legal responsibilities, voluntarily and proactively, to protect the natural environment in a sustainable manner (European Commission, 2011; Global Affairs Canada, 2019; World Bank, n.d.).

The research tradition was generic qualitative inquiry. This tradition employs qualitative methods, such as in-depth interviewing, to answer straightforward questions (Patton, 2015). This approach has roots in pragmatism and directs the researcher to seek useful and practical answers that can address concrete problems (Patton, 2015). The tradition aligned well with the qualitative research because I aimed to explore the perceptions of policy advisors on the applicability of a specific policy tool. I wanted to know their thoughts on how applicable social comparison might be in nudging firms to be more environmentally responsible, so I searched for their collective and subjective truth regarding a potential policy application.

Role of the Researcher

I was the designer of the study and interview protocol, which means it was my responsibility to set the boundaries and characteristics of the interviews and ensure that I adhered to the protocol to safeguard the integrity of the data. The interview protocol design required good alignment with the theoretical and conceptual framework. Social

comparison was the primary theoretical foundation for the study, with behavioral economics and CER as the primary conceptual framework. Mimetic and normative isomorphisms were two supplemental concepts to the primary framework. The interview questions were constructed based on these elements.

In the first question, the interviewee and I discussed CER in general and firms that voluntarily change their business models to be more environmentally proactive. The follow-up question was related to behavioral economics on why firms behave in such ways, including the five factors that influence CER decisions discussed in Chapter 2: (a) moral agency, (b) normative behavior, (c) political motivations, (d) social power, and (e) market considerations. In the second and third questions, we delved into the isomorphic pressures to discuss the imitation of the business models of more successful peers. The final interview question was about the use of social comparison in the air emissions policy context, directly answering the research question about the advisors' perceptions on policy applicability.

My role as the researcher was also to be an observer in the data collection process. A researcher must focus on the participants during the interviews, write descriptively, record field notes to acquire discipline and expertise, separate details from trivia, triangulate and validate the data systematically, and report strengths and weaknesses of the researcher's perspectives (Patton, 2015). As an observer, I listened to the participants' responses carefully and was attentive to their demeanor, whenever they chose to appear on camera, to detect any hesitation.

To record each interview with accuracy, I used an online transcription tool to conduct live transcriptions and took handwritten notes during the answers to retain a strong impression about the interview and ask follow-up questions to encourage expansion on answers. Soon after each interview, I jotted down field notes to document my thoughts, which allowed me to reflect and meditate on the experience. In my research journal, I also recorded any feelings of my own bias during the interviews, which helped me become more cognizant of my own body language and tone of voice that might have influenced the answers given by the participants.

Although I am an MECP employee, I did not have any personal or professional relationships with the policy advisor participants. Being familiar with the organizational structure of MECP, I was able to select the prospective participants from three separate disciplines: air policy, climate change policy, and environmental economics. There were no power relationships or differentials with the interviewees, and researcher bias was deemed minimal. My role in MECP is not related to air emissions policy or behavioral economics, so there was no conflict of interest in the study. From my perspective, regardless of whether the policy advisors were in favor, against, indifferent, or divided regarding the use of social comparison as a policy tool to nudge corporate environmental behavior, I saw the research as an opportunity to potentially expand on existing knowledge. Hence, there was little researcher bias during the design of the study. I also do not work with any of the policy teams involved in the study, so I did not conduct research in my own work environment.

Methodology

To determine participant eligibility, I first searched for the names of all policy advisors who worked in air policy, climate change policy, and environmental economics in the MECP staff directory. All Ontario government employee names and contact details are a matter of public record, so I did not need permission to obtain their work information. Participants did not need permission to talk with me because I am not part of the news media. Reporters and journalists are the only people who must go through the Communications Branch in each ministry before speaking with Ontario government employees. Otherwise, the general public has direct access to public servants.

Next, I reached out to each identified advisor by email to introduce myself and the purpose of my research, with a note indicating that I would be calling them in 5 business days for a follow-up if necessary (Appendix A). A follow-up call was necessary for approximately half of the advisors I initially emailed, and in the calls, I explained further what the study entailed and answered any questions they had. When the responses were positive, I sought their participation in the interview process. I also sent them the consent form along with the sample interview questions in advance so they could think about whether to participate.

There were 23 policy advisors in total across the three aforementioned disciplines in MECP, and I contacted all of them. For a purposeful sampling strategy, Patton (2015) recommended that sample size be a multiple of 10. For that reason, my targeted number of participants was 10; familiarity with air emission standards was paramount to my participant selection criteria, more so than reaching saturation (Patton, 2015).

Nevertheless, the interview questions were straightforward, so 10 participants would have been adequate in reaching saturation. Initially, 11 policy advisors agreed to participate, but two declined later, so the final number of participants was nine.

Two main data collection instruments were used, including an interview protocol, and a notebook in which I recorded my thoughts and reflections. I produced all these instruments myself, and they were sufficient in answering the research question. The in-depth, semistructured interviews were established by the protocol, which included four main interview questions and predetermined follow-up questions (Appendix B). The interview protocol was developed based on the research question and the theoretical and conceptual framework. The notebook allowed me to be mindful of interesting points during the interviews, so I could encourage the participants to further elaborate on their answers. The interviews were recorded using an online transcription tool, which recorded and transcribed the interviews simultaneously. I subsequently compared the transcripts with the audio data to confirm accuracy.

Due to the COVID-19 pandemic, I decided to collect the data by interviews using an internet-based video conferencing system. Four of the nine interviewees opted not to appear on camera. I personally collected the data and interviewed each policy advisor once. Each interview lasted about 60 minutes and were recorded by the online transcription tool and written notes. For debriefing and member checking, I first asked the participants if they wanted to add anything at the end of the interviews. I then sent the transcripts to the participants for any changes they might wish to make. I gave them three days to make any changes, and no additional amendments were submitted.

The research question called for the perceptions of policy advisors, so in-depth interviewing was the best tool to collect the required data. I used manual coding for data analysis due to my intimate familiarity with the interviews. In terms of discrepant data, these are defined as cases that do not fit a particular pattern or the current understanding of the data (Ravitch & Carl, 2016). As the sampling strategy was purposeful and the participants were carefully selected, there were no discrepant cases.

Data Analysis Plan

Because I received relatively straightforward answers, I used attribute and structural coding techniques in the first cycle of data analysis to manage and obtain an overview of the data. Attribute coding was my first step of analysis, which logged essential information about the data and demographic characteristics of the participants for future management and reference (Saldaña, 2016). For this study, I included the descriptive information about each interviewee's policy discipline, interview setting, location, time, and date.

My next step was structural coding. This coding technique is a labeling and indexing device that allows researchers to access data that are relevant to the study and search for commonalties, differences, and relationships (Saldaña, 2016). The preliminary structural coding framework that I constructed based on the research question is as follows:

- Firms that proactively reduce their emissions: This code isolated the discussions of businesses that voluntarily go above and beyond their regulatory compliance.

- Firms that imitate others in environmental proactivity: This code identified discussions of firms that copy or mimic other firms' proactivity in environmental governance.
- Policy to encourage firm imitation in environmental proactivity: This code pinpointed the discussions of ways that policy might be used to encourage such imitation in the private sector.

The initial parent codes, child codes, and the corresponding interview questions, based on Saldaña (2016), are found in Table 1.

Table 1

Initial Coding Framework

Parent code	Child code	Interview question
Environmental proactivity	Corporate environmental responsibility Behavioral economics Moral agency Normative behavior Political motivations Social power Market considerations	1, 1 (a)
Institutional isomorphism	Mimetic isomorphism Normative isomorphism	2, 3, 3 (a)
Social comparison policy	Social comparison	4, 4 (a)

After separating the data into different categories, I undertook pattern coding in the second cycle of analysis. Pattern codes are explanatory or inferential codes that identify an emergent theme, configuration, or explanation (Saldaña, 2016). I identified patterns in phrases, terms, and words to determine what the policy advisors were inferring and whether they thought a social comparison policy might work in nudging the

imitation in the corporate world. My interpretations played a role in the coding process, so I will report how the analysis was affected by those expositions in Chapter 5.

The sampling strategy of the population was purposeful as I specifically looked for policy advisors who were familiar with air emission standards. The selected participants were thus rich in information and able to illuminate the research question (Patton, 2015). Behavioral economics or nudging in general is not a new policy tool in environmental governance, but the context of corporate social comparison is, so it was beneficial for the participants to know a bit about the subject of behavioral economics, though not necessary for the study.

Issues of Trustworthiness

In qualitative research, thanks to the nature of purposeful sampling, the issue of trustworthiness has often come up. In this section of the chapter, credibility, transferability, dependability, and confirmability of the study are evaluated.

Credibility is also known as internal validity. It refers to the researcher's ability to consider all the complexities in a study and deal with patterns that are not easily explained (Ravitch & Carl, 2016). To establish credibility, the researcher must structure a study in a manner that addresses complexity throughout the research design, including triangulation, member checking, discussion of negative cases, reflexivity, saturation, and peer review (Ravitch & Carl, 2016). In this dissertation, the data sources were policy advisors from three separate policy disciplines: air emissions, climate change, and environmental economics. Although they were all within the same public agency, the

disciplines were under different MECP divisions, so triangulation was achieved by obtaining data from multiple sources.

Because there was no conflict of interest on my end, and I did not gain from either positive or negative responses from the participants, I could freely and openly discuss any negative cases with my committee and in the dissertation to enrich the study. Journaling enabled me to reflect on the process as well, and because the research context was rather focused, saturation was reached after nine samples. By means of these strategies, credibility was achieved in the study.

Transferability, or external validity, is another important criterion of trustworthiness. It calls attention to the ability of the qualitative study to be applicable or transferable to broader contexts (Ravitch & Carl, 2016). In this study, the interview questions did not focus only on the province of Ontario, but the generic views on how effective social comparison might be to nudge for-profit firms to be more environmentally responsible.

Because CER is a form of CSR, the data could potentially be applicable in other aspects of social policy, such as labor practices in pay equity and workplace health and safety. An element that helps establish transferability is thick description, which denotes great details about the research setting to enhance the depth of contextual specifics (Ravitch & Carl, 2016). The thick description was important in this study because the research problem and research question were highly contextual, so the thick description gave meaning to the transferability of the data.

The COVID-19 pandemic has forced all nonessential Ontario government employees to work remotely, and with social distancing expected to be in effect in the near future, the virtual platform interviews allowed the policy advisors to express their views from the comfort of the locations of their choice. The thick description of these interviewing environments along with my thoughts and additional participant input should greatly improve the transferability of the study.

The question of dependability must be addressed in the research as well. As discussed in Chapter 2, one of the potential disadvantages of applying corporate social comparison to environmental policy is its inconsistent effectiveness in nudging firms to maintain their levels of CER commitment. It was not surprising that the interview data reflected this inconsistency as the advisors saw the policy applicability from economic and/or environmental perspectives, producing greatly diverse views. Therefore, triangulation from three different policy disciplines, including air emissions, climate change, and environmental economics, was key in establishing dependability in the data.

The confirmability in the study pertains to the subjectivity of the researcher. The interpretations and analysis of the data could be subjected to researcher bias, so confirmability aims to achieve neutrality as much as possible through triangulation and reflexivity (Ravitch & Carl, 2016). Triangulation was achieved by having multiple data sources, and debriefing and member checking were completed through transcript review by the participants. My positionality, subjectivity, and identity should also be further scrutinized.

I am a Senior Noise Engineer in MECP, so I specialize in noise pollution and I administer existing regulations and guidelines to ensure compliance. I do not work with air emissions, behavioral economics, or policy analysis, and I am not associated with any policy advisors in my job. Prior to the study, I did not personally know any policy advisor in MECP. All the prospective participants were in divisions that are separate from mine, and I did not professionally benefit from any type of response from the participants. In other words, my interviewees and I were complete strangers before this study. I am deeply passionate about my research, regardless of the outcome of the analysis.

The ethical considerations are elemental to the integrity of any research study. The institutional agreements that I needed to gain access to the prospective participants included the Institutional Review Board (IRB). These agreements were necessary to ensure proper treatment of human participants. I completed the required IRB documents and ironed out all ethical concerns before the IRB approved my data collection. The approval number was 07-31-20-1010086.

The main ethical concern during the recruitment process was the privacy of the interviewees. Although the policy advisors' names and contact information were available to the public, they did not necessarily want to be known that they participated in the study. To ensure confidentiality, I sent individual emails instead of mass emails to invite them. When I called some of them on the telephone to follow up, I ensured that it was appropriate for us to speak privately. When it comes to data collection, the interview questions were all about personal perceptions on behavioral economics and social

comparison in public policy, so there were no other major ethical concerns as these were not sensitive topics.

When it comes to data confidentiality, the transcripts, recordings, notes, coding results, and analysis are all stored in a password-protected folder in a flash drive that is not connected to the internet. I am the only person who has direct access to the data, which will be destroyed after 5 years of storage. The participants were named P1, P2, P3, and so forth, to ensure complete anonymity.

Summary

In this chapter, I have presented all aspects of the research methodology. By using a generic qualitative inquiry that employed attribute, structural, and pattern coding techniques, the study pursued a pragmatic approach that aligned with its purpose, seeking the perceptions of MECP policy advisors regarding a potential policy tool. Moreover, the purposeful sampling strategy enabled richness in the data and answered the research question to its fullest extent. As an observer and designer of the interview protocol, I listened to the participants actively and attentively, encouraged expansion of answers, and was aware of the strengths and limitations of my personal interpretations. The interview protocol, online transcription tool, written notes, and journaling promoted those efforts.

In the issue of trustworthiness, I have also addressed credibility, transferability, dependability, and confirmability of the study, with triangulation using multiple data sources, member checking and debriefing through transcript review by the participants, and reflexivity on my positionality and subjectivity. In the context of this research,

privacy and confidentiality were of utmost importance as the policy advisors expressed their views on a topic related to their profession, so I have secured their identities and data with the greatest care. With the methodology assessed and the research plan executed, the next step was to analyze the data from the interviews.

Chapter 4: Results

Introduction

The purpose of this research study was to explore the perceptions of MECP policy advisors on the practicality of applying social comparison as a policy tool to influence corporate environmental behavior. The data were collected through in-depth semistructured interviews with the advisors to understand their views on how useful it might be to use corporate social comparison in the air emissions policy context. The findings are described in this chapter and Chapter 5 to illuminate the potential usefulness of a social comparison policy in nudging broader CER practices in the private sector. The research question for the study was: What are the perceptions of MECP policy advisors on the applicability of social comparison in air emissions policy to nudge for-profit firms to practice CER?

This chapter is organized as follows: The setting and demographics of the interviews are first discussed, followed by the data collection and analysis. The evidence of trustworthiness is then presented, with credibility, transferability, dependability, and confirmability scrutinized. Finally, the results are analyzed.

Organizational Setting

Ontario is currently governed by the conservative party, so there have been budget cuts across the board (Parkinson, 2018). However, the COVID-19 pandemic has forced the government to focus on keeping its administrators safe while continuing to deliver public services, so any further organizational changes have been halted.

Therefore, no strenuous personal or organizational conditions influenced the participants or their experience at the time of the study, and I recorded this opinion in my journaling.

Demographics

The following data were collected about the participants. All nine participants were MECP policy advisors working in climate change and environmental policy. Five participants specialized in climate change policy, three were from air policy, and one was in environmental economics. They all had various levels of policy experience, ranging from a few months to over 30 years, according to some participants' unprompted self-disclosure. I did not collect data regarding their race, age, and gender, as such information was irrelevant to the study.

Data Collection

All participants took part in the in-depth, semistructured interviews that lasted approximately 60 minutes each. The interviews were carried out over a 2-week period and all conducted via an online video conferencing system, so the participants were at locations of their choice. Four of the nine participants elected not to go on camera during interviewing, but all consented to being audio recorded. I interviewed each participant once, and the interviews were recorded and transcribed simultaneously using an online transcription tool. The transcripts were accurate when compared to the audio data.

In Chapter 3, I had planned to recruit 10 participants for the generic qualitative inquiry design. Eleven advisors initially agreed to participate, but two declined later due to unavailability. Data collection was consistent with the plan presented in Chapter 3, and no unusual circumstances were encountered in the data collection process.

Data Analysis

Data analysis involved two coding cycles that included attribute, structural, and pattern coding techniques. The inductive sequence of these steps allowed categories and dominant codes to emerge from the raw data. In the first cycle, attribute coding contained essential demographic information about the participants for future references (Saldaña, 2016). I had planned to ask the number of years' experience each participant had in policy, but that information could be an identifier that could have jeopardized the privacy of the interviewees. Instead, I asked them what they liked and what they found challenging about their job (Appendix B). Participants were identified as P1, P2, P3, and so forth, in the interviews, and their race, age, or gender were not recorded in the data; the only demographic attributes of the interviews were the policy disciplines the advisors belonged to: air emissions policy (three participants) , climate change policy (five participants) , and environmental economics (one participant). Policy disciplines are important attributes as they help achieve triangulation and might explain participant perceptions.

The raw data were generated by the online transcription tool after each interview and were exported to a Word document. I listened to each interview recording to compare with the data, and I organized the information to produce a transcript. I then sent each transcript to each participant for review, and no additional changes were submitted. After finalizing each transcript, I proceeded with structural coding.

The process of structural coding began with a preliminary coding matrix that was created based on the initial coding framework in Table 1. The purpose of the matrix was

to tally the aggregate numbers of times certain codes appeared in the data. As Table 1 shows, the first three interview questions were based on the existing literature with nine child codes, and the fourth interview question inquired about policy applicability in the literature gap with one child code. Thus, there were 10 initial codes in the preliminary matrix. The warm-up questions in Appendix B were related to job satisfaction in the policy field.

To begin structural coding, I started looking for words, terms, phrases, sentences, anecdotes, and entire response to a question that were related, explicitly or implicitly, to the meanings of the initial codes. Whenever I recognized a match, I highlighted it with a unique color in the data and added to the tally count in the coding matrix. Often, multiple codes could be embedded in sentences, so footnotes were added in the data to expand on what those codes were. When new codes appeared, whether they were related to job satisfaction, the literature, or policy applicability, I also assigned unique colored highlights and added them to the coding matrix. Also, whenever a new code was created, I undertook an iterative process to revisit previous transcripts to ensure the code was fully captured in the overall data. The aggregate total for each code was then calculated to indicate the combined number of times the code appeared in all interviews. The coding matrix is an expansion of the initial framework to construct a structure for the data.

For the purpose of presentation in this chapter, I allocated four font styles to the codes and split them into four matrices to better distinguish them. The regular font codes are from the initial framework based on the literature, the italic style codes are associated with job satisfaction of the interviewees, the bold style codes are new codes related to the

literature, and the italic-bold style codes are related to policy applicability. The aggregate frequency matrices are presented in Table 2.

Table 2

Aggregate Frequency Matrices Based on Structural Coding

	Aggregate frequency (*f*)
Initial code based on literature	
Corporate environmental responsibility	20
Behavioral economics	11
Moral agency	10
Normative behavior	14
Political motivations	0
Social power	30
Market considerations	27
Mimetic isomorphism	10
Normative isomorphism	14
Social comparison	18
New code related to job satisfaction	
Narrow communication channels	1
Policy innovations	4
Policy idea exchanges	3
Public stewardship	7
Policy variety	1
Politics-administration dichotomy	15
Thoroughness of policy research	1
New code related to literature	
Corporate culture	1
Corporate leader decision making	2
Tech innovations from industry leaders	3
Eco-economic decoupling	1
Long-term sustainability	1
Consumer desirability	1
Public momentum	1
Financial incentives	27
Bounded rationality	3
Erotetic rationality	1
Coercive isomorphism	17
Weak regulations	2
Risk management	10
Greenwashing	5
Environmental certifications	1
New code related to policy applicability	
Dependability of information	**4**
Accessibility of information	2
Comparability of information	6
Accountability of reporting	3
Public interest	3
Sufficiency of improvement	2
Supplementary to regulations	3
Policy design	8
Policy outcomes	1
Industry snowballing effect	1
Corporate policy driving public policy	2
Reward or economic policy component	2
Corporate collaboration	1
Public-private collaboration	2
Apathetic reaction	1
Defeatism	1
Self-reporting mechanism	1
Program support to level playing field	4
Singling out companies	1
Level of compliance	4

In the second coding cycle, I used pattern coding to identify an emergent explanation from the data (Saldaña, 2016). To do so, I rearranged the coding matrices to separate the codes into three categories: job satisfaction, literature-related, and policy applicability. The codes in each category were then sorted from the largest to smallest aggregate numbers to draw out the dominant codes and patterns from the data. The final coding matrices are presented in Table 3.

Table 3

Pattern Coding

	Aggregate frequency (*f*)
Code (job satisfaction)	
Politics-administration dichotomy	15
Public stewardship	7
Policy innovations	4
Policy idea exchanges	3
Narrow communication channels	1
Policy variety	1
Thoroughness of policy research	1
Code (literature-related)	
Social power	30
Market considerations	27
Financial incentives	27
Corporate environmental responsibility	20
Social comparison	18
Coercive isomorphism	17
Normative behavior	14
Normative isomorphism	14
Behavioral economics	11
Moral agency	10
Mimetic isomorphism	10
Risk management	10
Greenwashing	5
Technological innovations from industry leaders	3
Bounded rationality	3
Corporate leader decision making	2
Weak regulations	2
Corporate Culture	1
Eco-economic decoupling	1
Long-term sustainability	1
Consumer desirability	1
Public momentum	1
Erotetic rationality	1
Environmental certifications	1
Political motivations	0
Code (policy applicability)	
Policy design	8
Comparability of information	6
Dependability of information	4
Program support to level the playing field	4
Level of compliance	4
Accountability of reporting	3
Public interest	3
Supplementary to regulations	3
Accessibility of information	2
Sufficiency of improvement	2
Corporate policy driving public policy	2
Reward/Economic policy component	2
Public-private collaboration	2
Policy outcomes	1
Industry snowballing effects	1
Corporate collaboration	1
Apathetic reaction	1
Defeatism	1
Self-reporting mechanism	1
Singling out companies	1

Results of Analysis

When discussing the level of job satisfaction associated with working in the policy field during the warm-up questions, there was a consensus among all participants that policy advisors are often encumbered by the absence of direction from senior management, their lack of decision-making ability, and the inconsistent requests within the organization when working on various policy projects. P5 mentioned, "There's the policy advisors and there's the decision makers, and it's relatively rare for those things to come into alignment." P3 concurred, "Every time a new government comes in, you know, our priorities kind of shift." Others described the policy process as being "very slow" (P4) and "frustrating" (P11), and that they often had to "do a 180º and work on something else" (P9). These testimonies indicate that politics and administration are connected and cannot be mutually exclusive. Despite the hurdles, eight out of nine participants pointed out that they enjoyed "getting to interact with different groups" (P3), the "intellectual challenge of finding solutions that work" (P10), and "making people's lives better" (P1). The public stewardship and innovative idea exchanges that come with policymaking and making an impact on the environment and society can indeed be immensely rewarding.

On the literature-related subject of for-profit firms going beyond to be environmentally proactive, the advisors unanimously thought that societal and market pressures push firms to practice CER. P7 suggested, "There's a huge social stigma or social consideration attached to [CER] that doesn't necessarily have to do with environmental policy specifically, but more just the perception of them being a good

company overall." P4 opined that firms that have a "public face" are more conducive to the "idea of improving [their] environmental performance for public relations."

At the same time, the policy advisors universally agreed that a firm's public image is intertwined with its market position. P10 underscored the "marketing leverage" when firms differentiate themselves and that there are "negative brand associations with being seen as kind of an environmental laggard"; firms could "forget about the economics of it" because they "don't want to be seen as kind of the dinosaur of [the] industry, you know, the dirtiest player in the industry." P8 asserted,

> To be the first one in, to be a leader in the field, gives you market advantage, [because] to be the 10th company to ban plastic straws, no one remembers it, so you will remember Starbucks if they are the first one.

In other words, giving the public a stronger impression on its environmental governance would put a firm in a higher market position than its competitors or other peer organizations.

Naturally, a better market standing results in healthier financial performance for the firm. There was a general emphasis among the policy advisors that the potential financial incentives associated with CER are a major factor that nudges firms to be proactive. The pressures could even originate internally. P1 noted, "There is going to be a price on carbon … shareholders might say it's too expensive … to keep burning the dirty stuff in the long term." This means shareholders could pressure management to reduce costs by moving toward greener alternatives. P4 went further into details that firms could be saving "energy costs" or "material costs" by going green, so there is a "financial

benefit that they expect to gain from getting ahead." For that reason, P4 believed that a firm would not go too far in practicing CER "if there isn't some kind of benefit to them."

This contrasts with the views of P10 discussed earlier, who felt that firms would overlook the financial aspects to be comparable to others environmentally. In fact, this is the most noticeable difference in the data between the advisor with an economic background and the rest of the participants. The code *financial incentives* appeared more times than any other codes for P4, who also underlined the importance of financial considerations in CER more frequently than any of the other policy advisors. Having said that, this does not negate the significance of the social comparison phenomenon in the private sector.

In the interviews, the advisors accorded in principle that for-profit firms need to keep up with the environmental trends in industries to remain relevant. Using the automotive sector as an example, P5 explained that if big manufacturers such as Volkswagen and Tesla were showcasing their latest electric vehicles in the auto show, and,

> You are standing there with a five-liter pickup truck, not that exciting, and you know all the press is circling around one group and you are being ignored. And I imagine there is just like a sort of a peer pressure element to it.

P3 also felt that being the "odd one out" or "20 years behind" is not in a firm's best interest. Other advisors described comparing firms as "an element of shame" (P7) or "earning legitimacy" (P1), so social comparison could still be an effective way in nudging CER practices.

Does this mean applying social comparison to environmental policy might work in the corporate context? In tackling the question of policy applicability, the advisors had somewhat divided and skeptical views on the matter. The code that stands out the most is *policy design*, followed by *comparability of information* and *dependability of information*. In policy design, some advisors saw an opportunity to use social comparison, but it would strongly depend on how the policy is formulated. P11 supported the idea and cited Indonesia as an example, where the national government used color coding to show industrial firms' regulatory compliance, with "gold" being fully compliant, "black" being noncompliant, and "there's a spectrum of colors in between [showing] moderately complying or having some problems out there." P11 lauded that the Indonesian program worked very successfully, as "in a matter of two years, compliance went up to 50%."

P7 thought it could be a useful policy as well, but it should perhaps be on a "sliding scale" or a "reward" program because there would be "definite winners and losers" in posting and ranking emissions. It would also depend in what scale the policy would be implemented, whether it would be nationally and/or locally. P7 further expounded that there should be "some sort of support from government" that would help firms at the lower end of the ranking to raise their environmental performance, otherwise it could lead to corporate apathy or defeatism and null the efficacy of the prospective policy.

Other advisors recognized some small potential on the notion, but they were more uncertain about the effectiveness as other policy design elements need to be taken into

consideration. P8 stressed that the types of emission being compared would matter as the level of "public interest" would play a key role in nudging firms to act. P3 agreed with this notion, cautioning that the "structure of the ranking and what the ranking is based on" could be picked apart and the policy could start to lose value. P10 alluded that "the devil is in the details" on how the comparison could be standardized. This is a logical contention because each industry has its own characteristics, so policy standardization could be a challenge. P5 was concerned about greenwashing as it would be "very easy to make a declaration," and "good dependable information" is hard to come by.

In addition, the comparability, accessibility, and accountability of the submitted information would dictate the policy outcomes. P4 was more reluctant to speculate on the potential efficacy, saying, "Ranking it, you know, might give some added pressure on these companies to do something, but I don't know if it will be a strong, strong pressure." This is because it would depend on several factors, such as the "mechanism of pressure" and "what kind of response are you going to get from people who will care about these things." There were plenty of reservations among the majority of advisors on how applicable a social comparison policy might be in influencing corporate environmental behavior.

One policy advisor flat out rejected the concept. P9 had a rather pragmatic approach to the subject and surmised that "companies may not be so thrilled to be on board with that" because if the firms are "in compliance and they are operating legally … they really have no onus to further reduce the emissions." To this advisor, regardless of comparison, firms would have little incentive to do better than their existing conditions as

they are “in the business of making money.” This perception could be linked to the corporate apathy and economic priorities espoused by other advisors.

An emergent code from the interviews is *coercive isomorphism*, which is related to how environmental regulations affects the practice of CER. While proactive corporate environmental behavior could be perceived as doing the right thing, it is not necessarily the case. P3 spoke candidly about firms making decisions to go above and beyond due to the “regulations [becoming] more stringent,” and they would do a little more so the government can “get off [their] backs for a few more decades.” P4 acceded that if a firm expects some stricter regulations will be coming down the pipe, “they probably might start to do things to reduce their emissions if they think they are going to be regulated.” P5 posited that stronger regulatory frameworks could be driving this type of behavior, so firms are acting proactively as a way of “managing risks,”, so they are not “caught flat footed when a big policy change comes through.” P7 propounded from a different angle, that “when it comes from the government, [it] doesn’t seem like a social pressure,” so the prospective policy could end up acting like a regulation, forcing firms to take certain actions. These assertions have further enriched the knowledge about the role of government in corporate environmental behavior, and the delicate balance between regulatory and nonregulatory policymaking.

Another emergent code in the data is *risk management*, brought up by the participants in several contexts. In addition to the anticipation of future regulations, firms could also manage risks by being cognizant of the consumer behavior. P5 apprised,

> As emission regulations and oil demand uncertainties grow, the prospect of putting $5 million into an exploration project becomes much riskier, so you don't want to be stuck having made a big investment that gets stranded because the policy and the consumption environment have changed.

P5 also viewed risk management through the commercial lens, that putting "all of your eggs in one basket" is unwise, because if "things really come around in 5 to 10 years, and you haven't invested in the technology, you are going to be left behind." P1 ushered further insight into the matter, that "it would be short sighted not to think that industries and businesses won't be subjected to regulatory or transitional risks, or even physical risks, depending on where they are located." Simply put, by being environmentally proactive, firms could minimize various risks that they would need to take on, so they could remain economically relevant for decades to come.

All nine policy advisors contributed substantially to the research and each participant added new codes to the coding matrix, so there was no discrepant case in the study.

Evidence of Trustworthiness

To determine the trustworthiness of this research study, there are four areas that need to be scrutinized, including credibility, transferability, dependability, and confirmability.

Credibility, also known as internal validity, deals with the complexities in a study. To address this, triangulation, member checking, discussion of negative cases, reflexivity, saturation, and peer review were carried out (Ravitch & Carl, 2016). Policy advisors from

all three disciplines, including air policy, climate change policy, and environmental economics, participated in the interviews, so triangulation was achieved. Member checking was conducted by sending transcripts to the participants for review, and no additional changes were submitted. There were no negative or discrepant cases in the study as all participants provided rich data to add to the knowledge. To reflect on my experience conducting the interviews, I did not ask leading follow-up questions that would cause the participants to answer one way or the other, and I was completely neutral in my body language and tone of voice. No new code was added to the *policy applicability* category of the coding matrix after the final interview, so I believe data saturation was achieved in terms of filling the literature gap. Peer review was conducted by my dissertation committee, which contained subject matter and methodology experts. The credibility of the study was thus established.

Transferability is also referred to as external validity. It delves into the applicability of the qualitative study in broader contexts (Ravitch & Carl, 2016). In Chapter 2, I discussed the political motivations behind CER practices, and in traditional societies, for-profit businesses are more keen to ally with the ruling parties compared to those in the more advanced jurisdictions (Jeong & Kim, 2020; Uddin et al., 2018). Although the interview questions were free of context, the policy advisors worked for a public agency in Ontario, Canada, so their perceptions might be more aligned with the western cultural and political values than traditional values. Moreover, no interviewee pointed out how politics might be a motivating factor for firms to undertake CER activities, so the applicability of this research in more traditional societies is questionable

(Table 3). With the COVID-19 pandemic, all participants were interviewed at the locations of their choice, and any potential major organizational changes were suspended, so the transferability of the study could be to contexts that have a similar setting, where policy advisors are working remotely and facing uncertain organizational changes.

Dependability was attained through triangulation as discussed above. The greatly diverse answers on the research question from policy advisors with air emissions, climate change, and environmental economics backgrounds tremendously enriched the study. On the other hand, debriefing and member checking through transcript review also helped address confirmability of the research. As a senior engineer who does not work in air policy, climate change policy, or environmental economics, I did not personally or professionally gain from the participants' responses in any way, and I openly reported on all the positive, neutral, and negative cases in my data analysis, so there is evidence of confirmability in the research.

Summary

The research question explored the perceptions of MECP policy advisors on the possible usefulness of a social comparison policy to influence corporate environmental behavior. Overall, the participants were undecided on the issue because firms undertake CER practices for various reasons, such as societal pressures to be good corporate citizens, market pressures from competitors and peer organizations, financial incentives to be environmentally friendly, potential strict regulations in the future, risk management, and the need to maintain legitimacy in the industry. As a result, there are multiple policy components that need to be considered. For instance, the types of emission and the firms

that are being compared, the implemental scale of the policy, the level of public interest on the information, accountability and dependability of the submitted information to prevent greenwashing, and governmental support for firms at the bottom of the ranking to avoid corporate apathy and defeatism. The intricate nature of such a policy needs to be dissected and examined before a framework could be constructed.

After the presentation of the analysis and results, the next step is to discuss the implications of the information, provide recommendations for future research, and finally, put forth a conclusion for the dissertation.

Chapter 5: Discussion, Conclusions, and Recommendations

Introduction

The purpose of this study was to explore the possible merit of applying social comparison to air emissions policy to promote CER among private sector industries in the province of Ontario, Canada. The research was carried out through in-depth, semistructured interviews with nine MECP policy advisors specializing in air policy, climate change policy, and environmental economics. The qualitative nature of the study suggested relativist ontology and constructivist epistemology as the advisors' individual perceptions built a collective and subjective truth regarding the subject. The research was conducted because of the necessity to encourage for-profit firms to proactively engage in environmental protection as a result of limited government resources to enforce regulations.

The findings demonstrate that private businesses take up proactive environmental behavior because of societal and market pressures, financial incentives of being environmentally responsible, upcoming stricter regulations, managing risks, and remaining legitimate among industry players. Thus, there are potential opportunities to use social comparison in environmental policy, but its effectiveness would be determined by how the policy is designed, such as the types of emission being compared, firms being targeted, implemental scale of the policy, amount of public interest on the emissions, accountability and dependability of the submitted information to avert greenwashing, and government support for low-ranked firms to raise their environmental performance and minimize corporate apathy and defeatism.

Interpretations of the Findings

These findings correlate with the knowledge associated with incorporating social comparison into environmental policy that governs industries in various ways. In Chapter 2, I reviewed the five factors that would nudge a for-profit business to voluntarily exceed its environmental governance, such as moral agency, normative behavior, political motivations, social power, and market considerations. The three isomorphic pressures that firms are subjected to, including coercive, normative, and mimetic elements, were also critiqued in the literature review to discern their impact on corporate environmental behavior. The research findings confirm these facets, except political motivations.

For the code moral agency, only one policy advisor emphasized that CER is born from the executives' desire to do the right thing. Three other advisors mentioned ethical considerations, but their statements were relatively weak. This affirms the assertion in the literature that the moral question is not a significant one in CER undertakings (Cheng-Guajardo, 2019; Lampert, 2016; Vetterlein, 2018). Normative behavior and normative isomorphism were both equally underscored by the interviewees, followed by mimetic isomorphism; all participants verified the contention in the literature that firms are likely to model their operations after one another resulting from industry standardization and imitation (Lampert, 2016; Liu et al., 2018; Roszkowska-Menkesa & Aluchna, 2017). Further, policy advisors validated the existence of the social comparison phenomenon within the corporate community. All participants agreed that social power and market considerations were the two most important factors that influence CER activities, which also confirms the literature (Bardos et al., 2020; Sheikh, 2019). Overall, the findings

strongly agree with nine out of 10 initial codes, the majority of the initial theoretical and conceptual framework (Table 2).

Nevertheless, some findings did not align with the literature review. For example, no advisor mentioned the role that politics might play in motivating CER. The participants generally stressed that in administration, changes in government often mean changes in policy priorities, but none of them assigned any political influence on CER decision making. The literature indicates that, depending on the cultural values of the jurisdiction, corporate environmental behavior can be enjoined by the liberal or conservative leanings of the ruling government (Jeong & Kim, 2020). Such discrepancy does not necessarily disconfirm the knowledge, but it could signify that the notion of politics did not occur to any of the advisors during the interviews.

Additionally, I excluded coercive isomorphism from the initial coding framework because CER was defined as a voluntary action for this dissertation, so regulatory requirements would be irrelevant. I was proven wrong as multiple participants stated that firms could become proactive with the intention of complying with potentially harsher regulations in the future and managing risks. Coercive isomorphism is partially expounded as direct or indirect pressures from laws and regulations, and the findings indicate that these requirements do not have to be existing, but they can be expected. This also inspires a paradox when it comes to regulations: Do current government policies force firms to change their way of doing business, or do firms, in anticipation of tougher policies, change first, so new policies are enacted to coerce firms to take further actions? These questions are worth pondering.

The extension of knowledge does not end there. The policy advisors illuminated a long list of new codes that expand the initial theoretical and conceptual framework. In answering the warm-up questions, all participants agreed that policy work is always impacted by the prevailing political climate, so they felt the frustrations and the need to be patient because of the inconsistencies. This supports the argument that politics and administration cannot be separated.

Politics-administration dichotomy, first proposed by Woodrow Wilson in the seminal essay *The Study of Administration*, is one of the key constructs in public administration study. Wilson (1887) hypothesized that politics should not manipulate the offices of administration even though the former sets the tasks for the latter. Administrative questions and political questions are independent of each other, so administration should always lie outside the sphere of politics (Wilson, 1887). The findings obtained from the advisors ratify the fallacy of this theory. Concomitantly, the findings also imply that any possibility of implementing a social comparison policy would be contingent on whether the current government is supportive of the idea. The Progressive Conservative Party, priding itself as a business-friendly administration, might be unwilling to single out firms by ranking and posting their emissions, so that could present a challenge to the prospective policy application.

In addition to the confirmation of the initial theoretical and conceptual framework discussed above, there are other notable, though not extensive, findings that have helped expand the knowledge. For instance, according to the literature discussed in Chapter 2, mimetic isomorphic pressures would come from peer organizations seen as more

successful and legitimate (Roszkowska-Menkesa & Aluchna, 2017). Based on the findings in this study, the technological innovations from industry leaders could also pave the way for others to follow suit, so if a social comparison policy were to be formulated, it might be beneficial to include these leaders in some way if the new technology is not subjected to business confidentiality. On top of the five factors and three isomorphic pressures that influence firms to implement CER in the initial theoretical and conceptual framework, the findings elucidate that firms might also go above and beyond due to their aspiration to obtain environmental certifications, so a social comparison policy could incorporate this component as well to nudge for action.

Finally, the findings related to policy applicability in the literature gap extend the policy knowledge concerning the effectiveness of social comparison in the corporate context. The main solicitude is the policy design. To be certain how effective a prospective policy might be, details must be presented to evaluate its applicability. According to the findings, if a ranking system were to be introduced with emission information fully exposed to the public, the government would need to have a support system to help level the playing field, such as a reward program. Comparing firms alone might not be sufficient in pushing them into action, as they might not have the means or motivation to improve their emissions. In fact, social comparison could have a negative impact on some firms, causing apathy or defeatism if they were unable to keep up, rendering the policy ineffectual.

In addition, the dependability of the data when firms submit their information would be critical, so it remains unclear who the government would hold firms

accountable to their reporting, ensuring that greenwashing is not occurring. Social comparison could engender duplicity as firms do not want to look bad compared to their peers. The amount of public interest on the comparison would also be essential as societal pressures could fuel the competitive dynamics in social comparison. If the public did not care about the ranking because the emission type was not something they were concerned about, or the firms being compared were not the ones that they were familiar with, the ranking would not subsequently garner enough attention from the media or gain sufficient social momentum, and the firms might not respond to the social comparison policy at all.

In summary, these findings show that simply ranking and posting firms' emissions alone might not produce adequate social comparison effects. Policymakers must understand the mechanism of where the pressures for behavioral change would come from, such as public interest, market conditions, industry norms, financial incentives, future regulations, risk management, technological advancement, and environmental certifications. By incorporating these factors, along with a support program to assist low-ranked firms and an accountability system to check accuracy of the reporting, there might be potential opportunities to pursue a social comparison application in environmental policy, providing that the existing government supports the undertaking.

Limitations of the Study

There are some limitations in the study that need to be perused. In Chapter 1, I raised the privacy of the participants as a major concern. This was addressed as the race, age, and gender of each interviewee were not recorded, and pseudonyms were used to

name the advisors. Triangulation was moderately achieved with three different sources of data within MECP, though it would be preferable if more policy advisors with an economic background participated to obtain more perceptions from the economic angle. The transferability of the findings might be mostly applicable only to western cultures as all the advisors were in Ontario, Canada, despite the interview questions being free of context and one advisor citing Indonesia as an example. Researcher bias was kept to minimal as throughout the interviews and the coding process, I was only interested in the truth from the data, and I openly discussed all the positive, neutral, and negative cases in the study.

Recommendations

Based on the findings and limitations, I propose several recommendations for future research. Because there are numerous factors that drive firms to practice CER, business leaders in the corporate community should be interviewed to harness their views and cross reference the data with the input from environmental policy advisors. It would also be advantageous to discuss with more policy advisors with an economic background to procure additional viewpoints on the subject, and recruit policymakers from traditional societies to weigh in their perceptions on the political relationships between businesses and governments and how they affect corporate environmental behavior. The latter would greatly enhance the transferability of the study

In regard to the prospective policy itself, detailed design should be commenced to determine which emission types and firms should be compared that would ignite public interest, the market and financial elements that might catch the attention of corporate

managers, the benefits of environmental certifications, the latest proven environmental technologies that are economically feasible based on the targeted industries, and how regulations could be amended for the future. A support program for low-ranked firms should be formulated, as well as an accountability system to ensure the dependability of the submitted information. The detailed design could then be presented to policy advisors for their thoughts and feedback.

Implications

The implications for positive social change are vast. P8 mused at the end of the interview that the research succeeded in "asking the right questions," "probing in the right area," and "getting [them] thinking, which is good." This study might have provided a deeper understanding on CER decision making, which could be a valuable insight for policymakers as they formulate and implement environmental policies. Without a doubt, encouraging for-profit businesses to actively participate in environmental matters is a favorable endeavor as it would improve administrative efficiencies and safeguard public welfare. It might also help create a competitive ecology on environmental performance within the private sector so firms could vie for better public relations, enabling them to profit from stronger market positions. The affordable housing investments made by Apple, Facebook, and Google reveal that such ecology is probable.

The research might have also advanced the knowledge on the use of corporate social comparison nudge in environmental policy, so firms might voluntarily and proactively become more environmentally responsible, promoting broader CER practices. It could also be expanded into other policy areas with the aim of influencing firms to

undertake various socially responsible behaviors, such as pay equity, workplace health and safety, racial and gender hiring practices, and others.

There are theoretical implications as well. The research may have shone light on a new policy application of social comparison in the corporate context. Social comparison has always been used in policy to nudge individual behavior, but not corporate behavior. This study has shown that there is potentiality for such a policy tool, depending on its design.

Conclusion

When it comes to the environment, it has been incontrovertible for decades that the government is no longer the sole caretaker. Corporate players must be actively involved to battle future environmental challenges. Tax breaks and other economic policy tools have always been used to incentivize firms in being more environmentally responsible, but they are often not politically popular in the age of fiscal frugality. The use of nudge, particularly social comparison, in environmental policy could promote that proactivity without the need for pecuniary measures because of firms' natural tendencies to make profits and maintain a good public image. However, the effectiveness is by no means guaranteed, and the prospective policy must be carefully crafted to optimize its applicability. The potential application is not only limited to environmental protection, but also to other policy areas that require corporate partaking. It is a notion that modern public administration should get behind.

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Appendix A: Participant Recruitment

Dear (potential participant name):

I hope this note finds you well. My name is Enoch Tse and I am a PhD student at Walden University. I am inviting you to participate in a research study about the practicality of using policy to encourage companies to be more environmentally proactive by publicly ranking and posting their emissions. I am seeking environmental policy professionals who are familiar with air or carbon emissions and/or environmental economics to be in the study. Would you be interested in taking part?

The interview will include completing an Informed Consent statement, which I will email to you. I will also provide you some sample interview questions we will be discussing.

The interview process should take 60 to 90 minutes of your time. Please let me know if you would like to participate. I will follow up with a telephone call in five (5) business days to further explain the process and answer any questions you might have. You can also contact me by email enoch.tse@waldenu.edu if you have any questions.

I look forward to hearing from you. Thank you in advance for your time and consideration.

Kind Regards,

Enoch Tse

Appendix B: Interview Protocol

The following questions will be used in the interviews:

Warm-up questions

- What do you like most about working in the policy field?
- What do you find most challenging about your job?

Interview questions

1) What are your thoughts about the companies that proactively reduce their emissions to go above and beyond compliance?
    a) Why do you think companies do that?
2) What are your thoughts about the companies that imitate the business practices of the proactive companies?
    a) Why do you think so? Tell me more about that.
3) How does it seem to impact their own environmental responsibility?
    a) Why do you think companies imitate their peers? Why does that matter?
4) How effective do you think it might be to compare companies by ranking and posting their emissions publicly as a way to get them to improve their emissions?
    a) What is your rationale for your answer? Why do you say that?
5) Is there anything else you would like to add?

To close the interview, I will sincerely thank the interviewee for their time and valuable input. I will then discuss the debriefing process, and also about sharing the results of data analysis at the end of the study.