Are corporate ‘win-win’ strategies an effective way of alleviating social & environmental problems?

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What are win-win strategies?

- **The market at work:** The pursuit of profit creates shared value.
  - Benefits to customers, employees, suppliers, new knowledge, new technology, more efficient markets, and so on.
  - Examples include trains, telephones, sulfa drugs, fuel injection engines, burritos, solar/wind/nuclear power, earbuds, Zoom, Novo-Nordisk’s insulin infrastructure, cough syrup, flu vaccines…

- **The market failing:** The pursuit of profit creates spillover harm.
  - These “externalities” cause many “social and environmental problems.”
  - Examples include climate change, plastic waste, habitat destruction, inequity, resource depletion…

“Classical economics taught business leaders that social and environmental issues were externalities that had no effect on the business, but the evidence all around us shows that this is wrong. Today’s most successful companies have learned that the social impact of their business is a critical factor in their competitive strategy and operational effectiveness.”

Mark Kramer, 2019
Win-Win Strategies convert market failures into market successes.

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Sometimes the solution can be as simple as helping people see the opportunities are real.
Are corporate ‘win-win’ strategies an effective way of alleviating social & environmental problems?

- **NO.**
  - Win-win successes are exceptions, not the rule.
    - Cases can be misleading,
    - Quantitative evidence: rare and limited economic importance.
  
  - False hope in win-win strategies causes damage.
    - Wasteful projects,
    - Delayed regulation.
Cases can be misleading. My story.

By Andrew King

Wow, look at these win-win strategies.

Good for the public

Good for profits

Bad

Bad

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Based on these cases, I predict there are abundant opportunities to profit by providing public goods.
Time passes and doubt sets in.

Wait, are you sure we aren’t just seeing a few profitable cases and not seeing all the projects that didn’t pay?
No! Away you pesky doubter. Win-wins are abundant. So many that the world’s problems can be solved at a profit!!
But win-wins are rare.

- **Energy Efficiency**
  - Case evidence
    - It’s a lunch you are paid to eat. We can solve climate change for fun and profit - Amory Lovins.
  - Quantitative Evidence
    - Stories of cases often fail to include all costs.
      - Joskow, 1994
    - Well-designed energy efficiency programs a result in a lose-lose: costly and harm welfare.
      - Fowlie, Greenstone, Wolfram, 2018
But win-wins are rare.

- **Social Responsibility**
  - Case evidence
    - 33 innovations, 13 are win-win – Andrew King, 1992
  - Quantitative Evidence
    - Multiple studies fail to find a reliable predictive relationship between social benefit and private return.
    - Example: Doing good not connected with doing well, and doing well not connected with doing good – Zhao & Murrell (2021)
Wait! Maybe certain ways to provide public goods consistently lead to profit.

- Porter, Serafeim, and Kramer (2019)

- “Despite countless studies, there has never been conclusive evidence that socially responsible investing delivers alpha.”

- “The reason is that these criteria have been developed without regard to the causal link between a company’s social impact and its bottom line.”

- “Research by [Khan, Serafeim, and Yoon, 2016] has demonstrated that, when companies focus their sustainability efforts primarily on material social and environmental factors, they significantly outperform the market, with **alpha of 3 to 6 percent annually.**”
But, Khan, Serafeim, and Yoon’s (2016) estimate is an artifact.

See Berchicci & King, 2021
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Wasteful Projects

Social Problem: Housing after Haitian earthquake

Win-win solution: Crowd-sourced $300 house.

The $300 House Blog

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$300 House

- Launched in Harvard Business Review

- Supported by Jim Kim, President of the Dartmouth.
  - Rejects skeptics as having “fractured souls”
  - “there is no such thing as false hope, there is only hope.”

- Win-win for sponsors
  - Breakthrough award from Thinkers 50. Kim->World Bank President.

- Lose-Lose for Haitians.
  - No novel design. No houses ever built.
This story is all too common, according to one of the pioneers of the Base of the Pyramid strategy.

▪ “By trying to do a little bit of development, a little bit of participation, a little bit of business strategy, all we did was create bad businesses.”

▪ “Forget a win-win; just focus on surviving.”

▪ Erik Simanis, author of “Reality Check at the Bottom of the Pyramid”
Others share his disappointment with win-win strategies

Aneel Karnani: Mirage at the bottom of the pyramid
Delayed Regulation

- Powerful interests promise win-win solutions to forestall regulation.
  - Responsible Care, Sustainable Cement Initiative, Equator Principles, Sustainable Slopes, Sustainable Investing…
    - Barnett, Baron, Dawson, Delmas, Khanna, King, Lenox, Lyon, Maxwell, Potoski, Prakash, Rivera, Segerson, and so on and so on.

- The political right forestalls regulation by promising that transparency and reporting will cause win-win solutions.
  - *Transparency's Ideological Drift*, David Pozen
Delayed Regulation (Continued)

- Starting in the **1970s**, the International Chamber of Commerce had an explicit strategy to use hope in win-win progress to forestall government regulation.
  - Bergquist & David (2021) *The Invention of Sustainable Development: The International Chamber of Commerce and the rise of Neoliberalism in Global Environmental Governance,*
Delayed Regulation (Continued)

- “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”
  - Larry Fink, Letter to CEOs, 2019

- “BlackRock CEO Larry Fink...is warning against the potential shortfalls of government intervention: ‘We’re going to see a vast change in the public company arena worldwide...We’re not going to need governmental change or regulatory change.’”
  - Z. Warmbrodt, Big Business squirms as Biden tightens climate regulations, Politico, 2021
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I wonder when corporate win-win strategies will kick in?

Global CO2 emissions continue to rise

Emissions in gigatonnes of carbon dioxide

Source: Global Carbon Project/CICERO
Global CO2 emissions continue to rise
Emissions in gigatonnes of carbon dioxide

Source: Global Carbon Project/CICERO

What do we want?
Carbon Tax!

When do we want it?
Now!
Thank You.