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Can Our Research Improve Corporate Social and Environmental Practices?

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Creating a sustainable world
through the power of business



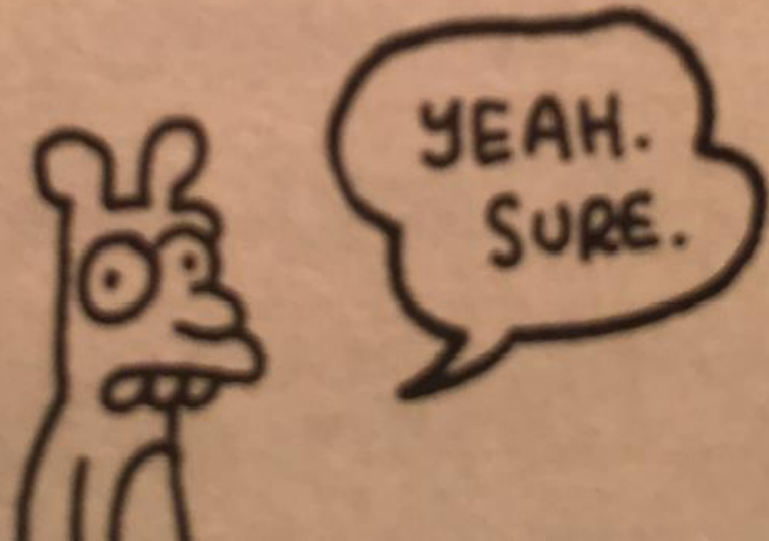


SENIOR CENTER

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WILL YOUR RESEARCH
MAKE THE WORLD
A BETTER PLACE?



Social Science Research That Made A Difference

- **Operations Research**
 - The Simplex Method
- **Chicago School Antitrust**
 - Consumer surplus as primary (only?) goal
 - Vertical restraints
 - Predatory pricing
- **Finance**
 - Black-Scholes
- **Regulation**
 - Economics of auction design

What about Social and Environmental Performance?

- **Emissions pricing**

- Kneese, 1964; Kneese and Bower, 1968; Brown and Johnson, 1984; Hahn, 1979; Andersen, 1991
- Used in British Columbia, various EU countries

- **Tradable permits**

- Montgomery (1972), Hahn (1984), Stavins (2008)
- Used in California, RGGI, Quebec

- **Voluntary Environmental Programs**

- King and Lenox (2000) – Responsible Care
- Big literature concluded they were largely ineffective. Lyon and Maxwell (2002, 2003, 2004, 2007), Alberini and Segerson (2002), Morgenstern and Pizer (2007), Khanna (2001)
- Obama Administration retreated from use of VEPs

When Does Information Make A Difference?

Research and policy considerations

- Users' will and capacity to improve choices
- Disclosers' capacity to improve performance
- Presence and role of third parties / social networks
- Acceptability of variable results (including variation related to SES)
- Consensus & trust in expert judgment on normative outcomes



Does It Pay to Be Green?



- **Huge number of studies, dating at least as far back as Har and Ahuja (1996), find a positive correlation, but few identify causal effects convincingly. The latter also generally suggest a positive causal relationship.**
- **Growing body of work addresses the details of exactly when it pays to be green and when it pays to be dirty.**
- **Q: But who is the audience for this knowledge?**
- **A: Companies that aim to maximize profits by using natural resources efficiently and taking a long-term view.**
- **Has little to say about how to achieve systemic change to really solve environmental problems, especially if the needed change may be costly to companies with a vested interest in the SQ.**

Does It Pay to Be Green?

- **Even for companies with the goal of increasing the efficiency of resource use, is the business literature precise enough to guide strategy?**
- **What if business practice is extremely contingent and not amenable to broad sweeping generalizations?**
- **Management research may resemble a series of case studies or consulting projects rather than a body of knowledge that is cumulative.**
- **We have helped to create a market for consultants peddling “shared value” or “green-to-gold” strategies.**

What's Our "Theory of Change"?

1. If we inform managers about their social and environmental impact, they will fix it.
2. If we inform managers that they can make more money by fixing their impact, they will fix it.
3. If we inform regulators of firms' impact, they will regulate.
4. If we inform activists of firms' impact, they will pressure firms to change.

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Conditions for Impact

- **Users' will and capacity to improve choices**
- **As long as choices are driven by profit-maximization, improvement is**
 - Driven by eliminating waste, i.e. eco-efficiency
 - Driven by public pressure and regulation
- **If you are banking on companies sacrificing profits to improve social and environmental performance...**



Why Does the Management Literature on Sustainability Have Little Impact?

1. We explain business phenomena after the fact, but don't offer actionable solutions.

- We can document when it pays to be green, but without strong predictive power.
- Business decisions are extraordinarily conditional upon a multitude of specifics of time and place, things that work for consultants but not so much for journal publications.

2. We offer small improvements in eco-efficiency when what is needed are systemic solutions.

3. We preach to firms to solve externality problems unilaterally which require collective action.

Our Biggest Audience

- **Students!**
- **Our research should inform what we teach.**
- **Informing students about where business profits come at the expense of social welfare can help to inform their ethical judgments and possibly shape their future CPR.**



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Thank You!

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