

Can our research improve corporate social and environmental practices?

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The “No” position.

Hardest to argue

Contradicts thirty years of my life

Denies our hopes

Depressing

Gloomy

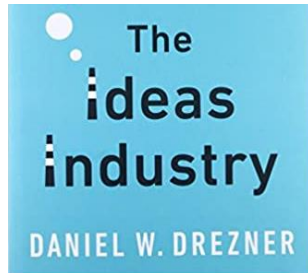
Sad

First let's clarify the debate proposition.

Can *Our Research* [...] *Improve* Corporate *Social and Environmental Practices*?

- *Our* – management scholars
- *Research* – the creation of knowledge (justified belief)
 - Assumption: our work is usually empirical
- [...] – agent implementing improvement is missing
 - Assumption: others, such as managers, etc.
- *Improve* – increase welfare through modifications
- *Social and environmental practices*
 - Practices effecting side effects of companies

Background Reading



Episode 2
Andrew King, Brent Goldfarb, & Timothy Simcoe
 Learning from Testimony on
 Quantitative Research in Management



- Public intellectuals have been replaced by thought leaders.
- Learning from empirical research is fraught with risk. Research reporting should change.
- Popular, sugary, ideas for solving social-environmental problems are unsupported and dangerous.

Can we create knowledge that (helps others) improve (net welfare by effecting) social and environmental practices?

- No is both the default answer, and the answer most likely to be true.

“No” as the default (NULL) condition.

Ho: We cannot create knowledge that helps others improve net welfare by effecting social and environmental practices.

- To reject the NULL, “Yes” must show that our creation of “knowledge” generates improvement.
- A possible test: HBR could conduct an experiment where it published our articles for six months, and then published articles sourced from random people for six months. If corporations improve faster subsequent to “our” articles, we might be able to reject the “No” position.
- Since no such test has been conducted, “No” is retained.

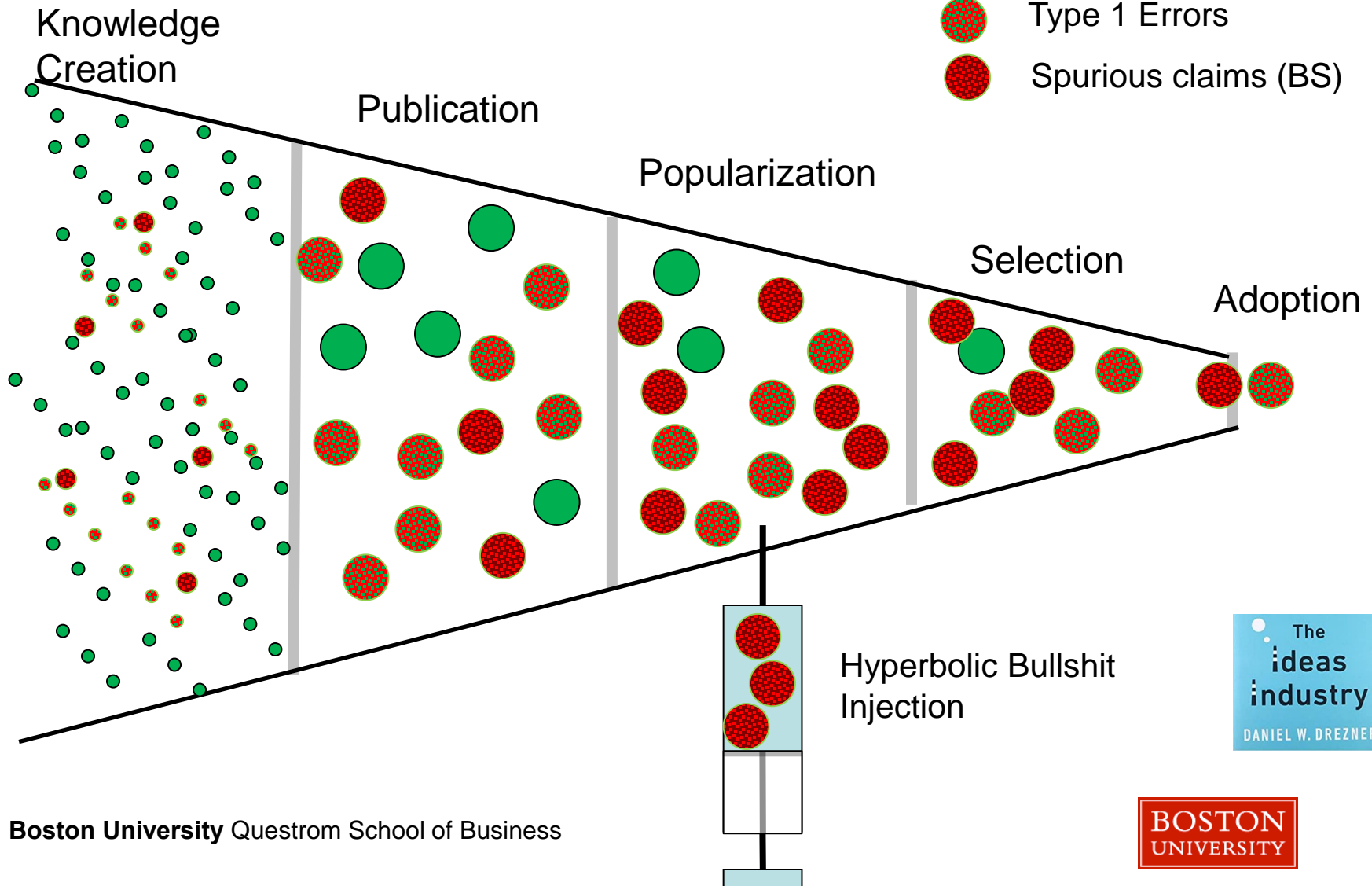
“No” is the answer most likely to be true.

- “Yes” requires a number of conditions
 - 1) We produce useful knowledge.
 - 2) Our knowledge is published.
 - 3) Our knowledge is picked up by forums users see.
 - 4) User selects our knowledge for adoption.
 - 5) Users adopt our knowledge appropriately.

- Each of these steps is perilous and easily perverted by interest.

The Funnel of Knowledge Exclusion

- True
- Type 1 Errors
- Spurious claims (BS)



1) Creating Knowledge

- We produce a mix of justified claims (knowledge), unjustified claims (notions), and spurious claims (nonsense).
 - We misunderstand the basis for our claims.
 - $p < 0.05$ does not say anything about the truth of the hypothesis.
 - We fail to account for epistemic uncertainty.
 - We estimate aleatoric uncertainty and ignore epistemic uncertainty.
 - Some of us engage in questionable research or reporting practices.
 - HARKing, p-hacking, evaluation of multiple models.
 - The “Thought Leaders” among us seem to lack any understanding of epistemology.
 - “18 cases and a popular exec-ed program” is sufficient justification.

2) Publication

- Excludes “non-findings”
 - How often have you been able to publish a nonsignificant result?
- Emphasizes “interesting” findings.
 - “Interesting” results are more likely to be wrong.
 - The special danger of female hurricanes.
 - Published findings bounce back and forth over multiple rounds.
 - Publications in SMJ on ESG and financial performance.
- Fails to correct false findings.
 - People on this call (and many others) have tried to fix glaring errors in highly cited papers, but without success.
 - Replications remain extremely rare and hard to publish, so erroneous estimates proliferate.
 - Brent Goldfarb and I estimate 20-40% of published findings are Type 1 errors.

3) Popularization

- Exclusion of “non-findings”
 - Try getting a non-finding about ESG investing in *The NY Times*.
- Preference for “happy” findings
 - Win-win ideas for voluntary business action.
- Limited outlets.
 - HBR dominates business publication.

4) Selection

- Readers cannot assess the researcher's assumptions or methods, so they must trust the researcher.
- Appealing and bold ideas are more likely to be selected.
- Thought leaders know this:
 - “From time to time ... innovations have the potential to ‘trickle up’ from poor to rich countries (Global Strategy Journal),
 - **becomes**
 - “Reverse Innovation will transform just about every industry, including energy, healthcare, transportation, housing, and consumer products.”

“No” is the answer most likely to be true.

■ “Yes” requires a number of conditions

1) **We produce useful knowledge**

But mixed with false and spurious findings.

2) **Our knowledge is published.**

But selection increases false results.

3) **Our knowledge is picked up by forums users see.**

But slick notions more enticing than awkward knowledge.

4) **User select our knowledge for adoption.**

But users cannot discern knowledge from notions.

5) **Users adopt this knowledge.**

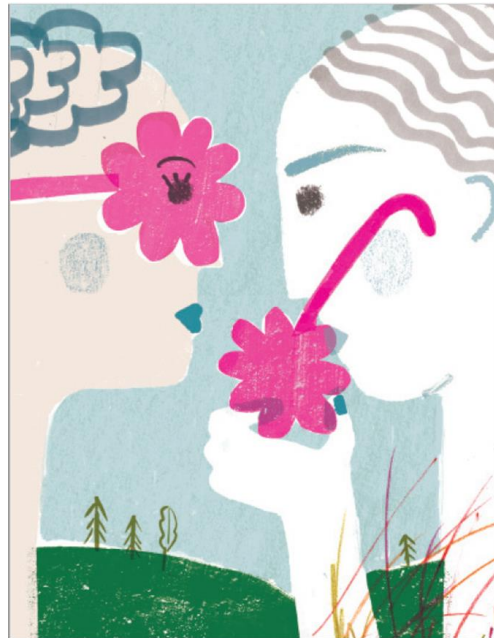
$P(A|K) \sim 0.$

Some possible objections:

- Yes, the situation is bad, but no harm is done.
- Yes, but what can we do?

...but no harm is done.

- Actually, alluring ideas have caused harm.



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 For the past 30 years, celebrated academics and business leaders have promoted the idea that companies often profit by addressing social and environmental problems. Although these proposals have been hailed as promising breakthroughs, they are unscientific and counterproductive.

The Dangerous Allure of Win-Win Strategies

BY ANDREW A. KING & KENNETH P. PUCKER

Illustration by Andrea D'Aquino

Strategies for business led “win-win” solutions to social and environmental problems—in which companies can promote social good and profit thereby—have gained wide appeal. Associated terms such as “shared value,” “circular economy,” “base of the pyramid,” and “reverse innovation” now pepper corporate reports and foundation websites. Corporate leaders, such as the members of the Business Roundtable, propose that they can simultaneously advance both profit and purpose. Famous academics contend that capitalism itself can be reinvented.

The coauthors of this article have a long association with several of these so-called win-win ideas. One, Andrew King, is an engineer-turned academic who studies the economics of pollution prevention. The other, Ken Pucker, is the former chief operating officer of TruBurland, who worked for 13 years to demonstrate the value of a business model committed to “commerce and justice.” Given our backgrounds, one would think that we would find the present popularity of win-win strategies alarming.

Instead, we are alarmed. We know that these strategies rely on improbable mechanisms, promise implausible outcomes, and boast effectiveness that outstrips any reliable evidence. We believe that they also inflict harm because they distract the business world and society from making the difficult choices needed to address pressing social and environmental issues. Their shiny appeal distracts us from adopting more effective strategies whose costs require careful weighing.

FROM HERESY TO DOGMA

An exhaustive catalog of win-win strategies is beyond the scope of this essay. To give a sense of their breadth, ambition, and influence, we focus instead on six prominent examples. (See “Win-Win Proposals Through the Years” on page 36.)

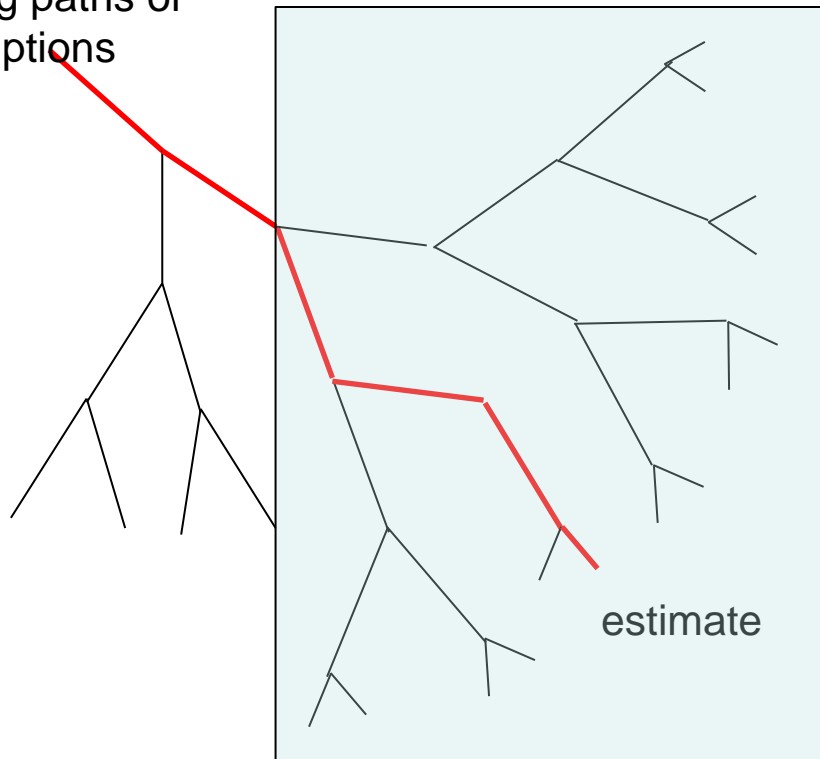
The earliest idea of the group, the negawatt revolution, was proposed by Amory Lovins, a University of Oxford-trained physicist who in 1974 founded Rocky Mountain Institute, a US-based research organization dedicated to sustainability and energy efficiency. Lovins argued that companies were so inefficient that profits could be made by investing in energy use reduction. As a result, firms could “solve climate change for fun and profit,” he promised.¹

...but what can we do?

- 1) Return to being Drezner's public intellectuals.
- 2) Use epistemic uncertainty analysis, particularly to test and aggregate existing research.

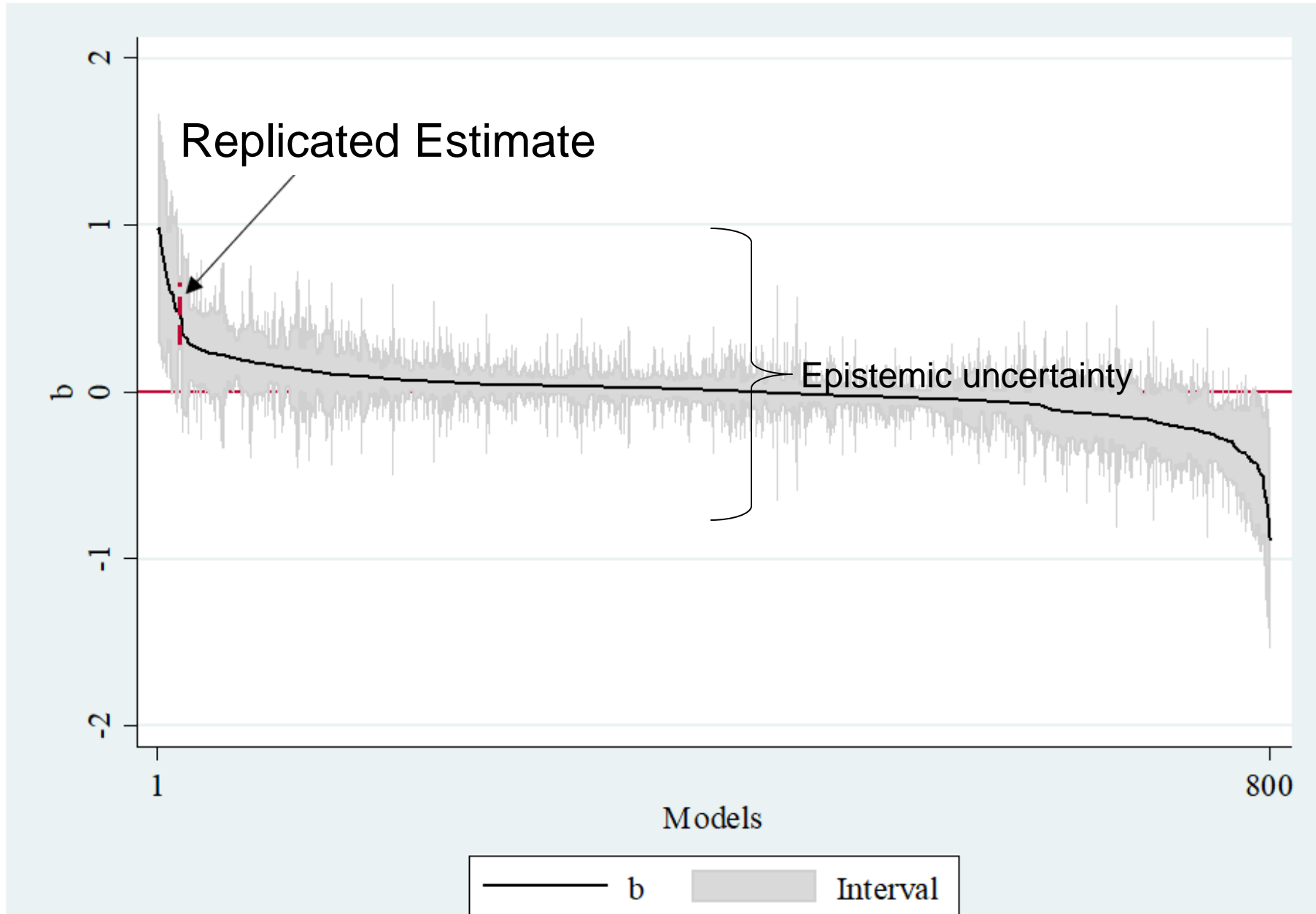
Perform Model Uncertainty Process

Forking paths of assumptions



Select a set of assumptions that are uncertain and allow these to vary. Bound the window by assumptions that are more certain.

Figure 2: Marginal Effects at Average — All Models



...but what can we do?

- 1) Return to being Drezner's public intellectuals.
- 2) Use epistemic uncertainty analysis; test and aggregate existing research.
- 3) Demand that journals require better standards of epistemology and testimony.
- 4) Translate for practitioners: write for popular outlets.
- 5) Speak up.

All five conditions are needed to turn the answer to the proposition from “no” to “yes”.

THANK YOU!