

PSC 247

Green Markets: Environmental Opportunities and Pitfalls

Professor Lawrence Rothenberg

Spring 2013

Purpose

This course is designed to introduce you to the opportunities, constraints, and pitfalls that firms and industries face in confronting environmental considerations. We will look at different "drivers" of green markets with a special emphasis at the end of the course on the risks and rewards associated with global warming.

Grading

Grading will be based on a final exam (1/2 of total grade), a Midterm (1/4 of total grade), and a project (1/4 of total grade). Details will be given regarding the project later in the semester, but suffice to say that it will be 10-15 pages where you apply what you learn. There are a limited number of spots and no more will be created.

How the course will function

I will have a lecture for each class with some time for students (and for me) to discuss relevant events of the day. So please feel free to discuss anything relevant that you have noticed in the wider world. We will subsequently proceed to the course materials.

Also, while the syllabus provides what materials will be covered on what days, I reserve the right to update things as we progress. Particularly given that this is a relatively new class, and given that I would like student involvement to the extent possible, we may proceed as initially planned or somewhat differently.

Readings

Most readings will be available on line through the library. Instructions will be provided for obtaining additional materials via the web (there will be some cost involved). Ideally, all materials should be read before class. There will be some materials that I will absolutely expect students to have read in advance (I will provide notice).

There is only one book for the course that must be ordered separately:

Orsato, Renato J. *Sustainability Strategies: When Does It Pay to Be Green?* Palgrave Macmillan, 2009.

I have not ordered this book at the bookstore, as I assume many students would rather order it electronically. Paper versions are readily available on line as well.

Lecture materials

Only summary materials and figures will be provided on-line for students. No combination of pleading, logic, yelling, cajoling, etc. will make me change my mind.

Contact

My office hours are Fridays from 10am to 12pm in Harkness Hall 108. Please feel free to drop by and e-mails (lawrence.rothenberg@rochester.edu) etc. The TA for the course is Kristin Rulison (krulison@mail.rochester.edu), whose office hours are Tuesdays from 9am to 11am in Harkness Hall 334.

Week I: Introduction to the Course (Jan. 17th)

Week II: Green Goods, Green Markets, and Other Basic Concepts (Jan. 22nd - 24th)

Sevin, Andrew W. *The Triple Bottom Line: How Today's Best Run Companies Are Achieving Economic, Social and Environmental Success—and How You Can Too*. Jossey-Bass, 2006. Chapter 2.

Anderson, David A. *Environmental Economics and Natural Resource Management*. Taylor & Francis, 2010. Chapter 3.

Wood, David L. III. "The Market for Virtue: The Business Case for Corporate Social Responsibility." *California Management Review* 47 (2005): 19–45.

Auld, Graeme, Steven Bernstein, and Benjamin Cashore. "The New Corporate Social Responsibility." *Annual Review of Environment and Resources* 33 (2008): 413–435.

Kiron, David, Nina Krauschwitz, Knut Haanæs, and Ingrid Von Streng Velken. "Sustainability Nears a Tipping Point." *MIT Sloan Management Review* 53 (2012): 69–74.

Orsato, Chapters 1 and 2.

For the adventurous (not required):

Kotchen, Matthew J. "Green Markets and Private Provision of Public Goods." *Journal of Political Economy* 114 (2006): 816–834.

Week III: The "Dexter Hypothesis" and Beyond (Jan. 20th - Jan. 21st)

Porter, Michael E., and Claes Van der Linde. "Toward a New Conception of the Environment-Competitiveness Relationship." *The Journal of Economic Perspectives* 9 (1995): 97–118.

Porter, Michael E., and Mark R. Kramer. "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review* 84 (2006): 78–92.

Shaw, Jane S., and Richard L. Stroup. "Do Environmental Regulations Increase Economic Efficiency?" *Regulation* 23 (2000): 13.

Andrew Stefan, Mark Cohen, Stewart Elgie, and Paul Lanoie. "The Porter Hypothesis at 20: Can Environmental Regulation Enhance Innovation and Competitiveness?" *Research for the Future Discussion Paper* 11-01 (2011).

Reinhardt, Forest J. *Down to Earth: Applying Business Principles to Environmental Management*. Harvard Business Press, 2000. Chapter 1.

Brännlund, Rainer, and Tommy Lundgren. "Environmental Policy Without Costs? A Review of the Porter Hypothesis." *International Review of Environmental and Resource Economics* 3 (2009): 75-117.

Week IV: Social Drivers I. Citizen Demand (Feb 5th - 7th)

Hankins, Michael S. "What the Green Consumer Wants." *MIT Sloan Management Review* 50 (2009): 87-89.

Oroniz, Susana, and Dennis Spillmann. "Cultivating the Green Consumer." *Stanford Social Innovation Review* 6 (2008): 50-61.

Orsato, Chapter 5.

Bishop, Steve, et al. "Six Critical Conversations about Business and the Environment." *The Harvard Business Review, Green Conversation Report* (2008): 3-23.

The CEO Paper: Vol. Summary on Environmental Issues, 2008

Week V: Social Drivers II. Environmental NGOs, Investors, and Access to Capital (Feb 12th, 14th)

Hoffman, Andrew J. *Comprehensive Environmental Strategy: A Practical Guide to the Changing Business Landscape*. Island Press, 2000. Chapter 5.

Elkington, John, and Seb Belee. "The Twenty-First Century NGO." In Thomas P. Lyon, ed., *Good Cop Bad Cop: Environmental NGOs and their Strategies Towards Business* (2010): 17-47.

Hart, Geoffrey. *Who's Your Friend? Who's Your Enemy? How Private Companies Sponsor Social Responsibility and the Bottom Line*. Columbia Business School Publishing, 2008. Chapter 4.

Bishop, Steve, et al. "Six Critical Conversations about Business and the Environment." *Harvard Business Review, Green Conversation Report* (2008): 59-72.

Sharfman, Mark P., and Chiriz S. Fernando. "Environmental Risk Management and the Cost of Capital." *Strategic Management Journal* 29 (2008): 569-592.

Case: Austin, James E., and Cate Reavis. "Starbucks and Conservation International." 2002.

Harvard Business School Case No. 202055 DDE ENG

Week VI: Political Drivers—Regulation and Beyond (Feb. 19th, 26th; NO CLASS FEB. 21st!)

Kaimowitz, James R. *The Economic Approach to Environmental and Natural Resources*. Thomson/South-Western, 2005. Chapter 3.

Hauflinger, Werner, Richard D. Morgenstern, and Thomas Sterner, eds. *Choosing Environmental Policy: Comparing Instruments and Outcomes in the United States and Europe*. RFF Press, 2004. Overview.

Khanna, Madhu, George Deltas, and Donna Ramirez Harrington. "Adoption of Pollution Prevention Techniques: The Role of Management Systems and Regulatory Pressures." *Environmental and Resource Economics* 44 (2009): 85–106.

Reid, Erin M., and Michael W. Toffel. "Responding to Public and Private Politics: Corporate Disclosure of Climate Change Strategies." *Strategic Management Journal* 30 (2009): 1157–1178.

Esly, Daniel S., and Steve Charnovick. "Green Labels Drive Innovation." *Harvard Business Review* 90 (2012): 120–123.

Week VII: Economic Drivers I: Voluntary Programs (Feb. 28th, March 19th; Note Special Event March 5th, Exam I March 7th)

Orsato, Chapter 4.

Cañas de Franco, Joaquín, and Concepción Garcés Averbé. "ISO 14001 Environmental Management Systems and Financial Performance." *Environmental Economics* 44 (2009): 245–262.

King, Andrew, and Michael Toffel. "Self-Regulatory Institutions for Solving Environmental Problems: Perspectives and Contributions from the Management Literature." *HBS Technology & Operations Mgt. Unit Research Paper* 07-089 (2007).

Khanna, Madhu, and Keith Brouhle. "The Effectiveness of Voluntary Environmental Initiatives." In Magali A. Delmas and Oran R. Young, eds., *Governance for the Environment: New Perspectives* (2009): 144–182.

Special Event—March 5th: A Voice from the Real World

Eric Dettlheim, expert on environmental and financial markets and products

<http://www.environmental.com>

Exam I (March 7th)

Week VIII: Economic Drivers II: Supply Chain Management (March 21st, 26th)

Larson, Andrea. "Green Supply Chains." Darden School of Business Technical Note No. UVA-ENT-0136. 2009.

Hawser, Anita. "Greening the Supply Chain," *Global Finance* 23 (November 2009).

Mahier, Daniel. "The Sustainable Supply Chain." *Supply Chain Management Review* 11 (2007): 59-60.

"The Greening of the Supply Chain." *Supply Chain Management Review* (2008): S61-66.

McCraw, Bridget. "Why 'Green' Equals Good Business." *Supply Chain Management Review* 14 (2010): 56-60.

Bishop, Steve, et al. "Six Critical Conversations about Business and the Environment." *Harvard Business Review*, Green Conversation Report (2008): 24-40.

Chen, M. "The Impact of Walmart in Changing China." *The Atlantic* (December 2011): 80-98.

Ernst & Young. "Engaging Top Management in Climate Change." *Harvard Business School Working Paper No. 12-026* (2011)

Case, Plambeck, Erica, and Lynn Depond. "WalMart's Sustainability Strategy" 2010. Stanford Graduate School of Business Case No. OIT71-PDF-ENG.

Week IX: Economic Drivers III: Looking Inside the Firm (Mar. 21st, 26th)

BSR/GlobeScan. *State of Sustainable Business Poll*. 2012.

Deloitte. *Sustainability in Business Today: A Cross-Industry View*. 2010.

Burke, John, Martin Lueck, James Cerretti, and Michael Muxot. "Sustainability: How and Why? Perspectives Differ from Corporate Reality." *California Management Review* 55 (2012): 74-95.

Eccles, Robert G., Kathleen Miller McKinnis, and George Serafeim. "How to Become a Sustainable Company." *MIT Sloan Management Review* 53 (2011): 1-8.

Suzanne Pallander (interviewed by Nina Kruschwitz). "Integrating Sustainability into Strategy, Governance and Employee Engagement." *MIT Sloan Management Review* 53 (2012): 1-4.

Gray, Robert, M. Maignan, D. Richardson, and Florio-Ruane. "Revisiting the Relation Between Environmental Performance and Environmental Disclosure: An Empirical Analysis." *Accounting, Organizations and Society* 33 (2008): 303-321.

The 21st Century Corporation. "The 21st Century Corporation's Sustainability Strategy." *Sustainability* 2 (2010): 32-43.

Week X: Greenwashing (Mar. 20th - Apr. 4th)

TerraChoice Environmental Marketing Inc. "The Six Sins of Greenwashing: A Study of Environmental Claims in North American Consumer Markets." November 2007.

Delmas, Magali A., and Vanessa Cuvel Burbano. "The Drivers of Greenwashing." *California Management Review* 54 (2011): 64-87.

Case: McMaster, James, and Jan Nowak. "FIJI Water and Corporate Social Responsibility—
Greenwashing." 2011. Darden School of Business, University of Virginia.
No. 909A08-PDF-ENG.

Week XI: Trade (Apr. 9th)

Forsy, David C. "Dividing the Trade-Environment Divide." *Journal of Economic Perspectives* (2001): 113-130.

Bhagwati, Jagdish. *In Defense of Globalization*. Oxford University Press, 2007. Chapter 1.

De'Pellis, John E. "The Possibility for a Trade." *Scientific American*, 260 (1989): 24-29.

Clapp, Jennifer, and Peter Dauvergne. *Pains to a Green World: The Political Economy of the Global Environment*. The MIT Press, 2005. Chapter 5.

Winters, Lant, and Martin A. Star. "Greening of the WTO." *Economic Affairs* (2001): 147-156.

Due, and "Brazilian" cases. www.wto.org/english/stratop/enevir/efedec00.htm

NO CLASS APRIL 11th

Week XII: The 800-lb. Gorilla: Climate Change (Apr. 16th, 18th)

Ston, Nicholas Herbert. *Ston Review: The Economics of Climate Change*. Vol. 30. Cambridge University Press, 2006. Executive Summary.

Andrew, J., and John A. Wobus. *Climate Change: What's Your Business Strategy?* Harvard Business Press, 2008.

Pacala, Stephen, and Robert Socolow. "Stabilization Wedges: Solving the Climate Problem for the Next 50 Years with Current Technologies." *Science* 305 (2004): 968-972.

Socolow, Robert. "Wedges Reaffirmed." *Bulletin of the Atomic Scientists* (September 2011).

Case: Reinhardt, Forest, and Michel Hyman. "Global Climate Change and BR." 2009. Harvard Business School Case No. 708026-PDF-ENG.

~~Week XIII: Conclusions and the Future of Green Markets (Apr. 23rd, 25th)~~

~~Bishop, Steve, et al. "Six Critical Conversations about Business and the Environment." *Harvard Business Review*. Green Conversation Report (2008): 51–58 73–87.~~

~~Winston, Andrew S. *Green Recovery*. Gilder Media, 2009. Chapter 1.~~

~~Orsato, Chapters 7 and 8.~~

~~MIT Sloan Management Review and The Boston Consulting Group. *Fourth Annual Sustainability and Innovation Survey*. 2012. (Will become available in February 2013.)~~

~~Siegel, Donald S. "Green Management Matters Only if It Yields More Green: An Economic/Strategic Perspective." *The Academy of Management Perspectives* 23 (2009): 5–16.~~

~~Alfred A. Marcus and P. F. Freneth Adam. "Green Management Matters Regardless." *The Academy of Management Perspectives* 23 (2009): 17–26.~~

Exam II (April 30th)