

# Corporations can profit from being environmentally friendly

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Though many policymakers have argued that environmental regulations can negatively impact an organization's bottom line, a new study by George Mason University researcher Nicole Darnall shows that companies that develop green production processes can not only offset the costs of regulations, but can also reap further benefits.

The study, which looked at more than 2,600 manufacturing facilities operating in seven different countries, showed that more stringent environmental policies are related to diminished company profits. However, organizations that improve their environmental performance by enhancing their internal efficiencies and developing new green products and technologies can offset the cost of regulation or even accrue a net gain.

"The primary reason why the United States and many other countries do not have national climate change policy and do not implement more stringent environmental legislation is due to the costs the regulations would impose on firms," says Darnall, assistant professor of environmental science and policy. "The results of this study are important because realizing that these costs can be offset—or eliminated entirely—is further evidence that policymakers could support the advancement of more ambitious environmental policy goals without putting undue financial burdens on corporations."

The study showed that businesses can profit in two important ways. First, by improving their internal production processes to reduce waste,

companies are more likely to enhance profits. "Many companies paint their products with solvent-based paints. By switching to water-based paints these businesses can eliminate toxic wastes in their production process and the need to meet certain environmental regulations. They also can speed up the time it takes to get their product to market and avoid long term liabilities associated with toxic waste disposal," Darnall says.

The second way companies can profit from going green is by developing innovative green products and technologies and entering new markets. Businesses that do so are poised to take advantage of increased market demand for green products and make less environmentally friendly technologies obsolete.

According to recent research, 15 percent of consumers routinely pay more for green products, and another 15 percent seek green products if they do not cost more. "There are people who pay premium prices for these kinds of products," says Darnall.

Corporate buyers also are demonstrating a growing demand for purchasing green products. "Companies don't want to inherit waste from their suppliers. As a result, many companies are using green production as a condition of purchasing a supplier's products."

The study is the first to look broadly at international companies. Understanding these relationships globally is particularly important since more companies now operate internationally and must adhere to multiple regulations.

"Many policymakers believe environmental regulations are a win-lose proposition—society benefits from a cleaner environment, but businesses are at an economic disadvantage," says Darnall. "This research shows it can be a win-win. Companies that develop greener

production practices benefit society, and can also green their bottom line."

Source: George Mason University

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