

Bosses with 'green' values more likely to over-comply with environmental rules

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A business is more likely to "over-comply" with environmental regulations if its senior management believes in protecting the environment and that it makes financial sense in the long term, according to a new study by an economist at Oregon State University.

The study, published online in the *Journal of Environmental Management* and accepted for publication in its print version, examined why some firms violate environmental regulatory standards while others exceed them. It used data from a survey that 689 businesses in Oregon answered.

The study's author, OSU professor JunJie Wu, said the results could be useful to policymakers when developing strategies to reduce environmental violations and encourage firms to do more than regulations require.

"The results suggest that a narrow strategy to promote environmental over-compliance may not fare well," Wu said. "For example, offering technical and financial assistance to reduce compliance costs may be offset if these policies reduce competitive pressures. It's apparent that policymakers must avoid a one-size-fits-all approach and be innovative when designing environmental policies."

Among key findings of the study:

- Upper management's environmental values were one of the leading factors affecting a firm's decision about whether to over-comply with environmental standards.
- Pressures from consumers, investors and interest groups have no statistically significant impact on a firm's decision to violate or comply with environmental regulations. However, facilities that make products that are sold directly to consumers or offer services directly to them are less likely to violate the regulations.
- Competitive market forces are significant factors in deterring environmental violations. These forces include investing in cleaner products to differentiate them from another company's; improving environmental performance to keep up with competitors and being environmentally responsible to reduce employee turnover and increase productivity.
- Costs and risks associated with environmentally friendly practices increase the probability of environmental violations and decrease the likelihood of environmental over-compliance. These costs and risks include high upfront investments, high day-to-day costs, uncertain future benefits and downtime and delivery interruptions during implementation.
- Smaller firms (ones with annual revenue of no more than \$5 million) and publicly traded companies are more likely to violate environmental standards than companies that are bigger and privately owned.

"It's surprising that management's attitude toward environmental stewardship plays such a large role," Wu said. "Historically, economists believe that profit drives business decisions, but we've found that management's attitude affects a firm's decision about its compliance

level. This doesn't mean, however, that profits don't play a role.

"It's also surprising that executives are willing to think beyond next quarter's earnings and spend money to adopt some environmental policies that might not benefit the company until perhaps much later."

The study is titled "Environmental Compliance: The Good, the Bad, and the Super Green." The survey that it was based on questioned firms that employed at least 10 workers and operated in six sectors: food manufacturing, wood product manufacturing, construction of buildings, truck transportation and hotels.

The survey included questions that asked what environmentally friendly practices they had implemented, which factors influenced their environmental management the most, and whether they had been sanctioned for environmental infractions.

The survey also asked them to rate their level of compliance with regulatory standards for water pollution, solid waste, toxic and hazardous waste, and hazardous air emissions. The study considered a facility to be in violation if it did not meet standards in at least one of these areas. It was considered in compliance if it did just enough to meet standards in all four areas. It was over-complying if it did more than the regulation required in at least one area and met standards in all other areas.

Source: Oregon State University ([news](#) : [web](#))

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