

# New Economics of Business Environmental Management and Ecosystem Services

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## Key Points

- 'Green business' activities are growing.
- Puzzle: traditional economic models predict that firms only incur costs from env. mgmt.
- Need a fuller analysis of the motivations and barriers to 'green business' behavior.
- Recent Oregon evidence suggests a diverse set of factors are driving 'green business.'
- The findings have implications for ecosystem service markets.

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## Why 'Green Business' is Growing

- Serious environmental problems persist.
- As incomes and information increase, the public's demand for environmental improvement rises.
- Regulatory costs are trending higher.
- Recognizing the limits of regulation, key environmental NGOs favor more collaboration.
- Some leading firms have shown the ability to increase their market value via 'greening.'
- Net effect – Responsibility for environmental management is shifting away from government to business and NGOs.

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## Motivations for 'Green Business'

1. Reduce cost (waste) and improve productivity
2. Mitigate or preempt government environmental programs
3. Serve emerging green consumer and supplier markets
4. Control business risks (financial or other)

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## Motivations for 'Green Business'

5. Achieve positive relationships with stakeholders, e.g., labor, community
6. Manage competitors
7. Meet CEO personal or business objectives
8. Respond to public or private programs of technical and financial assistance

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## 'Green Business' Model

- Firm CEO maximizes utility (not profit)
- Utility depends on profit and environmental performance (as conditioned by the CEO's attitudes toward environmental stewardship)
- Environmental performance depends on firm's environmental policy/practices, pollution prevention actions, and other facility characteristics, such as multinational operations.

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## Evidence from Oregon Industry

- A diverse set of factors affect green business – There is no silver bullet!
- Green actions depend on more than profit.
- Managerial attitudes that environmental issues are important are strong motivators .
- Regulatory system is an essential complement to greening business.
- Key market forces, e.g., investors, also significantly influence green business.
- Bottom line: Green biz must be supported by complementary regulation and markets.

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## Implications for Ecosystem Service Markets

- A variety of factors will cause different firms and individuals to participate – No silver bullet.
- Education about the status and roles of ecosystem services in supporting commerce can inform management, consumer, and investor values.
- Markets alone are insufficient to generate supply and demand for most ecosystem services.
- Regulation is an essential complement -- use performance standards with flexible approaches.
- Pay attention to transaction costs and other barriers in establishing new markets.

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## Publications and Reports

- Website <http://obep.research.pdx.edu/>
- Project Summary Report
- Hall, Teresa, "Business Decisions for Voluntary Environmental Management: Motivations, Actions and Outcomes," M.S. Thesis, Oregon State University, 2006.
- Jones, Cody, "Voluntary Environmental Program Participation in Oregon: Summary Statistics," MEM report, Portland State University, 2007.
- "Motivations for Voluntary Environmental Management," *Policy Studies Journal*
- "Toward a Fuller Understanding of Business Environmental Management" in review

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