

**PSC 247**  
Green Markets: Environmental Opportunities and Pitfalls

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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**

Grades will be based on two in-class exams and a final project (1/3 of the grade for each). *Make-up exams are not given—exceptions are rarely granted.* 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 have learned in the class to a specific green market effort. While many of you may want to apply for a “W” as well, there are a limited number of spots and no more will be created.

**How the course will function**

I will begin 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, send e-mails ([lawrence.rothenberg@rochester.edu](mailto:lawrence.rothenberg@rochester.edu)), etc. The TA for the course is Kristin Rulison ([krulison@mail.rochester.edu](mailto:krulison@mail.rochester.edu)), whose office hours are Tuesdays from 9am to 11am in Harkness Hall 334.

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### Week I: Introduction to the Course (Jan. 17<sup>th</sup>)

#### Week II: Green Goods, Green Markets, and Other Basic Concepts (Jan. 22<sup>nd</sup>, 24<sup>th</sup>)

Savitz, 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.

Vogel, David J. "Is There a 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 Kruschwitz, 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 “Porter Hypothesis” and Beyond (Jan. 29<sup>th</sup>, Jan. 31<sup>st</sup>)

Porter, Michael E., and Claas 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.

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

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

Brännlund, Runar, 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. 5<sup>th</sup>, 7<sup>th</sup>)**

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

Bonini, Sheila, and Jeremy Oppenheim. "Cultivating the Green Consumer." *Stanford Social Innovation Review* 6 (2008): 56–61.

Orsato, Chapter 5.

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

*The GFK Roper Yale Survey on Environmental Issues*. 2008.

**Week V: Social Drivers II—Environmental NGOs, Investors, and Access to Capital (Feb. 12<sup>th</sup>, 14<sup>th</sup>)**

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

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

Heal, Geoffrey Martin. *When Principles Pay: Corporate 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 Chitru 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. 303055-PDF-ENG.

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

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

Harrington, Winston, 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.

Esty, Daniel C., and Steve Charnovitz. "Green Rules to Drive Innovation." *Harvard Business Review* 90 (2012): 120–123.

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

Orsato, Chapter 4.

Cañón-de-Francia, Joaquín, and Concepción Garcés-Ayerbe. "ISO 14001 Environmental Certification: A Sign Valued by the Market?" *Environmental and Resource 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 5<sup>th</sup>: A Voice from the Real World**

Eric Bettelheim, expert on environmental and financial markets and products  
<http://www.ericbettelheim.com/>

**Exam I (March 7<sup>th</sup>)**

**Week VIII: Economic Drivers II: Supply Chain Management (March 21<sup>st</sup>, 26<sup>th</sup>)**

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).

Mahler, 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.

McCrea, 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.

Schell, Orville. "How Walmart Is Changing China." *The Atlantic* (December 2011): 80–98.

Jira, Chonnikarn Fern, and Michael W. Toffel. "Engaging Supply Chains in Climate Change." Harvard Business School Working Paper No. 12-026 (2011).

Case: Plambeck, Erica, and Lyn Denend. "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. 21<sup>st</sup>, 26<sup>th</sup>)**

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

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

Pelozo, John, Moritz Loock, James Cerruti, and Michael Muyot. "Sustainability: How Stakeholder Perceptions Differ from Corporate Reality." *California Management Review* 55 (2012): 74–95.

Eccles, Robert G., Kathleen Miller Perkins, and George Serafeim. "How to Become a Sustainable Company." *MIT Sloan Management Review* 53 (2012): 43–50.

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

Clarkson, Peter M., Yue Li, Gordon D. Richardson, and Florin P. Vasvari. "Revisiting the Relation Between Environmental Performance and Environmental Disclosure: An Empirical Analysis." *Accounting, Organizations and Society* 33 (2008): 303–327.

"The 21<sup>st</sup> Century Corporation: The CERES Roadmap for Sustainability." 2010. Pay special attention to pp. 32–43.

**Week X: Greenwashing (Mar. 28<sup>th</sup>, Apr. 4<sup>th</sup>)**

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 Cuerel Burbano. "The Drivers of Greenwashing." *California Management Review* 54 (2011): 64–87.

Case: McMaster, James, and Jan Nowak. "FIJI Water and Corporate Social Responsibility—Green Makeover or 'Greenwashing'?" 2011. Richard Ivey School of Business Foundation Case No. 909A08-PDF-ENG.

**Week XI: Trade (Apr. 9<sup>th</sup>)**

Esty, Daniel C. "Bridging the Trade-Environment Divide." *Journal of Economic Perspectives* (2001): 113–130.

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

Daly, Herman E. "The Perils of Free Trade." *Scientific American* 269 (1993): 24–29.

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

Weinstein, Michael M., and Steve Charnovitz. "The Greening of the WTO." *Foreign Affairs* (2001): 147–156.

Read the "shrimp-turtle" and "tuna-dolphin" cases:  
[www.wto.org/english/tratop\\_e/envir\\_e/edis00\\_e.htm](http://www.wto.org/english/tratop_e/envir_e/edis00_e.htm)

**NO CLASS APRIL 11<sup>th</sup>**

**Week XII: The 800-lb. Gorilla: Climate Change (Apr. 16<sup>th</sup>, 18<sup>th</sup>)**

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

Hoffman, Andrew J., and John G. Woody. *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 Mikell Hyman. "Global Climate Change and BP." 2009. Harvard Business School Case No. 708026-PDF-ENG.

**Week XIII: Conclusions and the Future of Green Markets (Apr. 23<sup>rd</sup>, 25<sup>th</sup>)**

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*. Gildea 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 R. Fremeth Adam. "Green Management Matters Regardless." *The Academy of Management Perspectives* 23 (2009): 17–26.

**Exam II (April 30<sup>th</sup>)**