



# What Drives Firms to be Green?

## Environmental Management Systems & the Nature of Pollution Prevention Innovation

Wednesday – Nov 1st, 3:30-5 PM

100 Mendenhall (on the Oval)

Madhu Khanna, a leading environmental economist, from the University of Illinois, will discuss:

- Pollution prevention steps voluntarily taken by S&P 500 companies
- Why many large, highly successful companies adopt management systems to reduce waste and prevent pollution
- What type of technologies are likely to be voluntarily adopted by firms, which environmental practices are unlikely to be chosen, and what this means for regulatory policy

Through econometric analysis of firms from a broad cross section of American business, Prof Khanna investigates why companies may voluntarily adopt specific organizational change (Total Quality Environmental Management) to reduce waste, increase efficiency, and switch to pollution preventing technologies. The presentation will then continue through an analysis of the type of practices adopted. The practices are classified based on their function, potential for cost reduction, and visibility to consumers. The study finds firms tend to adopt some practices (high-tech change, procedural change, and policies that are visible to consumers and lead to cost-savings), while other environmental practices (low-tech change and modifications to material or equipment) are ignored.

Policy makers will be interested in the implications of this research, concerning the potential for voluntary adoption of pollution prevention practices, the types of practices that may be adopted voluntarily, and the types of practices unlikely to be chosen in the absence of regulation.