The External and Internal Drive for Going Green

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The External and Internal Drive for Going Green

This paper contributes to the green finance literature by examining the external and internal driving force for going green. It analyzes how retail and institutional investors react differently toward public and private green information. Employing public green rankings of SP 500 firms, this paper finds that retail investors respond to public rankings by paying a green premium and increasing their holdings. Employing private green scores, this paper finds no market reaction from institutional investors. Hence, small investors are the external driving force for firms going green in the U.S. A quasi-natural experiment provides additional supports for the finding. Further analysis employs firm resources, green cost, and analyst coverage to test agency hypothesis in a time-variant setting. It confirms agency issue as the internal drive for going green. Overall, this study provides evidence that firms do good because they do well internally and doing good leads to a delayed external doing well effect, which is generated by small investors.

MNE Governance: Is the location of a Regional Headquarters a management perk?

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Abstract

The need for multinational enterprises (MNE) to be closer to their markets may require setting up regional headquarters (RHQ) to support their operations in the different regions of the world. If this is the case, selecting the most appropriate location is a significant strategy decision.

This paper does a case study on the selection of the most appropriate location for the Latin America regional headquarters of an MNE operating in the financial services space. It presents a framework on selection criteria based on twelve location factors aligned along *Quality of Services* and *Cost of Delivery* in each alternative location. The unit of analysis is the RHQ. It is not a greenfield study as the company has an existing RHQ located in Miami; however, one of the premises of the study is that the *cost of moving* vs. *do nothing* is not considered so as not to bias the study towards the current location.

The study arrives at that, applying the defined criteria, Miami is the most attractive location followed by Santiago de Chile. It must be taken into account that the *Quality of Services* factors are relatively constant in time, but that the *Cost of Delivery* factors can be significantly volatile.

From the study it emerges that the selection of a location for an RHQ is often done to accommodate the convenience of the managing director of the RHQ. This can have serious sustainability consequences as it can negatively affect at least two stakeholder groups: the RHQ staff and the shareholders of the company.

Keywords: Regional Headquarters, management perks, international business, multinational enterprises.

Are Firms with Female CEOs More Environmentally Friendly?

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Abstract

In this paper, we document a previously unknown benefit of women's role in firm management: the enhancement of environmental protection. Through a panel data analysis, we find that firms with female CEOs produce less air and water pollution and greenhouse gas emissions, and receive fewer environmental penalties, compared to firms with male CEOs. Our difference-in-differences analysis shows that firms also reduce air and water toxic releases, greenhouse gas emissions, and receive fewer environmental penalties after experiencing a male-to-female CEO transition. Moreover, firms demonstrate higher awareness of environmental protection, reflected in their 10-K filings, when being led by female CEOs.

Keywords: Female CEOs, Pollution, Environmental Penalties

JEL: G41, J16, Q53

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Corporate Social Responsibility: Formal vs. Informal Firms

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PRELIMINARY DRAFT

Abstract

In this paper, using both cross-country data including 73 countries, as well as a novel data from a firm level survey covering 1000 firms in Turkey, I investigate the relationship between informality and corporate social responsibility. (CSR) Using the firm-level data, I ask whether corporate social responsibility scores (CSR) and its relationship with firm's expected performance and profitability are different for firms mainly operating in the formal and informal sector. Cross-country data reveals a significant negative correlation between CSR and informal sector size. On the other hand, using the firm-level data, I find that firms that tend to engage in informal economic activities have significantly lower CSR scores. Moreover, CSR scores and firms' expected performance are generally positively correlated and this correlation is much less (and even not significantly different from zero in some cases) for informal firms. I also find some evidence that the main reason behind these results might be that is that firms mainly operating in the informal sector are spending significantly less to R&D and advertising as the relationship between these variables and the firm's performance and profitability is less pronounced for these firms.

Keywords: corporate social responsibility; informal sector; shadow economy; cross-sectional data

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