Everybody’s business: in Gustavson’s classrooms

In MBA 515 Applied Managerial Economics, Associate Professor Jen Baggs addresses what happens when the marginal social cost and the marginal private cost are different. For example, a business might not pay the full social cost of the pollution it creates – how does that affect production decisions? As well, she regularly reminds students that profit maximization doesn’t necessarily mean using the lowest-cost materials and labour and generating the highest profits forever.

“Chanel is a profit-maximizing business,” she points out. “They’re not producing cheap goods.”

Her message is that firms can use organic ingredients or pay wages at a certain level – managers must simply factor those things into their costs. They can still maximize profit.

Big oil accepts climate change

ExxonMobil was the most profitable company in the US in 2012, according to Forbes 500. Ten years ago, it funded research to deny climate change, but now it’s integrating a hefty carbon tax into its financial plans. Tom Carnac, North American president of Carbon Disclosure Project, said that the five big oil companies seem to have determined that a carbon price is an inevitable part of their financial future.

“It’s climate change as a line item,” Mr. Carnac said. “They’re looking at it from a rational perspective, making a profit. It drives internal decision-making.”

“Large Companies Prepared to Pay Price on Carbon,” New York Times, Dec 5, 2013 has more on ExxonMobil, Walmart, Republicans, Microsoft, Delta Airlines...

Finance

“Integrating Sustainability Into Capital Markets: Bloomberg LP And ESG’s Quantitative Legitimacy,” Journal of Applied Corporate Finance, Fall 2013

Finance today is a fundamentally quantitative discipline, but ESG is often qualitative, according to article authors Andrew Park and Curtis Ravenel. Moreover, the ESG data that is available is incomplete and inconsistent, and hasn’t yet earned its quantitative legitimacy in the eyes of the investor community. But recent work in the area of stranded asset values has provided an opportunity to bridge theory and practice by translating the stranded assets framework into a first-cut valuation tool designed for mainstream financial analysts.

Stakeholder decision making

"While price is certainly a major factor in a consumer’s purchase decisions,” said Brian Berklich of Seventh Generation’s new bobble bottle brand, “other factors such as quality, sustainability and the impact on the American job market now play a role for consumers as well.”

The whole article, “Seventh Generation Takes Sustainable Approach,” is in MMR’s Dec 9, 2013 issue.

Finance, Service Management, Cost Controls, Human Resources, and Marketing, Marketing, and more Marketing

Dr. Haragopal Parsa, the Barron Hilton Professor at the University of Denver, was guest editor for the Cornell Quarterly’s special issue on sustainability and eco-innovation. Clearly, says editor Michael LaTour, this topic is top of mind for academicians and managers. These issues are not a passing fad. In fact, the very fabric of corporate culture has changed and continues to evolve.

I bet you find something useful in there....