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## A POSSIBLE LINK BETWEEN THE OBJECTIVE OF THE CORPORATE FIRM AND ADOPTION OF COSTLY GREEN TECHNOLOGIES

by

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**St. Mary's University**

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**12:00 – 14:00**

**Room 1027**



### **Abstract / Synopsis**

In recent times, public firms have come under scrutiny for their policies from a variety of different directions. Firms are now forced to address issues of shareholder and customer activism related to people, the environment, and the political landscape. This situation has placed firm management – who work for their owners, the common shareholders – in a no-win position. If they adopt one set of policies, they receive backlash from one group. On the other hand, if they adopt a different set of policies, they receive vocal feedback from a different group. Operational strategies have to be thought out very carefully so as not to offend various groups with their own agendas.

In the first part of the paper, we argue that firms' sole objective even in this hostile environment is to maximize common shareholder wealth. But we also suggest that this implies taking care of the people and the planet in addition to profits. If they don't, then they will lose revenue and will in fact not be maximizing common shareholder wealth. In the second part of the paper, we argue that firms may be forced to adopt costly green technologies to generate revenue because of customer and shareholder activism. They may lose their customer bases if they don't. Using Monte Carlo simulation, we address the following research questions: What motivates firms to adopt costly green technologies? Firms may also be incentivized to offshore production to pollution haven countries if they face costly pollution regulations at home. Will the strategy of pollution taxes by home governments have the desired impact on firms and consumers? Are there incentives for pollution haven countries to invest in green technology?

### **About the Speaker**

Prasad Padmanabhan is a Professor of Finance, Myra Stafford Pryor Chair of Free Enterprise and Sam Walton Fellow at the the Greehey School of Business, St. Mary's University. He previously held faculty positions at San Diego State University, Pennsylvania State University, Vanderbilt University, McGill University and Concordia University. He teaches international finance, investments, corporate finance, financial management and international business. He has published more than 30 articles in several prominent professional and academic journals including *International Business Review*, *Journal of International Business Studies*, *Management International Review*, *Journal of International Management*, *Financial Review*, *Journal of Global Business*, *Journal of Banking and Finance*, *Journal of Multinational Financial Management*, *Global Finance Journal*, and *Financial Analysts Journal*. He is also the Global Associate Editor for the *Journal of Information Technology Case and Applications Research*. He obtained his MBA and PhD from McGill University, and his Bachelor's degree from Indian Institute of Technology.

### **Registration**

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