Corporate Environmental Management: Regulatory and Market-Based Incentives

Madhu Khanna, and William Rose Q. Anton

Abstract

The corporate approach to environmental protection has been evolving from a regulation-driven reactive mode to a more proactive approach involving voluntarily adopted management systems that integrate environmental concerns with traditional managerial functions. Several hypotheses about the factors explaining the diversity in the environmental management systems adopted by firms are tested using survey data for a sample of S&P 500 firms. The analysis shows that the threat of environmental liabilities, high costs of compliance, market pressures, and public pressures on firms with high on-site toxic emissions per unit output create incentives for adopting a more comprehensive environmental management system. (JEL L5, Q2)

© 2002 by the Board of Regents of the University of Wisconsin System