

## **What Motivates Business Environmental Management: Sticks or Carrots?**

**David E. Ervin**  
**Professor, Environmental Studies**  
**Portland State University**

The tradition of using government regulations ('sticks') to manage environmental problems is giving way to more 'business-led' approaches that rely on incentives ('carrots') from the market and elsewhere. Industry and governments around the world are promoting greater reliance on 'voluntary' environmental management, prompting a dramatic increase in the number and variety of such efforts. These options can provide greater flexibility and cost savings for firms, ease access to global markets, and potentially lower transaction costs for government and environmental organizations. However, their efficacy has been uneven. If voluntary approaches are to play larger roles in reducing environmental problems, e.g., greenhouse gas emissions, the motivations and constraints for firms to pursue them must be understood. We surveyed nearly 700 Oregon business facilities about the strength of factors influencing their environmental management actions. The responses suggest that facilities owned by publicly traded multinational companies are more likely to participate in voluntary environmental programs. The responses also indicate that pressures by environmental interest groups are not highly significant motivations. Preliminary econometric analysis indicates that current and anticipated regulations and market forces, e.g., investor pressures, exert significant influences on environmental practice use. The findings suggest that a combination of regulatory sticks and market carrots are fostering voluntary business environmental management.