

Literature Review

The profit maximisation paradigm of @MiltonFriedman1970 have been widely challenged these last decades. More and more the literature is showing evidences that improving a company's environmental performance can lead to better economic or financial performance, and not necessarily to an increase in cost. @Ambec2008 have desmonstrated that the expenses incurred to reduce pollution can be partly or completely offset by gains made elsewhere. @Porter1995 argued that rather than simply adding to cost, properly crafted environmental standards can trigger innovation offsets, allowing companies to improve their resource productivity. He even redefined the self concept of value creation in advocating that the solution lies in the principle of shared value which involves creating economic value in a way that also creates value for society by addressing its needs and challenges, , namely a win-win situation, [@Porter2018]. The emergence of this new paradigm have gained interests amongst scolars and since they have sought to empirically answer the question, "*Does it pay to be green?*". The large quantity of studies on the nexus between Corporate Environmental Performance (i.e. CEP) and Corporate Financial Performance (i.e. CFP) in the last two decades allowed the appearance of meta-analyses[^1] [@Orlitzky2001, @Orlitzky2003, @Wu2006, @Albertini2013, @Dixon-Fowler2013, @EndrikatMakingSense2014, @LudecadeDebateNexus2014, @WangMetaAnalyticReviewCorporate2016, @Busch2018] and all suggest that indeed a positive and bideractionnal relationship does exist between CEP and CFP.

According to the literature, the indicators used to measure Financial performance strongly influence the relation. Scholars have mainly adopted two broad subdivisions of CFP: market-based and accounting-based indicators. The latter have a stronger relation to CEP than market-based CFP measures [@Orlitzky2003, @Wu2006, @Albertini2013, @Busch2018]. The indicators used to measure Environmental performance also strongly influence the relation...

Also, some others moderators influence the relation...

@Dixon-Fowler2013small have desmonstrated tha small firms seem to benefit from environmental performance as much or more than large firms. US-based firms do appear to benefit more than international counterparts

[^1] Initially, the literature focused on the link between Corporate Social Performance (i.e. CSP) and Corporate Financial Performance (i.e. CFP). @Orlitzky2001 were the first to consider CEP as apart from CSP. Given that @Busch2018 could not detect statistically significant differences between the effects of environmental CEP and social-related CSP on CFP and concludes that good CSP pays off, whether social or environmental related, this study considers CSP equals to CEP.

This relation varies in magnitude depending on different CFP categories. Accounting-based CFP demonstrates a stronger relation to CSP than growth-, risk-, and market-based CFP [@Busch2018]

[@Orlitzky2003] : CSP appears to be more highly correlated with accounting-based measures of CFP than with market-based indicators, and CSP reputation indices are more highly correlated with CFP than are other indicators of CSP

[@Wu2006] : accounting-based CFP measures have a stronger relation to CSP than market-based CFP measures

The nexus between Corporate Environmental Performance (i.e. CEP) and Corporate Financial Performance (i.e. CFP) have been studied in the literutere for quite s

What is my contribution to the literature?

How is measured CEP?

- No common definition
-

How is measured CFP?

- Market
- Accounting
- Risk
- Perceptual [Ludecadedebatenexus2014]

The link between CEP and CFP

CSP and CFP mutually affect each other

Positive

Negative

Neutral

But conclusion : It pays to be green [AmbecDoesitpay2008]

when does it pays to be green : short vs long term

According to...

- The link between CEP and CFP. Literature have shown that it pays to be green. However answering the question “When and how does it pay to be green?” remains unclear.
- Citation from [EndrikatMakingsenseconflicting2014]

Over the last four decades, myriad studies have sought to identify the relationship between these performance constructs. In this context, one of the most fundamental issues shaping research on the focal relationship refers to the direction of causality (i.e., whether CEP influences CFP, whether CFP influences CEP, or whether there is a bidirectional relationship) ## Subsection 1

•

Subsection 2