



Connecting Minds, Shaping the Future of Sustainability Research

Welcome to our first LKCSB Sustainability Research Peak Newsletter. As we embark on the journey through AY 2023/24, we combine all recent sustainability research conducted by LKCSB faculty members, covering academic publications, practitioner articles, books, and case studies. Our esteemed faculty members have delved deep into a diverse array of sustainability topics illustrating the multifaceted nature of sustainability ranging from environmental sustainability (e.g., ESG in finance and strategic management), social sustainability (e.g., inclusion, inequality), and human sustainability (e.g., employee well-being).

Academic Publications

Environmental Sustainability

A role of ESG in shaping financial outcomes and strategic choices

The transition to a sustainable economy is not just a moral imperative; it is a strategic necessity that significantly impacts financial decisions, consumer preferences, and corporate strategies. Understanding this interconnectedness is vital for all related stakeholders both in industry and academic world.



Negative ESG news events unfavorably impact firm's future cash flow and value. A working paper written by **Prof. Tianhao Yao (Finance)**, "*ESG News, Future Cash Flows, and Firm Value*"

forthcoming in *Journal of Finance* suggests that financial analysts tend to revise downward their anticipations of a company's future profitability after negative ESG news due to lower expectation of future sales. Notably, analysts are correct in such downgrading forecasts, underscoring the importance of ESG factors in business strategy planning.

Paper Link: [ESG News, Future CF, and Firm Value](#)



"*Consumer Reactions to Corporate ESG Performance*" is also an important topic to explore because it can directly influence product demand. With a combination of surveys and experimental studies using GPS data, **Prof. Weikai Li (Finance)** finds

that shoppers do care about how companies handle ESG. His working paper shows a notable drop in foot traffic to company's stores during the month following negative ESG incidents, especially in areas with a higher proportion of well-educated and younger residents. This finding suggests that a company's ESG reputation can shape consumer preferences and impact its own financial benefits.

Paper Link: [Consumers' Reaction to Corporate ESG](#)





Taking a stakeholder perspective on CSR investment, **Prof. David Gomulya (Strategic Management)** is currently working on a paper titled “*Stakeholder Competition in CSR Investment: An Inequity-Aversion Perspective*”. Using

a sample of Japanese firms, his research explores the trade-off between rewarding shareholders with dividends and investing in CSR, and considers how such decisions can affect shareholders' perceptions and stock prices. The main finding in his working paper is that higher allocation to CSR negatively affects firms' stock returns. This is due to inequity aversion and expectation violation which may lead shareholders to react negatively if they perceive an imbalance in how the company allocates resources.



Central to ESG transition are the frameworks and standards that provide the guidelines and benchmarks for aligning financial activities with sustainability objectives. The impact of ESG regulatory changes has manifested in various dimensions, one of which is highlighted in

Prof. Hao Liang (Finance)'s recent working paper titled “*Externalities of Mandatory ESG Disclosures*” which reveals that after a unique regulatory change requiring public companies to report their contributions to poverty alleviation in China, firms increase their anti-poverty spending but increase their emissions of major pollutants at the same time. This study reveals a reallocation of corporate resources across different ESG categories, from the environmental dimension to the more regulatorily salient social dimension with significant implications for regulators who develop ESG standards and guidelines.

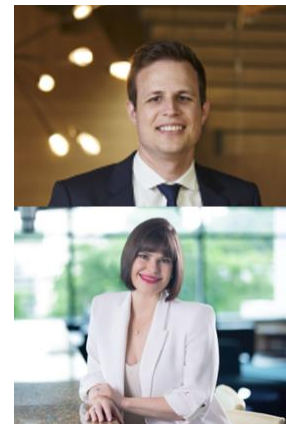
Paper Link: [Externalities of ESG Disclosure](#)

Social Sustainability

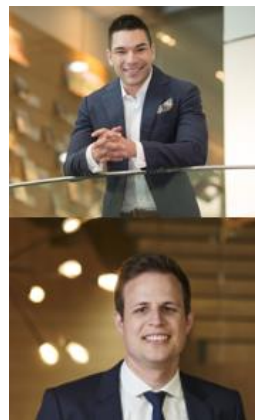
Social inclusion, an important aspect of social sustainability, has become increasingly important in recent times. Social inclusion ensures that every individual is respected, valued, and integrated in their community. Embracing social inclusion is a driver of economic benefits. It diminishes wage disparities, enhances educational and employment prospects, and ultimately contributes to a more prosperous and equitable society.

Profs. Michael Schaefer (Organizational Behavior & Human Resources) and Chris du Plessis (Marketing) published an interdisciplinary paper titled “*On the trajectory of discrimination: A meta-analysis and forecasting survey capturing 44 years of field experiments on gender and hiring decisions*” forthcoming in *Organizational Behavior and Human Decision Processes*.

The findings show a diminishing bias against women applicants for gender-neutral and male-dominated positions over time, while gender-based discrimination against men seeking positions traditionally associated with female roles has exhibited limited change.



In addition, **Profs. Marko Pitesa and Michael Schaefer (both Organizational Behavior & Human Resources)** studied another social sustainability-related topic in a paper published in *Organization Science* and entitled “*Pay Suppression in Social Impact Contexts: How Framing Work Around the Greater Good Inhibits Job Candidate Compensation Demands*” which examines



on how messages of firm social responsibility affect job candidates' perceptions and negotiation behavior. Employees' willingness to

accept lower pay is not solely driven by their desire for meaningful work, as past studies have suggested. Instead, it appears to result from concerns about going against organizational norms that discourage discussing pay-related matters.

Paper Link: [Pay suppression in social impact contexts](#)



Team diversity plays a crucial role in social sustainability by fostering inclusivity and contributing to a more equitable society. **Prof. Melvyn Teo (Finance)** documents an example evidence in his “*Diverse*

Hedge Funds” published in *The Review of Financial Studies*. His study reveals that diverse hedge fund teams tend to outperform homogeneous teams due to their ability to arbitrage more stock anomalies, avoid behavioral biases, and minimize downside risks.

Paper Link: [Diverse Hedge Funds](#)

Human Sustainability



With reference to process optimization and operational management to improve society and well-being, **Prof. Onur Boyabatli (Operational Management)** wrote a working paper on a title of “*Integrated Optimization of Farmland*

Cultivation and Fertilizer Application: Implications for Farm Management and Food Security”. This study explores how farmers make decisions about crop cultivation and fertilizer use in the face of uncertainties in market price, harvesting cost, and farm yield. This research highlights the complexity of decision-making in agriculture and conventional farming strategies may not invariably lead to increased crop production and may yield unforeseen consequences.

Paper Link: [Integrated optimization of farmland](#)

Another working paper that focuses on operational procedure is “*Design of Off-Grid Lighting Business Models to Serve the Poor: Field Experiments*

and Structural Analysis” written by **Prof. Bhavani Shanker UPPARI (Operational Management)**. This study shows that the inconvenience of recharging lamps and financial constraints reduce the use of rechargeable lamps in regions without regular electricity access. This research highlights the importance of effective operational management, and suggests ways to improve society and living standards in developing economies.



Paper Link: [Design of off-grid lighting business](#)

Approach to enhance ESG Matters

Current ESG challenges demand increasingly robust and all-encompassing sustainability solutions. Regenerative Finance (Re-Fi) stands out as a promising approach for reshaping the governance of our shared global resources. **Prof. Simon Schillebeeckx (Strategy & Entrepreneurship)** published a paper in *Frontiers of Blockchain* titled “*Blockchain and Regenerative Finance: Charting a Path toward Regeneration*” which discusses the Re-Fi concept related to interconnected components and examines how it can address limitations in climate change accounting, finance and markets, and governance. The paper suggests that Re-Fi has the potential to drive positive change by enhancing transparency, democratizing financing, and enabling participatory decision-making.



Paper Link: [Blockchain and Re-Fi](#)



Practitioner Articles

The following is a list of recent practitioner articles authored by our faculty members in the field of sustainability practice.

1. From Hype to Reality: A Critical Analysis of Blockchain-based Regenerative Finance, Sep 2023 by **Prof. Simon Schillebeeckx**.

Paper Link: [Analysis of blockchain-based Re-Fi](#)

2. China's MYbank: Creating Shared Value, Jul 2023 by **Prof. Heli Wang (Strategic Management)**.

Paper Link: [China's MYbank: Creating Shared Value](#)

3. Adoption of Digital Technologies, Business Model Innovation, and Financial and Sustainability Performance in Startup Firms, Aug 2022 by **Prof. Chiraphol Chiyachantana (Finance)**.

Paper Link: [Adoption of Digital Technologies](#)



Chapters in Books

There are several recent chapters in a book related to sustainability that were authored by our faculty members, as follows.

1. The Alphabetical Soup in Reporting and Measuring ESG, 2022 by **Prof. Hao Liang**.

Paper Link: [The Alphabet Soup in Reporting](#)

2. Social Responsibility in Business and Finance, 2022 by **Prof. Hao Liang**, (Available at SMU Library)

3. Agricultural Supply Chain Management Research: Operations and Analytics in Planting, Selling, and Government Interventions, 2022 by **Prof. Onur Boyabatli**.

Paper Link: [Agricultural supply chain management](#)

Case Studies

Our faculty members have recently created the following sustainability case studies

1. Banyan Tree Group: Sustainability through Shared Value, Oct 2023 by **Prof. Heli Wang**.

Paper Link: [Banyan Tree Group: Sustainability](#)

2. The Sustainability Sweet Spot at Jiu Zhen Nan Taiwan Pastry, Jun 2023 by **Prof. TAN Hwee Hoon (Organizational Behavior & Human Resources)**.

Paper Link: [The Sustainability Sweet Spot](#)

3. The Lithium Ion Battery: From Industry to Diverse Ecosystems, Jun 2023 by **Prof. Liang Chen (Strategy & Entrepreneurship)**.

Paper Link: [The Lithium Ion Battery](#)

4. An Uncommon Alliance: Unilever's 'The Vegetarian Butcher' Meets Singapore's 'The Social Kitchen', May 2023 by **Prof. Kenneth GOH and Prof. Daniel Z. Mack (Strategy & Entrepreneurship)**

Paper Link: [An Uncommon Alliance: Unilever](#)

5. Riding the Decarbonisation Wave: BHP and its LNG-Fuelled Vessels, Mar 2023 by **Prof. Shantanu Bhattacharya (Operational Management)**.

Paper Link: [Riding the Decarbonisation Wave](#)

6. Yamamotoyama: Tradition and Change in a 300-Year-Old Shinise, Mar 2023 by **Prof. Jochen Reb (Organizational Behavior & Human Resources)**

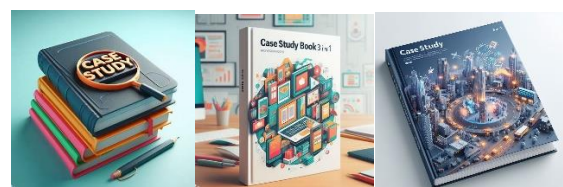
Paper Link: [Yamamotoyama: Tradition and Change](#)

7. Ant Group backed MYbank: People, Planet, Profit in Rural China, Nov 2022 by **Prof. Heli Wang**.

Paper Link: [Ant Group backed MYbank](#)

8. Amara Hotels & Resorts, Singapore: Building Competitive Advantage through Sustainability and CSR Initiatives, Sep 2022 by **Prof. Seshan Ramaswami (Marketing)**

Paper Link: [Amara Hotels & Resorts, Singapore](#)



Sustainability Research Peak Seminar

In early September 2023, we organized the second Sustainability Research Peak Seminar, which brought together faculty members and PhD students who are interested in sustainability-related topics. Our two presenters were Prof. David Gomulya and Prof. Tianhao Yao. We deeply appreciated all the valuable contributions during the seminar.



In case that a specific publication was not included in our newsletter, or if any faculty members have upcoming work that wish to highlight in our next newsletter, please kindly contact our writer, Sompasorn Ruksomboonde at sompasornr.2022@pbs.smu.edu.sg

