



## Connecting Minds, Shaping the Future of Sustainability Research

As we move toward to the end of the second semester of AY 2024/25, our LKCSB Sustainability Research Peak Team is delighted to present new sustainability papers contributed by LKCSB faculty members. These papers encompass academic publications, practitioner articles, and case studies, building upon the content shared in our last newsletter. Our faculty members have explored deeply into a diverse group of sustainability topics, showing many different aspects of sustainability ranging from social sustainability (e.g., consumer behavior, agentic behavior, social signals, and board diversity), environmental sustainability (e.g., effect of air pollution to capital allocation), governance (e.g., on-site inspections), and transition finance.

### Academic Papers

#### Social Sustainability



Premium services provide an enhanced level of customer experience for those who can afford them, benefiting both users and companies. However, premium services do not receive universal acceptance. A recent working paper, *“Consumer Responses to Premium Services: The Role of Zero-Sum Beliefs”*, by **Chris DU PLESSIS (Marketing)**, finds that consumers, under certain conditions, respond more negatively to premium services. This

negative response is driven by zero-sum beliefs—beliefs that the introduction of premium services detracts from the experience of basic service users. This research demonstrates that firms can alleviate the negative response to premium services by designing premium services with non-zero-sum features or by using profits from these services to subsidize non-premium options.

With regard to consumers' environmental responses, several specific factors have contributed to encouraging this behaviour. Among these factors, the salience of choice is identified as particularly influential in the recent working paper, *“Salience of Choice Increases Support for Pro-Environmental Action”*, by **Shilpa Madan (Marketing)**. The findings show that when individuals are made aware that they have a choice, they are more likely to support environmental actions, particularly those benefiting the planet rather than those focused on people. This increased support arises from a belief in one's ability to make a difference. Hence, emphasizing choices is a



simple effective strategy to enhance environmental engagement.



Agentic behaviors are a critical determinant of success in contemporary organizations, enabling employees to drive change in dynamic and complex environments. The recent published paper in *Organizational Behavior*

and *Human Decision Processes*, written by **Michael Schaefer (Organisational Behaviour & Human Resource)**, titled “*From Low Power to Action: Reappraising Powerlessness as an Opportunity Restores Agency*” shows that when individuals mentally reframe powerless situations as opportunities, it can reduce the negative effects of low power and boost agentic behaviors, including employees’ propensity to negotiate and their tendency to engage in voice and task proactivity at work. This proposes a way to break the power-inaction link.

Paper Link: [From low power to action: Reappraising powerlessness as an opportunity restores agency](#)

In addition, social signals in complex partnerships are important as they guide firms in evaluating trust and reputational risks, helping them make smarter, lower-risk alliance decisions. Another published paper titled “*A Tale of Two Signals: Partner CSR versus CSI and Alliance Formation*”, written by **Heli Wang (Strategic Management)** and published in *Academy of Management Journal*, shows that CSR and CSI influence alliance formation through different mechanisms: CSR builds trust by signaling a partner’s moral character, while CSI creates stakeholder concerns that may spill over to the focal firm, discouraging alliances. The impact of these signals depends on factors such as proximity and media coverage.



Paper Link: [A Tale of Two Signals: Partner CSR versus CSI and Alliance Formation](#)

On the side of organizational social structures, understanding how formal and informal dynamics within firms influence innovation is increasingly important—particularly in the context of board diversity. Another published paper in *Journal of Management Studies* by **Daniel Mack (Strategy & Entrepreneurship)**



, titled “*How deep-level and surface-level board diversity, formal and informal social structures affect innovation*”, addresses this challenge by conceptualizing board diversity in two distinct

forms: deep-level diversity (e.g. values, personality, and expertise) and surface-level diversity (e.g. gender, age, and ethnicity). The study finds that these two forms have opposing effects on a firm’s innovation outcomes and theorizes that organizational social structures, both formal (e.g. board-CEO committee co-involvement) and informal (e.g. interpersonal networks and cultural norms), can amplify the positive effects of deep-level diversity while mitigating the negative impacts of surface-level diversity.

Paper Link: [How deep-level and surface-level board diversity affect innovation](#)

## Environmental Sustainability



Air pollution shapes risk perceptions and investment decisions across market stakeholders. Understanding their reactions is crucial as these behavioral responses can drive capital allocation and ultimately influence the pace of the low-carbon transition. A recent published

paper in *Review of Accounting Studies*, written by **Weikai Li (Finance)**, titled “*Something in the air: does air pollution affect fund managers’ carbon*

*divestment?*”, documents that exposure to local air pollution leads mutual fund managers to underweight high-emission stocks, especially among environmentally conscious or less experienced managers. However, this divestment often results in underperforming investments for the fund.

Paper Link: [Something in the air: does air pollution affect fund managers’ carbon divestment?](#)

Apart from air pollution, policy uncertainty also poses the change in investment decisions across market. **Hong Zhang (Finance)** wrote a paper titled “*Policy Uncertainty Reduces Green Investment*”, which finds that Chinese firms reduce green investment as the uncertainty of subsidies rise, especially in pollution-heavy or green-tech industries. This uncertainty highlights how behavioral responses to short-term conditions can undermine long-term environmental policy goals.



Paper Link: [Policy Uncertainty Reduces Green Investment](#)

## Governance



On-site inspections are a regulatory tool where authorities physically visit firms to examine their operations, compliance practices, and reporting standards. Regulatory on-site inspections, though effective and frequently used in other fields, are less adopted in capital markets. A recent working paper titled “*Randomized On-Site Inspections and Shareholder Value*” by **Fangjian Fu (Finance)** examines a unique setting where Chinese regulators randomly select public firms for annual on-site inspections on corporate governance and information disclosure. While on-site inspections can improve corporate behavior, they can also be costly and disruptive, even for well-behaved firms. This suggests that more targeted or risk-based inspections

could strike a better balance between effectiveness and efficiency.

Paper Link: [Randomized On-Site Inspections and Shareholder Value](#)

## Transition Finance

Transition finance plays a critical role in today’s society, as it supports a realistic and inclusive path to net-zero by helping carbon-intensive sectors decarbonize in alignment with sustainability goals while maintaining



economic growth. By moving beyond traditional green finance, transition finance enables more inclusive and effective climate action, particularly in regions like Asia where the energy transition is especially complex. **Liang Hao (Finance)** and **Tianhao (Finance)** are leading a project in transition finance. In addition, **Liang Hao** wrote a paper, “*The Effects of Financing Green and Brown Sectors: What Do Theories and Empirical Evidence Say?*”, forthcoming in *Asian Economic Policy Review*. His paper investigates into the effects of financing green and brown sectors and documents that while green finance promotes green



sectors, it can also unintentionally lead to increased emissions in brown firms. Moreover, his research indicates that making green investments cheaper does not significantly cut emissions, while raising costs for polluting sectors might unexpectedly increase emissions.

Paper Link: [The Effects of Financing Green and Brown Sectors](#)



## Practitioner Articles

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

1. Greening Brown Sectors through Transition Finance by **Liang Hao (Finance) and Tianhao Yao (Finance)**

Paper Link: [Greening Brown Sectors through Transition Finance](#)

## Case Studies

Our faculty members have recently created the following sustainability case studies

1. The Mae Fah Luang Foundation under Royal Patronage: Uplifting the Doi Tung People in Thailand through the Specialty Coffee Business, April 2025 by **Chiraphol New Chiyachantana (Finance)**

Paper Link: [The Mae Fah Luang Foundation under Royal Patronage: Uplifting the Doi](#)

2. Pyxis: Powering a Sustainable Maritime Future with Electric Vessels, Mar 2025 by **Annie Koh (Finance)**.

Paper Link: [Pyxis: Powering a Sustainable Maritime Future with Electric Vessels](#)

3. Nike's Consumer Direct Offense Strategy: A Hit Or A Miss?, Mar 2025 by **Ernst C. Osinga (Marketing) and Sandeep R. Chandukala (Marketing)**

Paper Link: [Nike's Consumer Direct Offense Strategy: A Hit Or A Miss?](#)

4. Control Techniques: Change Management for Company Growth, Mar 2025 by **Tan Hwee Hoon (Organisational Behaviour & Human Resources)**

Paper Link: [Control Techniques: Change Management for Company Growth](#)

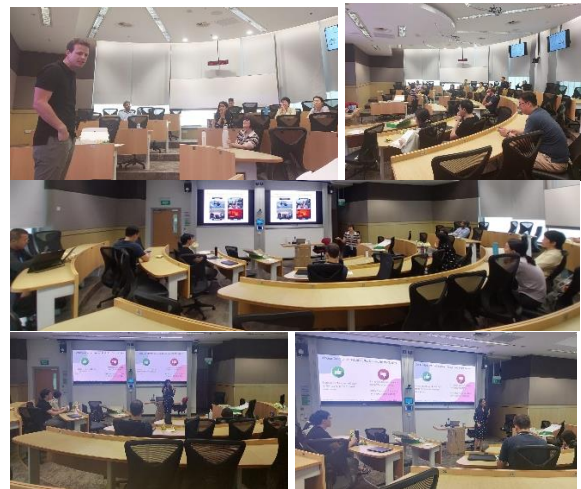
5. Ayala Corp: Helping in Rapid Ramp-up of the Philippines Test Trace and Treat (T3), Dec 2024 by **Lieven Demeester (Operations Management)**.

Paper Link: [Ayala Corp: Helping in Rapid Ramp-up of the Philippines Test Trace](#)



## Sustainability Research Peak Seminar

Our latest Sustainability Research Peak Seminar was held on 24 April 2025 with two faculty presenters, Chris Du Plessis and Shilpa Madan. Michael Schaerer served as a moderator for this event. Both presenters presented their latest sustainability papers, with details of their papers mentioned on the first page.



*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 team at Sustainability\_BSCh@smu.edu.sg or our writers, Mengyao Kang at mykang@smu.edu.sg and Sompasorn Ruksomboonde at sompassornr.2022@pbs.smu.edu.sg*