

New topic for a Master Thesis at the Chair of Accounting and Managerial Control

To whom this may concern,

Vienna, November 23rd, 2022

Climate change is an increasingly relevant concern for decision makers in firms, governments and other organizations. At the COP-21 meeting in Paris almost all countries pledged to keep dangerous increases in global temperatures bounded, preferably by 1.5°C but for sure below 2.0°C compared to pre-industrial levels. However, the lacklustre outcomes of the conferences since, (also for the most recent November 2022 meeting in Sharm el Sheik), weak pledges and not enough capital allocated for loss and damage together with the fact that we are currently at a value of roughly 1.1°C leads many to be ever more sceptic (see The Economist 2022). No matter the future outcome, the way businesses operate, finance and report is expected to change dramatically. Many already pledged their goals and formed coalitions (e.g., the First Mover Coalition, Net-Zero Asset Owner Alliance, Net-Zero Banking Alliance, Science-Based Targets initiative, ...) committing themselves to drastic emission reductions, sometimes going carbon-negative, in the following decades. Currently, more than half of the FTSE 100 and two-thirds of the S&P 500 firms have already pledged emission reductions (Goddard via HBR, 2022) with more to come.

Pledging is one thing, however, achieving and carrying through these pledges is another. Announcing ambitions is cheap, hence, used by many firms as a way to greenwash their operations. One way to do this are *Carbon offsets*. These are a way for companies to voluntarily remove carbon emissions from their own operations by investing into opportunities to avoid or remove carbon emissions somewhere else. When used meaningfully, this is an especially important instrument for industries that are hard to decarbonize (e.g., aviation or heavy industries such as cement and steel) unless technological breakthroughs are reached in the future (e.g., truly cheap green hydrogen). When used as a greenwashing device, either by the firm buying them or by the firm offering them, this leads to inconsequential activities with regard to actual emission reductions, especially those that merely avoid emissions instead of actually removing them (Rathi et al. via Bloomberg, 2022).

In a recent paper, Gao & Souza (2022) study the decision of firms to buy offsets where its consumers have green preferences. The goal of this master thesis is to study a related situation, namely the interaction of the firm's management (e.g., the CEO or the C-Suite) with its employees within a firm. Of course, a firm's employees also have preferences towards the environment, from green to brown, which together with the green-washing incentive of firms and a competitive labour market forms an interesting trade-off to be analysed.

There are two avenues to take here:

- **Option A:** Set up the model described above *analytically*, for instance, within a principal-agent framework. Depending on the model's viability, one may then introduce green consumers as well.

- **Option B:** Study this setup *empirically*, for instance, by gathering data of employees' preferences and testing whether these have an impact on the company's decision-making. Do green-washing companies have higher fluctuations and if yes, are employees changing their job due to environmental reasons at all? Does firm management consider not only consumers but also employees' preferences in their decisions at all? There are many interesting research questions one can try to answer in this context.

References

Gao, F., & Souza, G. C. (2022). Carbon offsetting with eco-conscious consumers. *Management Science*. Forthcoming. [\[LINK\]](#)

Rathi, A., White, N. & Pogkas, D. (21.11.2022). Junk Carbon Offsets Are What Make These Big Companies 'Carbon Neutral', *Bloomberg*. [\[LINK\]](#)

Say goodbye 1.5°C. (05.11.2022). *The Economist*. [This publication does not report authors.] [\[LINK\]](#)

Goddard, J. (11.08.2022). Why Companies Aren't Living Up to Their Climate Pledges, *Harvard Business Review*. [\[LINK\]](#)

All references are also attached to this .pdf.

Interested students may apply until 31.12.2022 (incl.). To do so, please submit

1. a statement **which option** you prefer (either A or B),
2. a **motivation** why you want to research this topic,
3. at least one particular **idea** of how exactly you would like to answer the research question (does not need to be final), and
4. a description of the **competencies** you bring with you that enable you to do this work

in a single .pdf file via mail to markus.eigruber@univie.ac.at. Proposals with a closely related research question will also be considered.

Best regards,

Markus Eigruber, PhD

University of Vienna

Chair of Accounting and Managerial Control

Department of Accounting, Innovation, and Strategy

Oskar-Morgenstern-Platz 1, 1090 Vienna, Austria

markus.eigruber@univie.ac.at