

Do Green Building Infrastructures Enhance Firm Performance?

The importance of green initiatives has grown significantly due to concerns about climate change. While the role of green buildings in promoting environmental sustainability is well understood, its impact of operating on firm performance remains uncertain.

Our research addresses this important issue, revealing that green buildings positively influence firm performance, with higher-rated buildings showing greater financial gains. However, financial slack can undermine this benefit, whereas robust R&D capabilities can enhance the effectiveness of green buildings, leading to even better financial outcomes.

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Discussions on climate change and environmental impacts have evolved beyond social impact. It now includes the intricacies of businesses, as managers discover the link between environmental and economic performance.

In this week's edition, **Prof Tazeeb Rajwani**, **Dr Shasha Zhao**, **Tao Chen** and **Yuanyuan Fan** share their initial findings from their investigation on green resources and financial performance.

INDUSTRY WEEKLY DIGEST



About Prof Tazeeb Rajwani FRSA FCMI

Prof Tazeeb Rajwani is a Professor in International Business and Strategy in **Surrey Business School**. He has an illustrious career as a researcher and teacher as well as a leading global authority on

geopolitics. Consequently, he has established and fostered many relationships with like minded colleagues with academia and within many global businesses.

GREEN RESOURCES AND FIRM PERFORMANCE: THE ROLE OF GREEN BUILDINGS, FINANCIAL SLACK, AND R&D CAPABILITY

By **Prof Tazeeb Rajwani**, **Dr Shasha Zhao**, **Tao Chen** and **Yuanyuan Fan**

We explored the financial implications of green physical resources on firm performance, with a focus on green buildings. Our investigation examined how green buildings, as strategic resources, influence financial outcomes. By analyzing data from U.S. listed firms and LEED ratings from 2000 to 2021, we found that firms utilizing green buildings experience improved financial performance, with higher-rated green buildings correlating with greater financial gains.

We also assessed whether firms could achieve financial success while pursuing sustainability goals. Our results indicated that green buildings not only benefited the environment but also enhanced a firm's competitiveness. Firms adhering to higher green building standards consistently outperformed their counterparts financially, underscoring the importance of green resources in driving profitability.

However, not all resources interact positively. While R&D capability amplifies the financial

benefits of green buildings, excessive financial slack disrupts the sustainable culture, diminishing the value created from green resources.

These findings elucidate the dynamic relationship between green physical resources and other firm assets, highlighting how resource interactions can either bolster or undermine the financial advantages of sustainability initiatives.

Further Reading:

Li X, Simcoe T. 2021. [Competing or complementary labels? Estimating spillovers in Chinese green building certification](#). *Strategic Management Journal* 42(13): 2451-2476.



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