
APS1012 Management of Innovation – Final Team Projects, Fall 2011**Global Impact of Environmental Decisions**

Environmental regulations affect innovation within companies, which in turn affects growth in the economy. The 1950s and 60s saw rapid economic growth with little thought given to externalities of industrial production, such as environmental pollution. In the late 1980s increasingly deep and widespread environmental pollution, and growing fears about global warming and ozone layer depletion, triggered tighter control of the environmental effects of industrial activity through more stringent government regulations.

Environmental regulations create a necessity, therefore creating an avenue for innovation. Regulations sometimes serve to accelerate growth, while at other times they are a hindrance. Modern day regulations, like the new framework of the Environmental Protection Act (EPA), seem to have an upper limit to the amount of innovation they stimulate.

In this day and age, offering an environmentally friendly product is assumed to be a competitive advantage, however consumers may be unwilling to pay a premium for it. Environmental initiatives not only give companies a distinction in the marketplace, they are also a vital tool for successfully anticipating market movement.

Environmental regulations affect competitiveness in direct ways, but they also have indirect effects. New start-up companies may be deterred from entering the market if the regulatory hurdles and requirements are too costly to satisfy.

Older research concludes that environmental regulation has detrimental effects, but more recent studies find it spurs environmental innovation when assessed in terms of “green” patent applications. While there is no evidence that green patents increase industry profits, it is noted that a very large fraction – upward of 90% – of the expense of environmental compliance is returned to the private economy to pay for the materials and services required to achieve the regulated environmental standards.