

# Gulf Oil Spill Conference

“Economics, Policy and Decision Support Systems”

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# Economics – financial performance

- Real estate prices along the gulf coast
  - small drop represent huge impact
- Fishing businesses and vacationers
  - Businesses are lost, re-open?
  - Spending pattern of vacationers changed
- Crude oil are difficult and expensive to eradicate from our ecosystem.
  - Think about the EXXON Valdez happened 20 years ago.

# Measurements

- Measurements
  - Real dollars (\$)
  - Relative to Gross Domestic Product (GDP)
  - Hardship to a region
- Important but only serve as lag indicator
  - Does not tell us what to do in the future
- The concerns should be on lead indicators:
  - Flow of capital among different stakeholders
  - Main economic impacts of the firm throughout society

# Financial Performance

- Will different forms of financial reporting lead to different financial performance outcomes?
- Financial performance is the fundamental to understand a firm and its own sustainability.
  - However, we do not see much in its reports on the firm's contribution to the sustainability of a larger economic system
- Researchers should pay more attention into the future affects of similar disasters.
  - Legitimacy theory: relies on “social contract” – represents the expectations of society
  - Firm is considered “legitimate” if it complies with the terms of the contract, if not, it will lose its “license” to operate in the community

# Past research studies

- Used “Legitimacy Theory” to explain accounting disclosures for firms to attain legitimacy
- Exxon Valdez incident proved such strategy in petroleum industry
- Other studies found the contrary, e.g. competitors response to environment issues and customer concerns: have more predictive power

# The Future: Answer these questions

- What is the level of disclosure of performance information, in sustainability reports, related to:
  - economic; Environmental; Social and sustainability
- Such reports should be divided by different regions and industries
- What is the relationship between the level of disclosure of these information, both ***collectively*** and ***individually***, and financial performance

# Requirements – Personal View

- The existence of the Sustainability Reporting Guidelines, produced by the Global Reporting Initiative (GRI) in the Netherlands, is a first step forward
  - Supported by many countries, including the US
  - [www.globalreporting.org](http://www.globalreporting.org)
  - Ironically, BP has been a major fund provider for the Guidelines' development process.
- Researchers, across different disciplines, should work together to produce more convincing studies to pressure political inputs for real enforcement in this area