

Green Business perspectives

Green Business Vastly Oversimplified

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For decades scientists, academics, individuals and forward-thinking business leaders have engaged in a rather one-sided dialog about environmental damage and eventual payback for addiction to fossil fuels. Their message fell largely on the deaf ears of an otherwise engaged public and complaisant government officials across the globe.

Market Forces Align

Only recently have powerful market forces in the form of changing weather, shifting supply and demand, economic and geopolitical instability, public awareness and political activity begun to align on one side of the "green" issue. When strong market forces align in long periods of imbalance, change is usually extreme and there is little chance of escape from involvement for anyone. Examples of the long-term market force imbalance are both dire; the World Wars and the great depression, and uplifting; the age of enlightenment and the industrial revolution. As the number and significance of the forces behind climate change become universally apparent, the green issue will clearly be seen as period of extreme market force imbalance.

At the risk of outrageous oversimplification, "green" comes down to a few fundamental issues.

Environment

At current rates of population and economic growth and technology development, the consumption of non-renewable resources, and the production of waste and environmental pollutants is beyond earth's capability to sustain without immediate remedial action. Co2 production alone has already surpassed the ecosystems' ability to mitigate. The risk is that the magnitude and impact of this trend will not be appreciated quickly enough to stop resource depletion and environmental consequence that force earth into an irrevocable climate cycle that upsets the delicate balance upon which life, society and commerce depend.

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Transportation

Risk to international transportation is one of the most strategically important environmental challenges today because sudden change in global transportation could impact the outcome of environmental initiatives in other areas. Today's global economy is heavily dependent on readily available, inexpensive international air and ocean transport. Combined with ground transport, these vital enablers of commerce consume 25-30 percent of global energy and produces upwards of 15 percent of global Co2 output. The energy consumed is almost 100 percent oil. Oil supply and price instability is quickly felt across the globe and extreme volatility or scarcity could easily cascade into economic and geopolitical instability of unprecedented scale. Under these conditions, it is unlikely that the global economy would remain sufficiently robust to address the rest of environmental issues it now faces. The probable results are complex and deeply disturbing. At the very least, relentlessly increasing demand overpowering finite supply makes reliance on oil for transportation an unworkable end-game.

Power generation - Residential / Industrial / Commercial

Power generation for buildings and facilities consume a wide range of fuels and accounts for almost 50 percent of global energy use and Co2 production. Combining these elements in a single group emphasizes the close relationship between supplier and consumer in this pivotal area.

Availability of electricity and heat directly impacts the economy and quality of life of individual geographic areas but is rarely subject to cohesive environmental regulation or public scrutiny on a national or global level. In much of the world, environmental performance is not yet a consideration of building codes or power generation decisions. The risks associated with continued reliance on power plants using high-Co2 fuels are high and the long-term impact serious. With energy production and usage decisions being made by parties with different agendas and no commonly understood method of accountability, the greatest risk is that fear of economic disadvantage will force short-sighted decisions with disastrous long-term effects.

THE BUSINESS PERSPECTIVE

The Stakes

The oft touted "Save Our Planet" is extremely unfortunate miscommunication because it sounds like some high-minded effort that does not affect each of us individually. Though the planet may well be induced into another of its countless climate cycles by human behavior, the earth will surely endure whether habitable by the current multi-billions of humans or not. For business, the stakes are: preservation of the marketplace and the opportunity to provide progressively more customer value to an accelerating green marketplace. For the rest of us, it is indeed much more personal.

A New Accountability

The environment has no value...at least according to accepted accounting practices. Up to this point, even the most highly evolved accounting conventions do not have a balance sheet entry for

environment. That may soon change. Governments across the globe are weighing methods to take environmental behavior into account. Discussions include; carbon trading programs, carbon emission caps, carbon taxes and mandated performance specifications. Senior executives that are prepared for these inevitable changes are certain to gain competitive advantage for their organizations.

The Awakening

Much has changed in the past 12 months. European heads of state and several US governors have introduced environmental and energy related legislation. Some Asian countries are already demonstrating advanced energy performance while others are just gaining awareness. Leading multinational companies are beginning to implement “green” business strategies and the American public is undergoing a remarkable consciousness raising. This trend is accelerating as more people across the globe come to appreciate the cost and impact of current energy and environmental policies on their lives, families and economic well being.

Velocity of Change

The speed at which energy and environment went from back page news to front page headlines speaks volumes about the velocity of change in today’s, instant communication, media-hyped world. News events can quickly destroy value in one market while creating value in another. It is important to recognize that the “green” marketplace is still in early stage development and the pace of change is still quite mild. Nearer the tipping-point where public opinion, market demand, regulation and economics all come down decisively on one side of the green issue, the change of value in products and services in any market can quickly become a tsunami.

Risks/Opportunities

Given how quickly events can change markets and business models, attempting to time the “green” impact for any single industry or business is very risky. The irrepressible market forces that can change or ruin unprepared, inflexible companies can at the same time, create vast untapped opportunities for the innovative, agile, forward-thinking enterprise. Regardless of what one believes about how these issues came about or who is responsible, it is clear that significant changes have already begun and will likely get stronger, driven by these market forces. Wait-and-see is no longer a viable business strategy and inaction is a clear and decisive step backward.

INNOVATION - THE SILVER BULLET

Without innovation the few living humans would be huddled naked, in a cold cave, scavenging for roots and small, slow creatures to eat. The ability to innovate may well be humankind’s greatest gift and possibly it’s savior as well. Many tend to think of innovation in terms of technology, but innovation extends to every sphere of human endeavor. Unfortunately, the term “innovation” has recently been applied to what may be better described as “tinkering” with products and marketing tactics. On a more advanced level, innovation extends past products and marketing to delivery mechanisms, financing,

communication, organizational design and even business's relationship with society. Perhaps most important, while other resources are increasingly limited, the limits to innovation are boundless.

AMERICA'S SECRET WEAPON

Rock and roll, women's movement, human rights, racial equality, sexual freedom, self-fulfillment, the technology explosion...and yes Benjamin...plastics. Baby boomers have never been shy about new ideas or making themselves heard. Arguably the wealthiest, most successful and most highly rewarded group of people on earth are about to retire...or are they? Increasingly, successful business people are seeking meaningful ways to return something of their bounty to the greater community. This deep bench of highly experienced, strongly motivated, financially secure business builders, managers and leaders has the potential to become the catalyst of one of humanities greatest leaps forward. Working together on the challenge ahead, this remarkable group of people can provide; direction, guidance, venue and resources to the young innovators and leaders whose ideas, talent and passion are needed to address the complex environmental and energy issues we are just coming to understand. Baby Boomers may be one of our most powerful weapons in addressing the energy, environmental, climate change challenges ahead.

TAKING ACTION

While some may wrestle with the moral/economic ambiguities of the "green" issue, the simple answer is that from a business perspective, green is no longer a moral question. Embracing green has become a pressing business issue that is as much about survival and competitive advantage than about right and wrong. Learning how best to engage in the greening process to generate near-term profitably while building longer-term competitive strength is now a competitive necessity. From a risk management standpoint, it is much more important to get started with a green business strategy than to delay while trying to get it exactly right.

FIRST STEPS

The commitment to becoming a "green" business is not a tactic that can be delegated, but requires the full attention and commitment of senior management. The earlier and more complete the commitment, the more powerful the advantage as the velocity of change accelerates. Fortunately success does not require doing everything at once, just that one start immediately.

- Become or find a truly committed senior level "green / efficiency" champion
- Closely monitor the market forces that affect the "green" marketplace and your market
- Make "green / efficiency" considerations a priority in all strategic and operational decisions
- Develop "green / efficiency" measurement tools relevant to your products, process and markets
- Expand external focus and lengthen forward-looking decision thresholds.
- Replace rigid strategic planning with flexible strategic thinking
- Adopt the practice of mining every change and threat for opportunity and advantage

It is critical to recognize that renewable competitive advantage derives directly from inertia breaking products, measurably improved delivery mechanism and ever-advancing revenue/business models...and rarely if ever from simply tweaking current operations.

Capabilities

Each market increase for energy efficient / environmentally responsible products provides an opportunity to match company capabilities with evolving customer need. Aligning operations, management and financial practices with a green business model offers extraordinary growth opportunities for companies prepared to listen to the market, learn as they go and adapt as these powerful market forces rearrange the playing field.

Positioning

Companies adopting a wait-and-see position on the green issue, hoping to jump in when the “big” change occurs may find their fortunes suddenly pushed into a defensive slide as their value proposition is undermined by a rapid market shift. A small but increasing number of senior executives have already assumed an offensive position in the green marketplace and are staking out positions. Leadership roles in primary and support technologies and delivery systems established now are likely to become the infrastructure of the Green Business of the near future.

Market Conditioning / Selling

Defining and creating new value to meet changing customer needs is essential in the transition to an increasingly green marketplace. Seamlessly integrating sales process and tactics with evolving marketing strategies assures that newly created value is clearly communicated to customers, prospects and sales force. As the significance of energy and environmental issues becomes increasingly clear, markets are being transformed. Companies that commit early and built a strong but flexible foundation in “green” markets will be positioned to adapt to the abrupt changes that are certain to follow and gain significant competitive advantage as these markets evolve.

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