

UNLIMITED POTENTIAL

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Newsletter

Going Green: Fad... or the New Innovative Frontier?

"In my fifty-two years in business, I've never seen an issue galvanize people in a company like sustainability." Ray Anderson, founder of Interface, Inc.

Sustainability is at the very core of survival. No company or society can last unless it cares for its resources and capital – human, financial and environmental.

Consumers are going green. Their support for sustainable products and practices is growing worldwide. Some companies are wondering if now's the time to adopt sustainability practices as part of their corporate strategy.

In the most basic terms, greening a business is about doing more with less, which can quickly save you money. Going green also means overcoming several mental hurdles, foremost of which is the expense involved in embracing environmental practices.

It's a mistake to believe that becoming eco-friendly means unnecessary expenses as we face a global economic slump. Many experts assert that organizations should meet financial challenges by turning sustainability into innovation's new frontier.

In fact, becoming eco-friendly might soon be a necessary cost of doing business. It's no longer enough to meet minimum legal compliance for environmental standards. A true competitive advantage lies in influencing economic recovery with forward-thinking sustainability practices.

Here are a few thoughts for determining your company's green opportunities from the September 2009 issue of *Harvard Business Review* and two books: *Hot, Flat and Crowded*, by *New York Times* foreign-affairs columnist Thomas L. Friedman, and *Green Recovery*, by Andrew S. Winston, a Fellow at Yale University's Center for Environment and Business.



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Corporate Social Responsibility vs. Bottom Line

The fight to save the planet has turned into a battle among governments and companies, companies and consumer activists, and sometimes consumer activists and governments. One solution is more – and tougher – regulation. Some argue voluntary action is unlikely to affect necessary changes.

Others suggest educating and organizing consumers so they can force businesses to become sustainable. While both legislation and education are necessary, they may not solve the problems quickly or completely.

Some executives behave as though they must choose between the largely social benefits of developing sustainable products and processes vs. the financial costs of doing so. This may be yet another myth.

In the *HBR* article “Why Sustainability Is the Key Driver of Innovation,” authors Ram Nidumolu, C.K. Prahalad and M.R. Rangaswami report that research with 30 large corporations reveals sustainability to be a significant source of organizational and technological innovations, yielding both bottom- and top-line returns.

Becoming eco-friendly lowers costs because companies end up reducing the inputs they use. In addition, the process generates additional revenues from better products and/or enables companies to create new businesses. In other words, some companies now treat sustainability as an investment in the future.

Progress in times of economic crisis relies on innovation, which means companies that focus on sustainability will not only benefit post-recession, but emerge stronger than before.

The *HBR* article lays out the five stages companies will go through on their path to becoming sustainable.

Stage 1: Viewing Compliance as Opportunity

The smart response to government regulations is to go beyond the norms everyone else follows. Look at the opportunities for innovative transformation.

Of course, it's helpful if an organization can anticipate and shape the rules. This is why consumer participation is necessary, so leaders may stay abreast of customers' issues and environmental impact.

Leaders, managers and their staffs must have the requisite skills to work with customers, activist

groups, lobbyists and other companies (including rivals) to explore and develop creative solutions.

Stage 2: Making Value Chains Sustainable

How savvy is your organization about carbon management and life-cycle assessments?

You must pay attention to, and foresee, the redesign of operations so you can use less energy and water, produce fewer emissions and generate less waste.

Your value-chain oversight should ensure that suppliers and retailers also make their operations eco-friendly.

There are groundbreaking opportunities to develop sustainable sources of raw materials and components, increasing the use of clean energy sources (wind, solar) and finding new uses for returned products.

Stage 3: Designing Sustainable Products and Services

How do you develop sustainable offerings or redesign existing ones to be eco-friendly?

First, you have to know which products or services are most unfriendly to the environment. Chances are, your organization hasn't yet devoted much thinking to this.

Don't fall into the trap of “green-washing,” where companies advertise products and services that claim to be eco-friendly, yet fail to meet well-accepted environmental criteria. New skills may be required, such as biomimicry (emulating nature to solve human problems) to develop products and compact, eco-friendly packaging.

Stage 4: Developing New Business Models

Companies fail when their leaders misunderstand what consumers want and how to meet their demands. Today's opportunities lie in developing new delivery technologies that change value-chain relationships in significant ways.

Monetization models may emphasize services over products. Look at ways to combine digital and physical infrastructures.

Stage 5: Creating Next-Practice Platforms

Each of us will need a new set of glasses to view our personal and business lives through the sustainability lens. Only then can we lead our companies toward future profits.

Many leaders lack knowledge of how renewable and

nonrenewable resources affect business ecosystems and industries. Smart companies will invest time, energy and people in finding these answers.

Look at ways to build business platforms that enable customers and suppliers to manage energy in radically different ways. How can technologies be designed that allow industries to use energy produced as a by-product?

Green Recovery

In *Green Recovery*, Andrew S. Winston proposes four key focus areas for staying healthy today and getting ready for the inevitable upturn.

Slashing costs frees up money to prepare for future constraints and changing consumer demands. Figuring out priorities is critical. Winston suggests placing scarce resources in four strategic areas:

- **Get lean:** How can you economize your organization's energy and resource efficiency?
- **Get smart:** What environmental data about products and value chains will save you money, help you innovate new solutions and create competitive advantages?
- **Get creative:** Rejuvenate your innovation efforts by asking challenging questions, such as "Can we run our business with no fossil fuels?"
- **Get people engaged:** How can you stimulate your people to solve the company's environmental challenges?

These four areas will start benefiting your organization today, while preparing it for the future. Getting lean saves money quickly, but it also prepares you for a future in which higher resources prices will most certainly exist, and more questions from customers about your environmental impact will matter.

How can you gather data on your organization's footprint up and down the value chain? Where can you identify high-priority areas for cost-cutting today? How can you intelligently plan for future long-term innovation efforts?

Getting creative means you not only have to optimize today's processes and operations, but find innovative ways to develop tomorrow's new products and services.

The engagement and alignment of all of your people makes these benefits possible. Green isn't an additional, tangential pursuit that distracts from the real work of the business; it's a core part of modern operations.

Green Engagement

In tough times, when employee morale is low and difficult economic conditions increase stress, people seek more meaning at work. A green focus can engage and inspire your people, which helps keep them going

The pursuit of profit sometimes isn't enough to keep people engaged. An environmental mission can offer more meaning. Getting lean can be moderately exciting, but doing it for the dual purposes of profit and environmental concern is motivating.

New ways of thinking challenge and engage people. Employees will work harder if they understand why environmental challenges are real and why going green is good for business. Without this understanding, some employees may spin their wheels or feel disengaged.

Training must focus not only on what employees do, but on how they think. Going green should not be presented as an idealistic idea, but as an urgent business reality, regardless of individuals' political or scientific beliefs.

Green Thinking

Green is not merely a cost center, but can be a profitable path to growth. People at all corporate levels must focus on the following keys:

- Understand what climate change means for business (which is very different from everyone agreeing on the science).
- See the long-term constraints in natural resources and nonrenewable energy.
- View the business in the context of the full value chain, from suppliers to customers and beyond.

Some of these areas touch on people's belief systems, so leaders must send a realistic message. Throwing some basic information about the environment into internal training modules isn't enough. Top executives must make strong statements about the business realities, current and future constraints and challenges, and the organization's commitment to action.

The CEOs of some of the largest energy-intensive global companies formed a group called the Climate Action Partnership, including GE, DuPont, Johnson & Johnson, PepsiCo, Deere and Duke Energy, among others. In 2007 and 2009, the group asked for a federal cap on carbon emissions, sending a message to Congress as well as to their own employees.

Environmental challenges are critical business issues, and climate change is here to stay unless we intervene.

Green Hiring

Recruiting and retaining the right people is also crucial. Recent research suggests that three-fourths of U.S. workforce entrants regard social responsibility and environmental commitment as important criteria in selecting employers.

People who are happy about their employers' positions on these issues also enjoy working for them. Thus, companies that try to become sustainable may well find it easier to hire and retain "green" talent.

Leadership and talent are critical for developing a low-carbon economy. The current economic system has placed enormous pressure on the planet, while catering to the needs of only about 25 percent of its inhabitants. Over the next decade, this number will double, creating more consumers and producers.

Traditional approaches to business will collapse, and companies will be forced to develop innovative solutions. That will happen only when executives recognize a simple truth: sustainability means innovation.

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