Creating an enterprise-level “green” strategy

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What is a green strategy?

Over the past decade, concepts that focus on environmental stewardship have emerged, challenged our capacity to be self-aware, and established a common global imperative to respond to critical issues that arise from world-wide climate change and natural resource conservation. Seldom before has the need for large-scale transformation been so clear, yet the necessary actions to take been so difficult to define. “Global warming”, “green house gasses” and an individual’s “carbon footprint” have become common terms heard on news and science reports on a daily basis. Still, these are not terms that are discussed in most company newsletters, announcements to the investment community, or at shareholder meetings. Enterprises are changing in ways that improve the environment, and that change is accelerating, yet very few companies have established an enterprise-level “green” strategy.

Many projects that benefit the environment undertaken by corporations in the past were the result of new legislation, community pressure, or customer safety concerns. In fact, tremendous progress has been made through legislation in many countries to reduce automobile exhaust emissions, lower pollution through the traded carbon credit program, and improve safety by eliminating the use of lead-based paint. The examples are numerous, and the credit for making these changes is spread across all of society’s stakeholders, from lawmakers to corporate executives and consumer advocates. However, with the evidence that science is showing us about the acceleration of global warming, there is a growing consensus that transformations to protect the environment should be more pervasive and larger steps are needed. There is also ongoing recognition that government regulation should play a role in achieving effective change, but that it is only one of many forces that will drive the needed change into the future.

Even now, it is not difficult to envision a time in the near future where governments, individuals, and enterprises all play an important role in protecting the environment. It may challenge our imagination to envision a “chief green officer” sitting at the table with a company’s CEO, CFO, CIO and COO. However, developing an enterprise-level “green” strategy is easier to imagine, and many companies are already headed in that direction.

A green strategy for an enterprise – public or private, government or commercial – is one that complements the business, operations, and asset strategies that are already well understood and often well articulated by the enterprise. A green strategy fundamentally helps an enterprise make decisions that have a positive impact on the environment. The principles that form the basis of a green strategy should lead a business to make decisions based on solid business logic and make good business sense. The three principles shown in Figure 1 could be the tenets of any company’s enterprise-level green strategy.
As with any new strategy formulation, green strategies need to consider and address the interdependencies with other corporate programs and projects. In fact, an enterprise-level green strategy can be one key ingredient in a broader corporate stewardship or social responsibility program, which companies are now formalizing more often than in the past.

A green strategy fosters a common culture of awareness and action

Creating a green culture often involves reinforcing behavior that people already want to adopt, but there is still a need for the appropriate tools and training in order to change. Businesses that cultivate a green culture today are often immediately noticeable to outside visitors as unique, and at other times the differences in a green culture are imperceptibly small. For the former, an environmentally sound culture is often part of the core business strategy to encourage “green” considerations in every decision that is made. For the latter, reinforcing simple courtesies that can be made to the environment by each employee can make a significant impact to a company’s bottom-line expenses and even top-line performance.

At some companies, the very idea of discarding an empty beverage container any place other than a designated recycle bin makes employees uncomfortable. At other companies, failing to turn off the lights to a conference room as the last person exits is a minor taboo. Still other companies are able to measure and report the quantity of recycled office-use paper as a percentage of new paper purchased through its procurement organization, and they set performance targets to increase the amount of recycling as part of continual improvement efforts. In fact, the recycled paper that is purchased by outside vendors is often considered a revenue stream for the company.

Recently, a huge global corporation in the industrial sector identified a critical need for “global warming” training so that employees could easily make connections between their daily activities and the improvement they can make to global environmental trends. IBM, in another example, recently organized a community-building event in California where employees were given the opportunity to volunteer an afternoon with their colleagues picking up trash at a neglected beach.

Current and best practices that cultivate a common culture of environmental awareness and support a green strategy are already emerging and developing in many companies. A few key best practices are summarized in Table I.

A green strategy facilitates decisions and transformation initiatives that improve the environment

Setting a clear vision and strategy ultimately enables people to make better decisions that align with the enterprise priorities to provide goods and services in the global marketplace. An enterprise-level green strategy is no different. In fact, unlike most other areas of strategy formulation in a company, green strategy affects decisions that are made across the entire
enterprise, including business strategy, operating strategy, organization strategy, information strategy, applications strategy, technology strategy, and supporting infrastructure. Figure 2 shows how the different areas of strategy formulation (the strategy pyramid), and the tactical operations areas they govern, are all influenced by an enterprise-level green strategy.

**Products and services**

Enterprise-level green strategies have enormous potential to influence the products and services the business offers its customers. Prioritizing product development projects based on their “green” contribution can open up an entirely new channel for idea generation in the ideation process. While green concepts are still new and companies are learning how to incorporate them into their business, this is becoming an area that is effectively establishing strategic differentiation that is sustainable for at least a period of time. A few illustrations are highlighted below:

<table>
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<tr>
<th>Best practice</th>
<th>Illustration</th>
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<tr>
<td><strong>Lead by example</strong></td>
<td>Corporate sponsorship of environmental improvement initiatives in the community, such as investment in reforestation</td>
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<td></td>
<td>Support and coordination leadership provided for volunteer work such as “beach cleanup day”</td>
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<td><strong>Provide training</strong></td>
<td>Formal training that connects the science of global warming with actions that employees can take to make a difference</td>
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<td>Employee new hire training and refresher training that strengthens conservation behavior, such as turning off lights and recycling paper</td>
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<td><strong>Install appropriate tools</strong></td>
<td>Place appropriate waste and recycling receptacles where they are most likely to be used</td>
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<td>Provide videoconferencing as an alternative to face-to-face meetings that require travel</td>
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<td><strong>Measure and report performance</strong></td>
<td>How many bottles were recycled from various facilities?</td>
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<td></td>
<td>How much paper was recycled?</td>
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<td></td>
<td>How many people volunteered?</td>
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<td></td>
<td>What newspaper articles have been written or local city officials have recognized the community contributions from employees?</td>
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<td><strong>Make it everyone’s responsibility</strong></td>
<td>Senior executives establish priorities, guiding principles and governance</td>
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<td>Managers apply guiding principles to make operational decisions aligned with the green strategy</td>
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<td>Practitioners complete projects with a greater degree of green benefits</td>
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<td><strong>Create a communication and change management plan</strong></td>
<td>Communicate successes early and often, build a knowledge portal and share lessons learned</td>
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<td>Have support available to answer questions and provide facts</td>
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<td>Anticipate organizational needs</td>
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**Figure 2**  Strategy pyramid and operations influenced by a green strategy
GE Money, a unit of GE Corporation, introduced its Earth Rewards credit card in 2007, which advertises that 1 percent of a cardholder’s purchases will be invested in carbon offset projects. Promotional material claims that $9,000 a year in purchases offsets all of the emissions the cardholder is expected to produce in a year from travel and home energy use (GE Money, 2007).

IBM announced in 2007 that it would partner with APC to create an energy efficient Green Data Center for Bryant University (IBM, 2007a). About the same time, IBM announced that it is using state of the art technology to build a “green data center” as part of “Project Big Green” to help the company and its clients reduce energy costs.

AISO.net, another company that has partnered with IBM, claims to be the first company with 100 percent solar powered web hosting. Moreover, the company has reduced its power and cooling costs associated with the company's IT operations by 60 percent through a massive consolidation effort (IBM, 2007b).

Even mutual funds that invest in environmentally friendly companies are already well established in the financial industry.

Examples for new products and services that spring from green strategies are coming from every industry and the number grows every day. Clearly, top-line revenue growth can benefit from an enterprise-level green strategy.

Channels and partners

Common objectives, synergistic technologies, and complementary core competencies are all themes that bring businesses together in collaborative partnerships. Internet technology is one area where the global business community has recently seen a multitude of new partnerships and business models develop and mature. Companies with enterprise-level green strategies are already starting to see partnerships develop from sharing a common interest in improving the environment. In fact, illustrations are numerous:

- The San Jose Unified School District, Chevron, and Bank of America have collaborated to establish the largest K-12 solar power and energy efficiency program in the USA (Bank of America, 2007). This collaboration is expected to yield benefits of $25 million over the life of the solar power system and is heralded as a model for other public sector renewable energy programs.

- The Green Highways Partnership (GHP) is another example where concepts such as integrated planning, regulatory flexibility, and market-based rewards allow for environmental streamlining and stewardship in all aspects of the highway lifecycle. The partnership has been supported by global corporations such as Chevron and includes members of government agencies such as the US Environmental Protection Agency, the US Federal Highway Administration, and the Maryland State Highway Administration (Green Highways Partnership, 2007).

- Ricoh, a $17 billion Japan-based company that offers digital office solutions, has organized a comprehensive network of green partnerships to promote effective environmental conservation. These green partnerships include customers, logistics companies, recycling companies, NPO/NGO, suppliers, and administrative organizations (Ricoh, 2007).

Channels through which products are offered to customers will also evolve under green strategies that businesses develop. Consumers today, for example, have a range of shipping options for products ordered through catalogs or web sites: overnight air versus ground shipping is one option. “Green delivery” is easy to imagine as an enhanced shipping option to consumers where the shipping company considers not just timing, but also the greenhouse gas emissions from each transportation mode to minimize environmental impact.
Processes and facilities

Facilities have been prime targets for making green strategies operational for a long time. Office buildings, manufacturing facilities, and other key facilities are areas where the energy consumed is easily measured and improvement opportunities are clearly understood. For example, one Fortune 50 company in the industrial sector has retrofitted the light switches in its US office buildings with motion-sensitive switches. If there are no people in a conference room or common area of a building, the lights turn off automatically, save energy for the environment, and reduce costs for the company. Although this seems like a relatively low-impact activity, it is easy to envision the impact of having every light switch in developed countries operate on motion sensitivity.

Light bulb technology itself has made advances in recent years. Australia has announced that it will ban incandescent light bulbs in favor of the compact fluorescent lamp (CFL), and Venezuela and Cuba are working to phase incandescent bulbs out as well. California is considering similar steps. One study from Greenpeace (2007) estimates that households in the UK could save 15 percent on electric bills simply by switching to CFLs.

Of course the technologies available are numerous, and companies need to evaluate what green technology makes the most sense, depending on the local climate and facility function. Solar cells and “wind farms” to generate electricity, or solar water and air heaters that make sense in one geographic location might not make sense in another.

Recently a recruiting officer from a Fortune 50 global company interviewed a number of university seniors to fill open positions. In the interviews, nearly half of the candidates asked what the company was doing in terms of green building and facility initiatives. Because the company did not have an enterprise-level green strategy, the seniors were disappointed with the answer to their question. In this scenario, the most freshly educated minds were asking something that one of the most forward looking companies could not answer. Shortly afterward, this business had its real estate division put the wheels in motion to develop a green strategy whose scope included all the businesses facilities.

Six Sigma and lean practices have already made significant progress in reducing waste resulting from processes, especially manufacturing and back-office processes. The seven wastes, or muda, from lean practices represent a solid framework for identifying waste that can be reduced or eliminated. However, when a green strategy is considered along with cost reduction and streamlining in process transformation initiatives, outcomes can be different and additional opportunities captured.

How many times has a gap assessment between a current process and a desired process included analysis of pain points such as “very little recycling of paper and plastic”? Gap assessments are a frequently employed tool in business process reengineering and transformation initiatives, but assessing “green” gaps has often been neglected.

Organizational strategy

Organizational strategy is also affected when a company has a green strategy in place. While it may not include introducing a corporate green officer to the executive team, other actions may include these:

- Performance management reviews may reward green contributions in the balanced scorecard that employees are assessed against.

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Core competencies and recruiting priorities are more likely to recognize a need for environmental awareness in employees.

Training is more likely to include elements of green and the impacts employees can have on improving the environment as they learn to perform their roles and responsibilities.

Communication and awareness campaigns are more likely to emphasize green objectives, highlight key successes, and recognize significant green contributors.

There are numerous examples being tested and turning into best practices today. It is not difficult to imagine a day in the near future when companies with effective recycling programs will match the redemption value of recycled beverage containers in order to fund a portion (albeit small) of its annual employee bonus budget in countries where refund programs are well established. The stocking of on-site vending machines might even consider optimizing deposit value when restocking decisions are made. Imagine the participation level and cultural impact if even a small part of employee bonuses were tied to recycling in such a direct way.

Ultimately, new roles will evolve where at least a handful of people will have critical responsibilities associated with delivering results on a green strategy.

Information, technology strategy, and supporting infrastructure

In a recent study Forrester Research found that 85 percent of IT procurement and operations professionals in US companies said environmental concerns were important in planning their IT operations. A total of 72 percent were aware of efforts by their vendors to promote “green IT” in the design, operations, and disposal of IT products. The awareness necessary to act on a green strategy is largely in place, but 78 percent of the study respondents said green IT has not been included in their evaluation and selection criteria for IT systems and devices. This survey finding held true even though Forrester defined “green IT” in terms of reducing the environmentally harmful impact that technology has on the environment while simultaneously realizing better efficiency and reduced costs (McGillicuddy, 2007).

Clearly, having a green strategy in place could quite easily fill this gap between awareness and action. Being green could be as simple as placing emphasis on energy efficiency in computing, but it could also put preference on selecting products from vendors that have environmentally friendly sourcing, manufacturing, delivery, and disposal operations.

Supporting infrastructure is much broader than simply IT. Businesses that own car fleets can explore including hybrid vehicles in their mix. In other examples, some of the world’s most advanced warehouse facilities have already eliminated forklifts and heavy lifting machinery that use engines run from natural gas in favor of electric-powered vehicles.

The examples provided here represent only a few from a vast number and illustrate that an enterprise-level green strategy has the potential to impact nearly every area of a company’s operations and can significantly impact both top line revenue growth and bottom line cost savings.

Green strategies have attractive value propositions that are cost effective

A green strategy should generally lead to cost effective transformation initiatives that meet or exceed regulatory requirements. Still, understanding benefits that are typically qualitative is critical to understanding the total green value proposition. Green value propositions will include benefits to the company environment (buildings and facilities), benefits to the community, and improvements to the global environment.
When compared to evaluating traditional initiatives, evaluating green elements of an initiative has a number of differences:

- Timeline to a break-even return is longer where startup costs are high.
- Product differentiation can be easier to achieve and possibly easier to sustain.
- Soft benefits, such as employee morale, lower attrition, favorable press releases, community goodwill, and more sustainable costs in a trend of rising fuel prices may have more weight.
- Legislative action and government incentives, both in place and anticipated, local and national, domestic and global, may contribute to the value proposition.
- New risks will emerge as fresh technology, new organizational skills, and process transformation needs are considered.

Business leaders and decision makers increasingly miss out on significant benefits because they do not consider “green” opportunities in a strategic context. Stonyfield Farm, the third largest yogurt producer in the USA, has had an enterprise-level green strategy since it was founded in 1983. Its CEO, Gary Hirshberg, emphasizes that businesses have to be convinced of the “economic benefits of going green” and that “Stonyfield proves that you can make money working for the planet instead of against it” (Southwest Airlines Spirit Magazine, 2007).

**Developing an enterprise-level green strategy**

The first step to developing an enterprise-level green strategy is to assess the current state of green operations and initiatives that have been completed or are under way. As most business leaders know, simply because a strategy has not been written or formally articulated does not always mean that one is not being followed. A maturity assessment of each area of the strategy pyramid against a maturity model (Figure 3), along with assessing the adoption level of best practices, can clearly show the areas of a business that are very advanced and others that might not even have a basic level of green awareness.

Even for companies that rank low in a green maturity assessment, there are sensible places to start and clear directions to travel. When a maturity assessment is performed to characterize the current state, it is wise to consider future aspirations and how the assessment compares to other companies. Are the aspirations to have base-level capabilities, be competitive with peers, or achieve differentiation? The resulting analysis can then be the basis for developing a set of initiatives and associated implementation roadmap to close gaps and reach the aspirations (Figure 4).

![Figure 3 Green strategy maturity model: maturity range](image-url)
Conclusion

Many businesses have already made significant progress with initiatives that fit within the scope of an enterprise-level green strategy. However, very few companies have taken the broadest view of the green possibilities that are available today and the enormous potential those possibilities have when considered in the context of the whole enterprise. It is not difficult to find an enterprise today where employees are eager to discuss large, focused efforts by their company aimed at improving the environment, but still have difficulty locating a properly labeled recycle bin for beverage containers when needed. Indeed, while most enterprises have undertaken some form of green initiative, very few have yet to establish an enterprise-level green strategy.

Most enterprises operate using at least some principles of scarce funding resources, where decisions to invest in projects that align with a green strategy may divert funds and sponsorship away from other more traditional projects. As these decisions are made, it is critical to ensure that core business needs are not sub-optimized and unwanted risks not realized. For example, a decision that could divert funds away from scheduled (or even overdue) manufacturing facility and equipment maintenance in favor of installing photovoltaic technology to reduce electricity costs over a long time horizon should be carefully critiqued and scrutinized.

The benefits from having a formalized, well-articulated green strategy are certain to vary by industry and even by individual business, but early adopters can still harness the enormous potential to opportunistically position themselves with a sustainable green strategic advantage.

References


Keywords:
Corporate strategy, Global warming, Conservation, Recycling


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