



Road Map for Successful Green Business

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Abstract: The changed new paradigm of business is for the green which operates in the quadrant of society/government interfered market and sustainable approach. Every business survives only because they enjoy a relationship of regular exchange with society. A change in behaviour for the new paradigm similarly need to be brought out and in the society . This at micro level for the firm is to be guided by navigational bends in terms of expected road or prescriptive map otherwise the firm will be radar less. The author has stated road map with the cautions in the decisional areas where overindulgence leads to failure.

Key words:

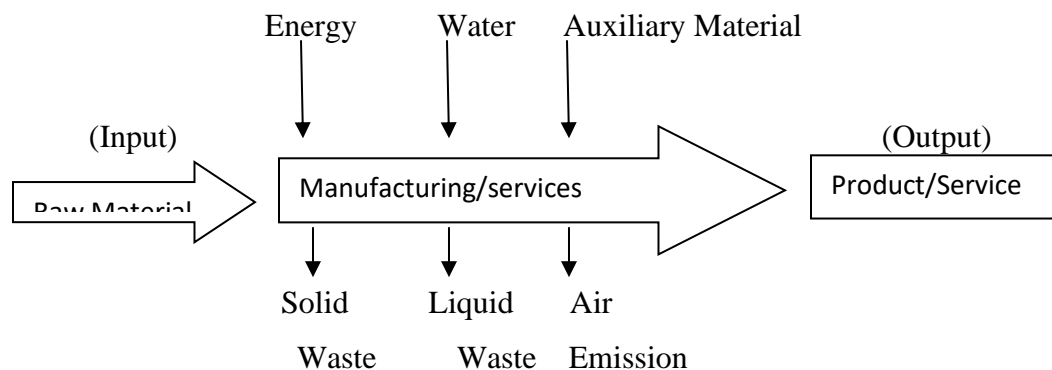
Green Business, Nature Based Business, Megatrends, Sustainable Approach, Consumption Approach, Balanced Score Card, ESG index, Mint Green, Dark Green



Introduction

The author would like to introduce the 'Green Business' terminology not from the way the 'Nature Based Business' or 'Green Environment oriented business' or 'Green Business' is defined, which normally is viewpoint of the organisation but from the way the consumer looks at the green. 'Nature Based Business' includes ventures ranging from ecological restoration companies to ecotourism to sustainable commodity production¹. Green business adopt principles, policies and practices that improve the quality of life for their customers, employees, communities and the planet².

The organisation looks at it from the technical aspect(s), but the consumer (s) has his own way of looking at Green Business, a green business by default is not green and is not considered so, as he is not ready to take the psychological cost in, therefore how is it looked by the consumer? For business growth where Sustainable Development³ is being overlaid on by firms through 'Cause Based Marketing'.⁴ The way 'Green Business' is looked by consumer (s) is very pertinent. The author, therefore is presenting the traditional business input-output diagram below-



(Traditional business Input-output diagram: sourced from Kane Gareth; 'Vision of Sustainable Economy The Green executive, Earth Scan pp84)

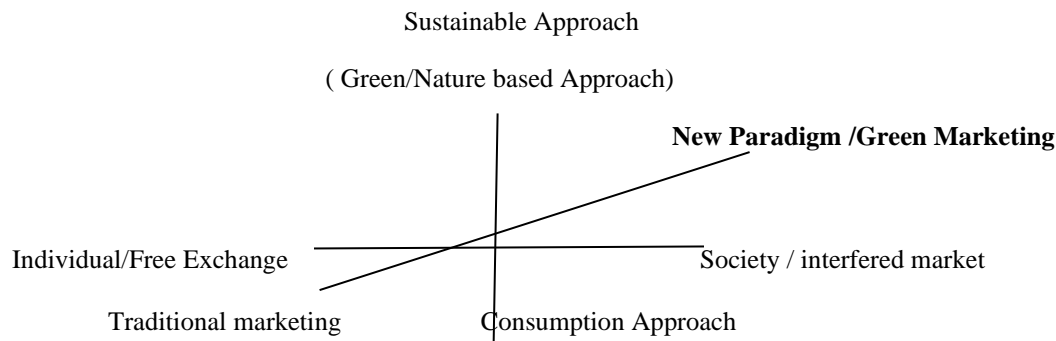


MAKE THE TRADITIONAL BUSINESS INPUT-OUTPUT DIAGRAM GREEN. This

whole **domain** to customers is known as '**GREEN BUSINESS**'. The **opportunities are as good as stars in the sky** one just cannot imagine the numbers Green Business Units or Firms that could come out of it. Customers do not consider default green as green product or service. Organic 'Ginger' is grown in heights of North Eastern States of India and they are **default organic**. People in India do not consider it to be organic they consider it as only ginger.

Zone of New Paradigm of Green Business

The Green Business will survive only if there is transformation of behaviour. In order to understand this one will have paradigm shift that is required from the traditional marketing. The Green Business operates in this new paradigm. This new paradigm is green marketing. The new paradigm is having two parameters the market and the approach. The market has two extremes on the horizontal, Society and Individual and the vertical is having two extremes Sustainable Approach and Consumption Approach.



The 'Sustainable Approach' is a Normative Approach where as Consumption Approach is non-organic. The new paradigm/green marketing operates in the quadrant of Sustainable Approach and Society/Interfered Market. The Green Business requires that the Desired Behaviour changes in the customer and therefore the change is being depicted below-



BEHAVIOUR CHANGE IN THE MARKET

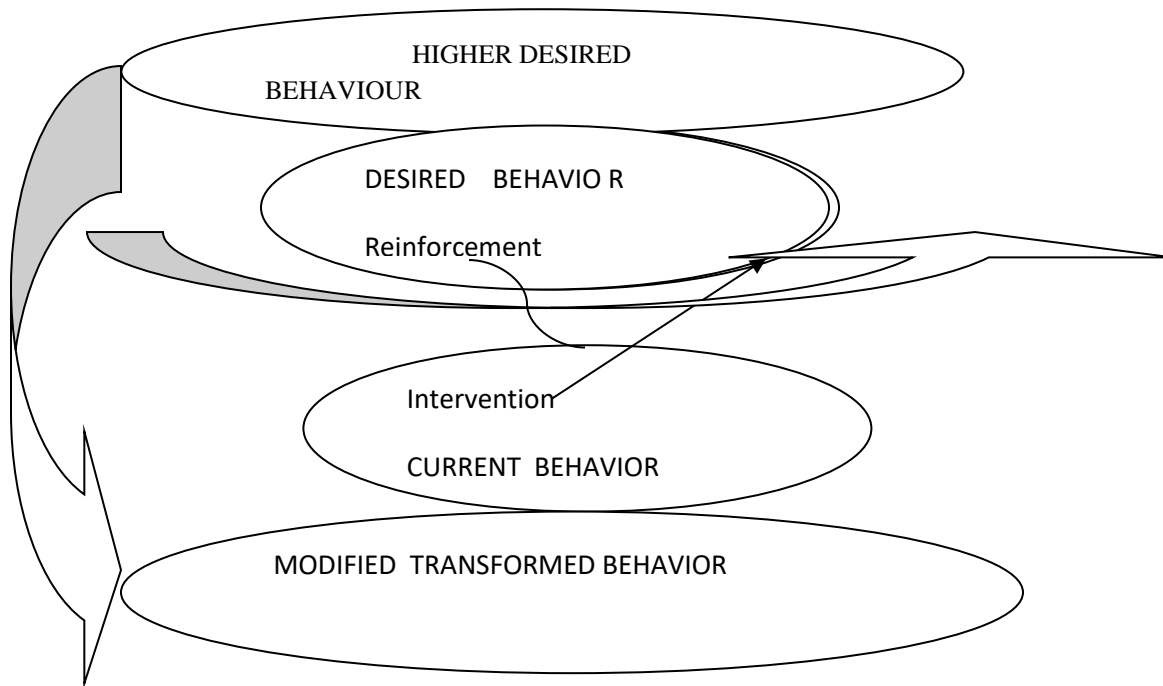


Diagram: Modified change that Green Business (Modified from Organisational Behaviour by Hersey & Blanchard)

The intervention done is by state's mandatory rules or by social norms. These are the interventions and the reinforcement brings higher desired behavior and the modified transformed behavior follows since the task was a higher desired behavior. This change is referred as 'Spiraling effect of effective cycle'⁵. The author here in discussion to follow is not going to get into the green spectrum⁶, the debates of Green Market 1 (Mint Green) and Green Market 2 (Dark Green) as laying the road map should more highlight the venture pathway in positive approach.

Green Business Road Map

Megatrends of Naisbitt is a well known book that has dealt with the development of firms in right direction of business. Going through it one finds that business should necessarily have two questions to answer, namely, 1) How to create value? (getting the right vision) 2) How to execute the value?⁷



Getting the Vision

Right vision is in reference to value creation. This value creation is a four stage approach. We need not ascribe to 'Cul-de-sac' (since short term advantage makes not headway)

STAGE 1- **Do old things in new ways**- Out smarting the competitors on regulatory compliance and environmental related cost and management risk. Many follow the pathway of eco-efficiency.

STAGE 2- **Do new things in new ways**- Firms engage in widespread redesign of products-say DFE (Design for Environment), _Process and /or whole system to optimize natural resource efficiency across the value chain. The focus is shedding the business with eco-prints. The way is cradle to cradle.

STAGE 3-**Transform Core Business**-Technology breakthrough /innovation across many lines of business is expected at this stage. It refers to Kaikaku(radical changes) followed by Kaizen (continuous incremental changes).

STAGE4-**New Business Model Creator(redefining strategy of competitive advantage)**

This involves two things

1. Understanding the Benefit that Business brings
2. Understanding the Business Model

Understanding the Benefit that Business brings

A firm by its prudence does not believe in bargeing on an opportunity since its cause it supports and is ready to do a trade off in favour of the society. Benefits that the business brings are vital and without having convincing facts favourable towards the benefit pyramid one should not go for a start up or change in its portfolio. The Business Benefit Pyramid⁸ is as under:

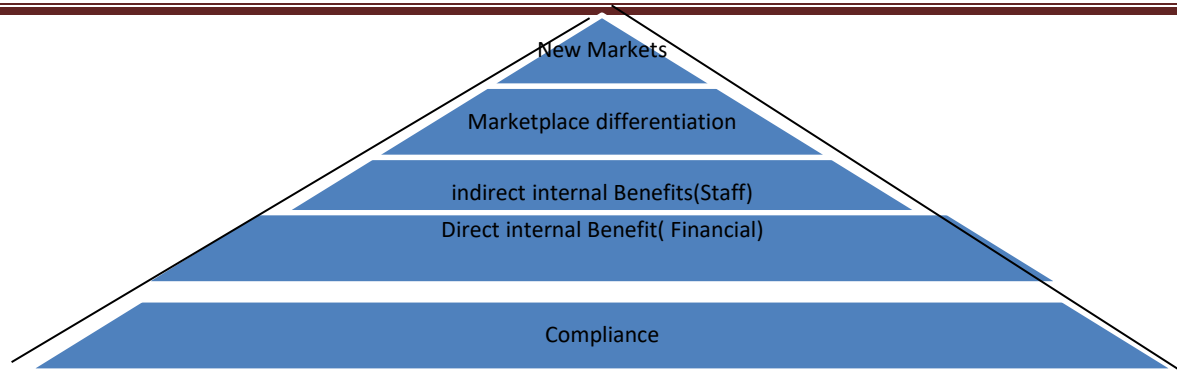


Diagram: Showing the Business benefits pyramid

In the diagram above one notes that the levels of benefits are increasing and the level of awareness are decreasing. Let us not elaborate on the levels as the topic focus may get lost. At the same time one must explain the contents. The contents of each such steps are enumerated below:

1. Compliance refers to the mandatory and traditional rules set by Government and Society
2. Direct internal benefit refers to financial cost reduction, improving asset values
3. Indirect internal benefit refers to employment, retention and motivation
4. Market place differentiation refers to focus/ cost leadership or product/service differentiation.
5. New Market refers to Low carbon and/or green economy

Having convincing answers in reference to all the five steps. one would like to dwell on understanding the business model.

Understanding the Business Model

Business Model refers to the tactical part of the model. The components are being stated below-

1)(a) What are the offerings of the Business?

This could be goods or service(s) or a goods major and service minor or vice-versa. Whatever it be

there must be the element of value innovation⁹ in it. Lack of it in green business will not let



it survive.

(b) The identification of the target audience is important, since the value innovation and offerings

should have meaning for the relevant audience. The external part of the Kapferer prism¹⁰ i.e., the

physique (tangible part and characteristics), the social part or the relationship and the reflection part

how other customer looks at it.

2) What will be the channel of distribution? This could be physical or dis-intermediated (kindle/online) or

both.

3) Promoting the offer to the target audience is important since initially the target audience should be

made aware of the goods or service precisely this is referred as 'Developing Awareness' and

then motivate (induce) the target audience to act.

4) Sales Force- It may be virtual or physical, but they must exist to act as facilitator to inform about the

usage of the product and disbursing the information of **benefit(s)**. **Benefits** are not advantages and

for each customer the benefit(s) is different which only a professional sales force can do.

5) Moments of revenue is the acid test of the offer unless this is occurring one should not stick. It is not

only necessary to earn revenue but to recreate it. This means that it be recreated that is the quantum

should not be decreasing but increasing from one level to another (this is referred as 'Recreating'.)

6) Managing liquidity of the Business this means handling the 'Operating Life Cycle' Some refer it as



'Working Capital Management'. Challenge is to reduce this operating life cycle. (It means how

quickly the material input to final sales is culminating?)

Say, suppose the operating life cycle is 120 days. Then in an year it is 3 times approx ($365 \div 120 = 3$

times) this firm can survive by reducing this. Repeat the exercise by reducing the operating life cycle

to 60 days in an year , it will be 6 times approx ($365 \div 60 = 6$ times). This firm has to endeavour to make

it better.

Executing the value

In the road map the final part is to execute the value. This precisely means having the following, namely, 'Leadership', 'Methods of Assessing values' , 'Strategy Development' , 'Management Integration' and 'Reporting and Communication'.¹¹

The author is tempted to state the executing contents in brief for the benefit of the readers. The leadership here in refers to developing the formal framework of redefining the structural relationship of the expectations and performance pertaining to the green goal it wants to achieve. This therefore, calls for specific key performance indicators being visited and revisited. Added to it is specifying accountability to individuals in formal structures and tracking results. The tracking of results will be a regular phenomenon only when successes are recorded or even rewarded.

Method of assessing values refers to developing some index where in the contribution to green could be recorded. The balanced score card by Kaplan¹² did come with some approach of assessing the value but failed to record the green element in it. It is plausible that it may have been due to the fact that at that time it did not do so since at that time including green was only in its nascent stage. The balanced score card included data elements across four perspectives, namely, financial, customers, internal process and learning and growth. One has come a long way, since 2015, Harvard Business School's 'CEO 100' ranking not only is based on financial performance but also



on environmental, social and governance (ESG) filter. It has used ESG score to account for 20% of the each CEO's ranking. Microsoft in 2019 received No1 rating for both environment and social within the Institutional Shareholder Services (ISS) Environmental and Social Disclosure (E&S) Quality Score, which measures corporate performance on 200 factors. One drives in the fact that ESG index is extremely becoming important.¹³

The strategy development does not require the category manager but now a 'Networking Manager' who starts from customers and believes in delivering values through 'Demand Supply Chain'.¹⁴ Such networking managers outsource the requirements of the consumer(s), network with other Non Profit Organisations and Profit Organisations to deliver the value. They work with even stakeholders in getting the things in proper shape. Strategic alliances are hatched by such managers with the motive to meet the demands of the consumers all being green.

Management integration refers to the motive to go local. The leadership in headquarters calls the shot but the challenge is in implementing the policy laid down, capturing the data, recording the data and then infer ing the data for the benefit of the local execution. This could be some kind of product or service out of the portfolio of the offer in the mix required at the local level. Besides, financial impact of the sustainability megatrend in reference to employees, shareholders and the stakeholders benefits at a local level is the real goal of management integration.

Reporting and Communication of the Environmental Performance in tune to ISO14001 is most apt, it may contain the process through which the documents will be processed but has the data on productivity, cost that could be attributed to the environmental impact in terms of external positivity and external negativity be reported.

But then, one wants to delve into the reason why not all green project despite following the guidance so stated have failed as a business unit. Therefore, it is worth that one from past experiences as recorded avoid those situations. Precisely the risk in Green Business need to be avoided.



Risks in the Green Business

One would ask the firm(s) to be realistic and not optimistic. Their adrenalin rush should not act as blinkers on the eyes. The genesis of risk comes under three categories these are namely:

- Unrealistic views of markets: expecting customers' to take pains by expecting acceptance of low quality & service and/or premium price or assuming customers will readily accept a radically different product to the one they used to.
- Bursting of Balloons: Investing in immature or ineffective technologies and/or not have the right supply chain
- Green Wash: Overstating your case and getting found out, or not being able to deliver on promises and having to back out.

The author here in will push in his observations while deliberating on some of these categories. One for benefit of the readers will elaborate on each of these categories.

Unrealistic view of the Market

This refers to expecting consumers taking pains of the innovation or idea of going green. The consumer will only do so when he is getting right value for the green. No innovation or idea is success unless one is falling within the category of 'Value Innovation', this concept has been explained in the above portion of this write up. It will be wrong to thrust it on some public sector to adopt them when the goods or services being produce is less competitive to the contemporary offering. Sometimes Public Sector undertakings are asked to buy the product say handmade cards from recycled papers this will function only when the quality is better than the competitive cards available otherwise the venture will fail on long term since the economy lot will never generate and the product will have to be shelved off.

Cultural differences in usage has to be accepted aswell. If one is in denial it will not work. A very common example often forwarded is the use of washing machine in US and that in Europe. One knows very well that the front loading machines use less of water and energy and they are more eco-efficient. The firms producing such product when made it a standard version entry in the destination market of US got nose drubbing. US market prefers the top loading despite the facts of more water and more energy consumption.



Bursting of Balloons

The value of the dotcom Bubble¹⁵ rose with technology stock equity valuation in US dot.com firms in late 1990s getting support of cheap financing and venture capitals based on the speculation that the earning would follow with 5 fold rise in the security valuation. It was all speculation. During the dotcom bubble the value of equity rose exponentially, with the technology dominated Nasdaq index rising from under 1000 to more than 5000 between '95- 2000. In 2002 the bubble burst with equities entering a bearish market. The fall was 76..81%. This is referred as bubble burst. The reasons were a combination of speculative or fad based investing and immature technology with companies without any proprietary technology, which led to abandonment of fiscal responsibility and most spent fortune on marketing to establish brand(s). Some start ups spent even as much as 90% on advertising.

The Bursting of Balloons is the terminology being coined by this author which has happened to many nature based firms who have had no Green Certification and yet were producing green offerings to the public. For long few NGOs in India had been marketing the organic rice or vegetables with no proper certification and have used some kind of Public money, later they understood that the technology requires proper Green Certification to be acceptable at registered shops or default green is not green. They stayed away from it as the cost of Green Certification for startups was phenomenal.

Similarly the weak supply chain is often the reason of failure of the green business. The weak supply chain occurs owing to two reasons:

- 1) Lack of surety that the product will have demand in future and therefore the upward supply chain does not commit to quality product as input but yet they supply since some demand erupts.
- 2) The upward supply chain moves away from the product input category and has to be replaced by another thereby new supplier(s) is to be developed.

The bursting of balloons also occur when the financial institution understands that it will take time for the loan to be repaid as the market size for such quality and premium product is limited



and it will not be the bottom of the pyramid who will vouch for the product. This wrong calculation stops the short term fund lending to the firm creating the crisis of working capital approach.

Green Wash

It is a case of mismatch of the firm's product or/and service claim towards achieving the green goal against the actual or may be altogether a false claim . The jargon is referred as 'Green Wash'. In order to understand whether it is a 'Green Wash' or not the issue at hand i.e., the offer or claim is subjected to four questions. These are enumerated below:

Four questions for GREEN WASH are :

- a) Are you being truly objective in your comparison?
- b) Are you presenting the whole truth?- Jatropha
- c) Are you addressing the elephant in the room?
- d) There is no point in trying to present yourself as green if your business is intrinsically ungreen.

The reduction of fossil fuel usage is a goal for the 'Mint Green' market, therefore 'Petrol' usage in car is to be reduced. i.e., ' Mint Green market'. The 'Mint Green' is a concept to look for sustainable ways to replace an existing product or service(this is contrary to the 'Dark Green' where one ponders whether it is desirable to produce the so called Sustainable substitute, if so under what condition?).

Thus Government of India like many other countries has asked(petroleum firms that) 'petrol' be mandatorily blended with 10% of Ethanol. One of the sources of 'Ethanol' in India is Jatropha plant. Jatropha plantation is remunerative for farmer as it has become a cash crop. This plant in areas grown depletes the underground water table and therefore the water level decreases not only in the specific land where it is cultivated but also in areas nearby and the non-cash crops grown suffer and thus is a loss to other farmers.



Thus the claim of Jatropha as a substitute of fossil fuel is not a truth as it is effecting the water table which is equally important for the planet.

Summary: The road map of 'Green Business' has opportunity galore and cannot be counted since it is phenomenal and the traditional business will have to exit, since the consumption oriented economy dwells on exploitation of extractive, lumbering, farming industry and all are finite resources of the planet and are largely unsustainable for the planet, people and profit. This will lead to downfall of world's economy. Thus the opportunity for the alternative Green Businesses are immense, therefore the business managers whether today or tomorrow will embark on it. The prescription in terms of steps with safeguards to survive has been stated by in-planting the risk associated with such businesses so that a firm avoids such business actions.

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