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Corporate Environmentalists: Green Business Strategy

By *DANIELLE BERSEN*

The era of the green-conscious consumer has begun, and companies are eager to grab a share of the market. The effective environmental policy maker need not have an office on the Hill or a seat in the EPA, but rather an office in a corporation or seat as a CEO. Green corporations, manufacturing, investment, and innovation will bring about the next great industrial revolution of our time and will serve not only as a platform for a cleaner environment, but also as a worldwide economic stimulus.

Corporate eco-efficiency demonstrates the duality of benefits from both economic prosperity and ecological protection, which articulates that “A clean environment is actually good for business, for it connotes happy and healthy workers, profits for companies developing conservation technologies or selling green products... and efficiency in material usage.”¹ Therefore, it behooves companies to implement green policies in their business strategy that improve the livelihood of their consumers, producers, and ultimately their own bottom line.

Green Corporate Citizenship

Companies are voluntarily engaging in green corporate citizenship, wherein they make contributions toward a plethora of environmental causes around the globe. For example, the conglomerate Unilever has included environmental protection issues as one of the most pressing corporate strategic challenges of the 21st century. Investment in water-deprived villages in Africa and offsetting global warming are embedded in Unilever’s corporate agenda, because “...helping

such nations wrestle with poverty, water scarcity, and the effects of climate change is vital to staying competitive in coming decades.”²

Corporations are reducing waste and cutting costs by committing to green practices in their office buildings and in their production mechanisms. Pollution translates as “wasteful use of materials ... it is cheaper to tackle environmental problems before they get out of hand and require expensive remedial action.”³ Cutting wasteful costs at the administrative level has a lasting impact on a company’s bottom line. At least three influential corporations have worked to make their buildings more efficient. General Electric, Johnson Controls, and United Technologies each recognize the incentives for conservation, as commercial buildings are responsible for about one-third of the world’s energy consumption.⁴ As the payoff for energy efficient buildings becomes evident others will follow suit.

Big business is recycling waste into marketable products and reselling them to consumers. For example, Wal-Mart recycles used tires and turns them into coat hangers that are sold in their stores. Consumers appreciate the “green” nature of the supply chain and Wal-Mart has turned the huge expenditure of disposing old tires into a profit. Waste is expensive, but recycling turns trash into a commodity and serves as a viable source of income. Such environmental discipline by leading corporations will advance the trend of environmentally conscious business practices for the future.

As more companies increase their transparency and showcase environmental

responsibility, consumers are choosing to invest in green corporations and green IPOs. Environmental practices can yield strategic advantages in an interconnected world of shifting customer loyalties and regulatory regimes, as there is “100 percent overlap between...business drivers and social and environmental interests.”⁵ Moreover, companies realize the financial and consumer losses associated with irresponsible environmental degradation and are adjusting their marketing campaigns accordingly.

Venture capital investments in green technology and innovation are paramount to funding many projects that would have otherwise remained stagnant. According to a recent article from the *UK's Observer*, “Money is pouring into the clean energy sector, which includes renewable forms of electricity generation such as wind, biomass and solar as well as companies involved in energy efficiency and waste treatment.”⁶ The research firm New Energy Finance reported that investment in the clean energy sector increased globally by 41 percent in 2007 to \$117 billion, just over half of which went to new projects. This investment undoubtedly reflects industry’s commitment to engendering the green revolution.

California as a Case Study

The benefits of running a green corporation offer a diverse selection of investment opportunities, ranging from clean water initiatives to investment in clean energy, and most prominently, Cleantech. Cleantech is defined as “innovations that reduce environmental harm and help companies’ bottom lines,” which includes investment in solar power, hydrogen fuel cells and electric cars.⁷ The motivation for Cleantech investment has also become a political economy priority for progressive states, particularly California.

California has aggressively taken the lead in implementing a plan to combat climate change that also secures the state’s high economic status by making significant investments in Cleantech. Governor Schwar-

zenegger has led an unprecedented fight to integrate clean technology into the political economy. He fervently asserts that green technology will be a clean engine for economic growth and that, “We can protect our environment, and we can protect our economy.”⁸ In 2007, nearly \$2 billion—double the previous year—was invested into California’s clean energy sector alone. The governor predicts Cleantech firms will add 100,000 jobs to the economy by 2020.⁹ Next 10 attests that in 2006, California employed 22,000 people in the clean technology sector, more than any other state, and the field is growing exponentially.¹⁰

California is providing an atmosphere conducive to green investment, which plays to America’s innovative strength and ability to transform industry. Companies such as Texas Pacific Group recently led the \$45 billion buyout of the energy firm TXU, axed eight planned coal-fired power stations and instead promised efficiency savings and wind farms. Both Google and the engineering firm Siemens chose California as the place to launch their business divisions that solve environmental and economic problems simultaneously.¹¹ These voluntary eco-efficient policies of energy conservation, environmental investment, and venture capital in green tech innovations reflect the shift of corporate consciousness from anti-regulatory to anxious investment.

Environmental Regulation

Free market mechanisms coupled with green regulation from the federal and state government are both necessary components to augment the success of the emergent green industrial revolution. Environmental regulation will motivate corporate competition, but it must be created in a delicate and articulate manner. The role of government in the environmental movement is twofold; restrict pollution emissions and maximize market incentives for green corporate practice. The government should strike a balance in protecting the environment while allowing freedom of market choice.

Federal regulation is important to ensure that all corporations have uniformity in regulation to maximize the effectiveness of the green movement.

Regulation must carefully establish strict limits on pollution and protect against environmental degradation and wasteful behavior. The price on carbon production will need to be set high and steadily increase to encourage early investment in clean energy. The cap-and-trade system of carbon management must contain heavy penalties and allow the market to efficiently deliver clean alternatives. Companies that choose to reduce carbon emissions early will have the benefit of saving in the long run. For example, the Chicago-based voluntary market for cap-and-trade is currently thriving in anticipation of future regulation.

Regulation must also offer incentives to the private sector in order to facilitate the green corporate responsibility scheme by offering “financial and other support for ‘ecologically efficient’ forms of production.”¹² Incentives can be applied as a “green” tax credit for eco-efficient business practices and investment in green technology; increasing the availability of state and federal “green” grants for start-up ventures; and research and development. In addition, reevaluation of governmental subsidies and the promotion of specifically green subsidies are essential.

The Senate Finance Committee initiated an economic stimulus proposal that explicated a plan for the promotion of renewable energy. Embodied in this legislation are tax breaks worth over \$3 billion over the next 10 years for wind-farm developers, builders of more efficient appliances, and businesses that install fuel cells. The bill also includes smaller tax credits for the construction of energy-efficient homes, production of energy efficient appliances, and residential use of solar panels and clean coal production.¹³ This economic stimulus bill is unique in that it contains specific benefits for environmental endeavors.

Although a step in the right direc-

tion, the economic stimulus package should have focused exclusively on significant green initiatives, not on sweeping economic stimulus aimed at every economic sector. One forecasted problem with the green incentives in this type of stimulus package is that they require frequent re-authorization, “which industry executives complain makes planning and investment difficult.”¹⁴ The ingenuity of business needs to be fortified by stable environmental policy, while allowing individual companies the flexibility to incorporate green practices into their corporate agendas. Furthermore, the market will need reinforced regulatory security to sustain investment and encourage universal corporate compliance.

Looking Forward

Just as the last industrial revolution became the model for the developing world, so can the green revolution transform the way the world conducts business. The founder of the environmental business-strategy group GreenOrder, Andrew Shapiro puts it this way: “Whatever you are making, if you can add a green dimension to it – making it more efficient, healthier and more sustainable for future generations – you have a product that can’t just be made in India or China...you have to figure out how to integrate green into the DNA of your whole business.”¹⁵ America can claim itself as the leader in green industry by securing regulation and investing in this crucial developing market.

We are at one of the crossroads in history where the assets of big business can advance innovation and responsible investment. This intersection point is a balancing act between the private and public sector. In the coming decade, corporations that do not subscribe to the green movement will lose competitive advantage, proving that both corporate and government environmental policymaking is not only the *right* thing to do, but also the *smart* thing to do.

Endnotes

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- ¹³ Noam Levey, *Democrats Push 'green' energy tax breaks*, Los Angeles Times, February 5, 2008. <http://www.latimes.com/news/nationworld/nation/la-na-stimulus5feb05.0.5009857.story>.
- ¹⁴ Noam Levey.
- ¹⁵ Thomas Friedman, *The Power of Green*, The New York Times, April 15, 2007.