



"Does it pay to be green?"

Research in sustainable business strategy

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“Does it pay to be green?”

- Traditional typical questions
 - “Is there a ‘market’ for this technology?”
 - “How will costs develop over time”?
 - “What is the most efficient solution?”
 - “What is the national economic impact?”
 - “How will consumers respond to this technology?”
- Limitations
 - Limited scope – anchor on particular technologies
 - Often limited academic business research interest (“*udredningsarbejde*”)
 - Does not address needed new company capabilities



The grand (but derailed) debate on the environment-business relationship

The skeptic position

- Firms should serve shareholder value and not lose focus by chasing environmental objectives beyond compliance with public regulation
- Compliance = cost increase
- If it were profitable, firms would do it

The free-lunch position

- It pays to be green – resource conservation = lower costs
- move ahead of competition (and regulation pressures)
- Innovation for the environment = competitive advantage
- But firms don't know that

More relevant to ask:

WHEN does it pay to be green?

HOW should company implement eco-strategy?

WHO has a stake in the result?

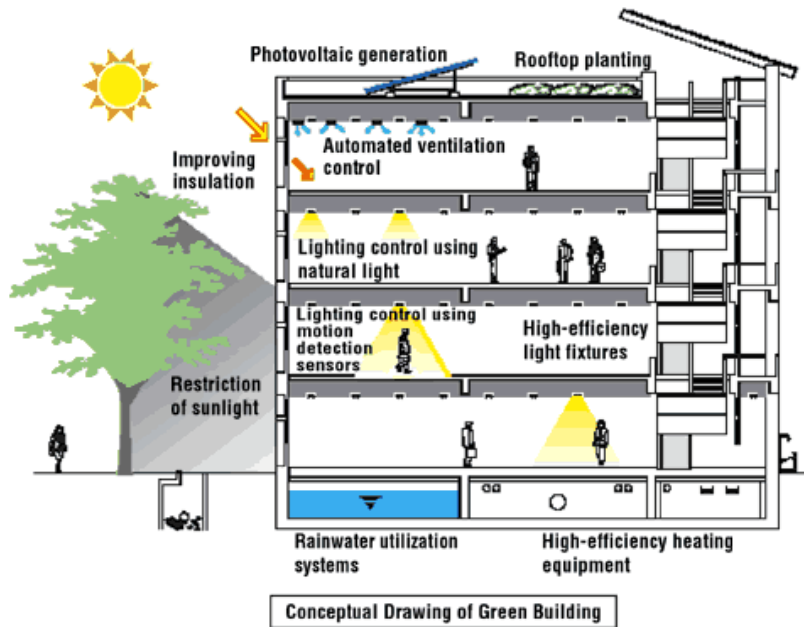


Sustainability and strategy

- Sustainability phenomenon
 - **Systemic** (emerges from a system of production, use, disposal, not autonomously attached to a product)
 - A **complex concept** in itself (where do you draw the line?)
 - Science is often **controversial** (e.g. GMO's)
 - Strongly shaped by **public attitudes**
 - **Effects may be distant** in time and/or space
- Sustainable innovation strategy
 - Must **pervade all company activities**
 - Requires close **interaction with surroundings**
 - Is as much about **business model innovation** as about technology
 - **Takes time** to develop



Case: Green building



- Green pays!
- Higher construction costs (+7%), but...
- Higher occupancy rates (+4%)
- Higher rents (+30%)
- Lower operating costs (-40%)
- Higher selling prices (+10%)
- ... but many regulatory and market barriers



Source: Miller, Norm, Jay Spivey, and Andrew Florance (2008) "Does Green Pay Off?." Journal of Real Estate Portfolio Management 14, no. 4: 385-399

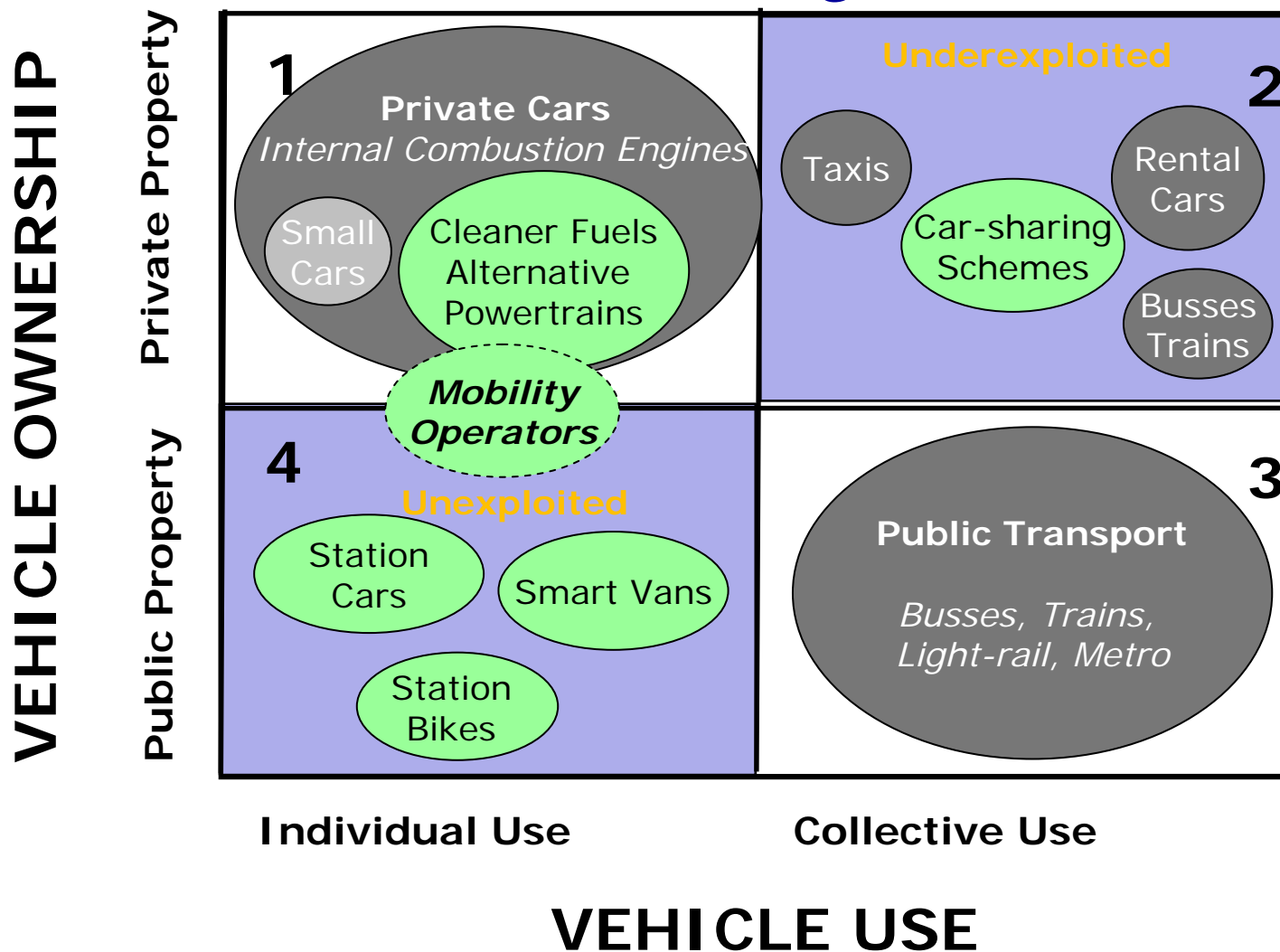


Case: personal mobility

- The challenge of transportation and CO2 abatement
 - 97% oil dependent, 60% of world oil cons., 23% of global CO2 emissions, 28% of global energy cons.
- Solutions have tended to focus on improving vehicle technology
 - Smaller cars, lighter cars, cleaner cars
 - Efficient engines
 - Alternative fuels (electric drivetrains)
 - Traffic management systems
- Alternative, focus on a striking feature: Huge inefficiencies in vehicle use
 - Cars are bought for the “worst case” (annual family trip abroad)
 - But are used primarily for short trips with few people
 - And are parked 96% of the time, usually in habitual spaces



Market spaces in terrestrial mobility





Zipcar

- Founded in 2001
- 400.000 members
 - Growth 40-100%/year
- 2009 revenues \$130M

350 hours a year
having sex
420 looking for parking



Drive Zipcars
from \$9.50/hour



\$50 FREE DRIVING [click here](#)



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Case: Xerox – servicizing and sustainability

- Environmental Leadership program
 - Waste reduction efforts
 - Design-for-environment initiatives
 - Cartridge recycling
- Moved on to radical business model
 - “Take-back” scheme (disposal)
 - Renewal program (leasing model)
 - Machines are disassembled, upgraded, reconfigured, reassembled, and resold at new-machine prices
- Benefits
 - Xerox: cost, barriers to imitation, loyal customers
 - Customers: No worry about disposal or obsolescence

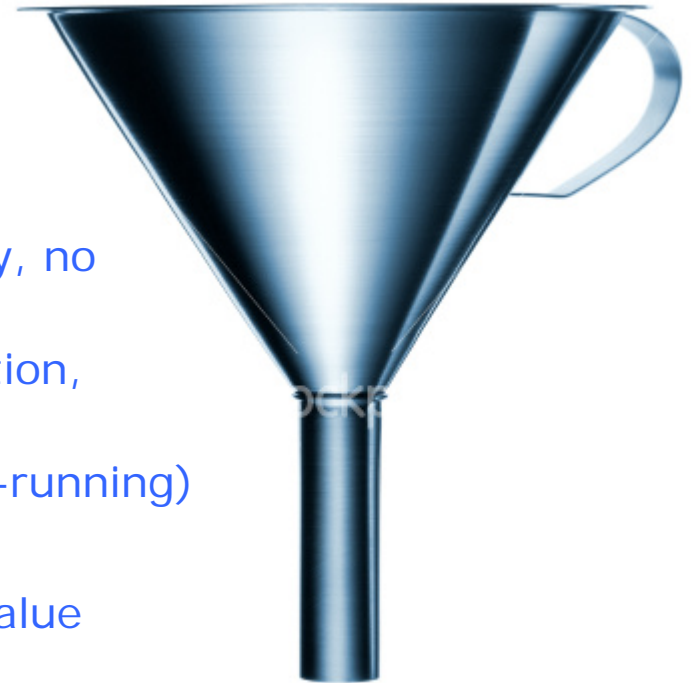




Firm responses

- None, reactive, or cosmetic (greenwashing)
 - lobbying against external pressure
 - complying to minimum regulatory requirements
 - pretty pictures in the annual report
- Fragmented, tentative, limited
 - No relation to core company strategy, no business case
 - Narrow focus (environmental regulation, brand, image)
 - Shaping regulatory conditions (front-running)
- Coherent, comprehensive, strategic
 - Part of core strategy (integral part value creation)
 - Broad focus (triple bottom line, system wide)
 - Redesigning competitive landscape ("Blue Ocean")

Most are here



Very few are here



BCG/MIT survey

- Sustainability will become increasingly important to business strategy and management over time, and the risks of failing to act decisively are growing.
- Companies need to develop a better understanding of the implications of sustainability for their business—and that the companies already doing so are being rewarded.
 - “[The] more [managers] know about sustainability, the more thoughtfully they evaluate it and the more opportunity they see in it—and the more they think it matters to how companies manage themselves and compete.”



BCG/MIT survey

- Companies will need to develop new capabilities and characteristics, including
 - Ability to operate on a system-wide basis and collaborate across internal and external boundaries;
 - *Systems thinking and analysis*
 - *Organizational principles*
 - A culture that rewards and encourages long-term thinking;
 - Capabilities in the areas of
 - *Activity measurement and transparency,*
 - *Process redesign,*
 - *Financial modeling and reporting;*
 - Skills in engaging and communicating with external stakeholders.



Nogle tanker om prioritering af forskningen

- Behov for merkantil forskning/formidling
 - Strategiske værktøjer og principper
 - Ledelseskompetencer, organisatoriske principper.
 - Relation til specifikke områder (især energi)
 - Innovation i forretningsmodeller
- Innovationskonsortie-modellen har problemer
 - Ender ofte som “underleverandør” defineret af det konkrete tekniske problem
 - Ingen forskningsmæssig højde (“markedsstudie”, “forbrugeradfærd”) – karakter af udredning
 - GTS-institutter er bedre positioneret her
- I stedet måske gå den anden vej for en (mindre) del projekterne
 - Udgangspunkt i de merkantile problemstillinger
 - Men med tæt tilknytning til tekniske miljøer/aktører
- Bruge undervisning som drivmiddel
 - Joint programs med cand. polyt og cand. merc. studerende