

Introducing...

GREAT

GREEN

PROFIT!

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The Entrepreneur's Primer

of Environmental

Opportunity

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INTRODUCTION

Until now, most businesses have operated on assumptions that boil down to:

1. Environment=Expense.
2. Maybe it isn't happening.
3. It's someone else's problem.

Many of these businesses are heading for extinction and they won't even understand why it happened. They won't be around in the future – like the manufacturers that used to make vinyl records. Others will struggle on, getting by, reacting and reacting and reacting as change happens all around them.

Some businesses have faced up to the probability of impending catastrophe, and have taken a positive, strategic approach:

1. This is a real and urgent issue.
2. This IS our business.
3. Where there's a crisis there's an opportunity.

The leading edge players in the sustainability game are already out there creating amazing new business models that support our environment instead of damaging it. Their results are showing that SMART GREEN=PROFIT.

The principles behind their efforts are stunningly simple. They can be applied in business environments around the world. Done well, they can also be highly profitable.

The wave of change is coming. Are you going to dog-paddle, tread water, drown, or learn to surf?

THE 50% CHALLENGE

Profitable Abundance Without Suffering

How Much Do We Use When We Make Things?

From the initial hole in the ground where the first mineral is mined, to the finished consumer product in someone's hand, the supply chain that delivers our products is barely 5% resource efficient. The 60g of mobile phone in your hand, took at least 20 times that quantity of natural resources – that's 1.2 kg!

Look at a ream of office paper. There's the tree felled to make the fibre content. Then there's the water used in the pulping process. Then there's the coal or oil burned to make the power to run the paper mill – and not just the power for the machinery, but the lights in the factory, the computers in the office and the kettle in the tea-room.

Then there's the minerals used to create a smooth surface on the paper, the trucks used to mine the minerals and the fuel used to transport the minerals to the paper mill. There's the fuel used by the workers to drive to work, as well.

The same sorts of chains of resources are also used for the printed paper that binds your ream of paper, the cardboard carton used to package multiple reams into a box, and the plastic strap that closes the carton.

The end result is that 95% of the natural resources used to create consumer goods are currently used up before the product reaches the consumer.

Is 95% waste acceptable any more?

An Achievable Goal

Calculations have been done that give us a target for the performance improvement we need. If we reduce our use of natural resources by 90%, we can create a sustainable future for a population of around 8 billion people AND each of those 8 billion people could live a life free of poverty and starvation.

To most of us, 90% sounds like a pretty big challenge. To ordinary people at the end of the supply chain, reducing their personal resource usage that much would end up with a poorer quality of life.

If all we do is focus on the end of the production process, then that could well be the result – have less, do less...

OR if we step back and re-design how our overall supply chain works, we can keep our quality of life, spread it around the planet, and do better business on the way.

Let's look at different ways to describe our challenge:

"We consumers need to reduce our resource use by 90%" (*Wow, that sounds like an awful lot of suffering.*)

OR

"Our business needs to be 10 times more efficient in its use of resources." (*Ten times more efficient in my business? With those people working for me!*)

OR

"Our supply chain resource efficiency needs to increase from 5% to 50%." (*Hmm, 5% to 50% over the full supply chain - that's an achievable target.*)

50% resource efficiency => sustainability
Over 50% resource efficiency => (?) abundance (?)

The Business Opportunity of the 21st Century

The 21st Century is starting out with much talk about crisis. Smart entrepreneurs listen to their market place for demand, because demand means OPPORTUNITY.

People worried about the environment means DEMAND for new products and services.

And there is a new "industrial revolution" already underway – one that creates exciting new ways of doing business.

This industrial revolution is about changing the nature of the production process. The challenge and the opportunity is to replace "mine/make/dump" with a new way of doing business.

Every product will either be:

- + fully and safely compostable; or
- + designed to be disassembled and remanufactured into more high-quality product.

What we currently call "recycling" will be recognized as destructive "down-cycling".

Even if your business primarily sells services, you still use products, and so do your customers. If nothing else, you can create demand for better products.

Are you ready for new opportunities?

The New Economics of Service

Let's create a new picture of life and business in the 21st century...

There will be a new economic system, where products belong to their manufacturer and the value of their service is leased to the consumer.

When the lease on your hydrogen-powered car expires, you will return it to the manufacturer to be re-manufactured into a more efficient, safer, smarter vehicle. All components will be re-used, and the energy used to reprocess them will be fully renewable.

Your refrigerator will be owned by its manufacturer, who keeps it well-maintained. As they improve its efficiency, they share the energy savings with you. They service it regularly for maximum efficiency and upgrade its parts as more efficient models are developed.

You won't buy air conditioning and heating equipment, you'll contract with a service provider to deliver you "comfort".

This new type of economics will take vast amounts of waste out of the supply chain and ensure consumers get high-quality services.

What's the service behind your product?

Playing the Regeneration Game

This is a bigger game that's much more exciting – REGENERATION. This is about full commitment to the changes we really need – businesses that regenerate environment and community.

The smart entrepreneurs leading this movement are already making good money and doing good business. The "bleeding edge" is over – smart sustainable business is profitable.

Your starting place is your own business: How can you redesign it? Where are your new products, services and customers going to be?

What are the new business principles you will need to know? How are you going to manage business as usual and evolve into a 21st century business? If you thought change was fast because of new technology, what's it going to be like when we add it a 20 to 50 year planetary deadline?

What personal and leadership capabilities are you going to need as a business owner or manager? What are the skills your team will need to become effective innovators?

How long will it take? 20 years, 10 years, 5 years? Then the sooner you get started the better for your bottom line.

Are you prepared for business as "very unusual"?

SOME MYTHS OF “BUSINESS AS USUAL”

“If you think you can or you think you can’t –
you’re right.”

Henry Ford

The first step in dealing with false assumptions is to notice what they are.

If you’re listening to “common sense” then you may be operating as though the earth is flat, when more and more your competitors have the advantage of knowing that in fact the world is round.

Myth #1: It’s About Consumers

There is a lot of focus on the consumer at the end of the production process using less. We’re told we should all use less water, buy green power, install solar panels and water tanks, ride a bike instead of driving the car.

The reality is that as consumers we just use the end product. While we have buying power if a green alternative is available, for the majority of products we have very little control over how things are made, stored, sold and delivered.

Who designs the products we buy? Who chooses what they are made of? Who chooses how and where to sell them and what quantities to keep in stock?

And think about the indirect costs involved. Who picks up the front line costs for waste, damage, fuel, energy, quality, safety, labour? These costs are often considered part of doing business. They may well get passed on to the consumer as a price increase – but why pay them in the first place?

Competitive advantage in the 21st Century will be about who can avoid these costs through smarter design of their products and services.

If you’re looking for new products, new services or new customers don’t limit yourself to the consumer – scout your whole supply chain for opportunities.

Where are the opportunities in your supply chain?

Myth #2: It's A Government Problem

Government has a role to play, at all levels from national to local. At the end of the day, what they do is regulate in **response** to the issues that confront them.

Sure, the Government can influence cost structures...
AND smart business people do good business whatever the regulations, taxes, laws and tariffs around them.

You don't have to wait for the government – they'll follow when their polls tell them it's an election issue, or a major immediate cost.

Waiting for "the government to fix it" is probably a good way of missing out on the business opportunities.

The other side of this issue is that where business ignores the demands of the society around it, government eventually regulates. Often what government regulates isn't business-friendly, increasing compliance costs.

Is it in the interests of your business to close your eyes and hope?

What are the risks to your business in waiting for a Government-designed environmental solution?

Myth #3: It's All About Big Business

Re-inventing the supply chain is about entrepreneurship and creativity. Some smart, large businesses are taking the regenerative approach (and proving that it's profitable). Other large business are slow, cumbersome and reactive.

If we are limited to what big business can do, that's a big problem, because the majority of businesses are SMEs – small to medium enterprises.

- In the USA, SME's make up 99.7 percent of all employers, generate half the non-farm output of the economy, and employ about half of all Americans not working for government.
- In Australia, SMEs make up 96 percent of all enterprises in the private, non-agriculture sector, and account for more than 56 percent of private sector employment.

Smaller businesses – those run by entrepreneurs, anyway – have the flexibility and potential to adapt and profit from the Regenerative Economy.

AND a key principle of the new economy will be the application of small, local, smart solutions – what better place for smaller business to play?

When you decide to tune in to the entrepreneurial opportunities, you'll start to see smart, small green businesses everywhere.

What opportunities AREN'T you seeing?

Myth #4: It's All About Waste Reduction and Recycling

The overall design of our supply chain has been:

Dig it up > use it > throw it away

What we currently call recycling is often actually DOWNCYCLING – the materials get less valuable as they are re-processed. Aluminium gets contaminated; office paper gets turned into cardboard.

All we're really doing is putting more steps in the process of throwing stuff away.

Real innovators are finding ways to invent closed loop manufacturing. They design processes so that materials cycle endlessly through the production and distribution process, so the consumer always has the latest, and the producer keeps the benefits of innovation.

What they're really inventing is ***manufacturing with no raw materials***. Does that sound "expensive"?

There are huge amounts of un-inspected waste in most businesses – that's why Lean Thinking programs typically create 50% cost reductions.

If waste reduction and "recycling" will strategically help your bottom line, get started – you'll learn a lot. DON'T get trapped into thinking they're the end game.

How you can redesign your business to close a loop? Permanently reusing materials?

Myth #5: It's All About Expense and Overhead

Business people often automatically link "environment" with compliance and expense and more overheads. It's a habitual way of thinking. What happens when we start to think about "environment" as a product design and supply opportunity?

The leading edge implementers of great green business have found that if you design a product that is totally safe – to manufacture; to use; to dispose of – you will find it's CHEAPER in the long run.

If it contains no poisons, you don't need to manage hazardous goods and there are fewer safety issues. Overheads go down and morale goes up.

As human beings, we have a really strong tendency to see what we are looking for. To prove a new medicine really works, we have to do randomized, double blind clinical trials - otherwise the researchers get the results that they want to see.

What this means is that as long as you believe "it's an expense and an overhead", that's all you'll find. You won't be able to see past your own expectations.

To discover your opportunities, first suspend disbelief. Then start asking yourself a new question:

Where are YOUR opportunities to profit from re-designing part of your supply chain?

Myth #6: The Scientists Have To Invent a Solution

Get out your mobile phone and have a look at it! If yours doesn't take movies and connect to the Internet, have a look at one that does.

Can you **really** believe "We don't know how"?

We already have the technological capacity to do what needs to be done. Sure, some of it needs to be refined, some of it needs to be used more to get the economies of scale.

We also have all the problem solving knowledge we need to get the best out of our smart technology. Examples include:

- + Design for the Environment
- + Systems Thinking
- + Life Cycle Analysis
- + Value Chain Mapping

In the 20th Century, grey water processing used to be about treatment plants and chemicals. Now it's about wetlands and reed beds – natural biological solutions.

The economic and business models for a Regenerative Economy are already in development (and production). They DO use a lot of smart thinking – they DON'T always use a lot of expensive technology.

Do you know the key strategies for designing a regenerative economy?

THREE BASIC PRINCIPLES OF REGENERATIVE BUSINESS

“Give a man a fish and you feed him for a day.
Teach a man to fish and you feed him for a
lifetime.”

Chinese Proverb

If you understand the principles of regenerative business, then you'll identify your own specific opportunities. You'll be able to choose the strategic and profitable options that make sense in your business and your marketplace.

Principle #1: Think Service, Not Product

This is the first core principle. In a way it is the only principle:

“There are no products, only services”

If we focus on our product, then we're not focusing on our ultimate source of income – our customer. We limit ourselves to what we currently know how to do.

If we understand the value our product provides to our customer, then we can (re)design the underlying services in ways that are positive for the environment.

Think about telephones, for example. What we want isn't the complex assembly of plastic and metal that we call “telephone”. What we want is the service “information communication”. Plus perhaps “style and good looks”.

If every product is a “product of service”.

- ? What are our products (or the services we sell as a “commodity”)?
- ? What is their value to our customers?
- ? How can we deliver our service BY regenerating the environment?
- ? What new “products of service” might our customers value?

Example: An international carpet tile company identified that its products (carpet tiles) provided services of noise reduction, good looks, warmth. They started to lease their product, not just sell it.

They now have a more even, regular cash flow. The carpet tiles belong to them, so they can design them to be totally suitable for re-manufacture into more carpet tile of the same quality. What they've potentially invented is ***manufacturing with no raw materials!***

Example: An Australian metal manufacturer makes crucibles for a major foundry. They found out that changing over crucibles was a major cost to their customer. They developed a process for making the crucibles last longer, and negotiated a higher per-unit price for their crucibles.

The end results are win/win/win:

- + The manufacturer makes fewer items for a higher price
- + The customer has lower costs
- + Environmentally, there is less waste and less resource usage.

Example: An Australian transport business identified that owning a car was particularly expensive to low-mileage inner city dwellers. They now provide "car as service" to customers in the two largest capital cities.

They provide their members with online car bookings with around-the-clock access to cars, down to a minimum period of 1 hour. Their approach is: "You pay one low hourly rate. And we cover all your costs. (Yes, including petrol.) You just drive."

What's your valuable service. How can you deliver it in ways that regenerate the environment?

Principle #2: There Are NO Wastes

This is the second core principle:

"There are no wastes, only products"

Traditionally, we have seen wastes as rubbish to be sent off in a rubbish bin for someone else to deal with. Waste is expected, planned for, and the disposal costs are included in product overheads. We've rarely (until now) been charged the true environmental costs for disposing of our waste.

Tips and rubbish dumps aren't free – each hole in the ground costs multiple millions of dollars to protect our environment from ground water contamination. We don't see the full waste costs directly yet – expect that to change.

Carbon taxes or charges for greenhouse gas emissions will change our attitude to the by-products of our processes.

So now it's time for a new perspective. If something can be easily, quickly and safely composted, then it is a "product" of value to the environment as a compost or a mulch.

If not, it's a potential "technical nutrient" – a material that can go back into the production cycle to be reused or remanufactured. Ultimately, there's a potential business opportunity in turning it back into a valuable material.

If it can't be re-processed, then how can the production process be re-engineered so it's not produced?

So, our starting point is the assumption that every “waste” is actually a product to be upcycled. So the questions to ask are:

- ? What do we see as a waste?
- ? What do our customers see as a waste?
- ? What to our suppliers see as a waste?

AND

- ? How can we turn these wastes into products?

Example: An American producer of commercial carpet tiles has developed technology so they can take other manufacturers worn out carpet (otherwise waste to landfill) and turn it into quality carpet.

Example: An Australian business is implementing bio-digester technology that enables them to turn a wide range of organic wastes into fertilizer, generating power and clean water as by-products of their process to be sold back to the market place.

Example: An Indian sugar mill uses post-crushing cane waste to generate steam. The steam is used to generate power and then returned to process further sugar cane.

“How can you find a profitable way to turn your wastes (or someone else’s) into a product?”

Principle #3: Design for REAL Recycling

How close can you come to creating a manufacturing process with NO raw materials? Where you never buy raw materials because your products come back to you to be made into more products of equal or higher value?

Can your product be fully and easily recycled by mother nature (translation: safely composted)? Do you even know the disposal costs of your product to the environment and your customer?

Can your product be easily and profitably re-processed into more products of equal or higher value?

If you answer any of these questions “NO” then you’ve identified a business opportunity.

Example: An American manufacturer of commercial carpet tiles has designed its tiles so they can be re-manufactured into more carpet tiles of equal quality.

To maximize their ROI, they lease their carpet tiles instead of selling them. They still own the tiles, so any efficiency improvement in their process goes to their bottom line.

Their customers get the service they want (good looking, warm, noise-reducing floor covering) and the manufacturer gets a smooth service-based income. Good business all round.

Example: A Scandinavian hotel chain set the goal of creating a 97% recyclable hotel room. (Hotel rooms are regularly maintained and upgraded as part of normal business practice.) Making the room “recyclable” meant:

- + Using furniture and fixtures that could be easily disassembled and re-manufactured.
- + Using soft furnishings that could be either recycled or safely composted.
- + Using timber floor rather than carpet.

Instead of costing more money over time, the use of natural fabrics, timber floors, and well-designed furniture mean the room has a longer lifespan and overall costs are actually going down.

Where can you find a loop that needs closing?

INNOVATION, EXCELLENCE AND LEADERSHIP

“Leadership: getting people to WANT to do what needs to be done.”

Warren Bennis

Leadership: The Critical Success Factor

Ultimately, any business is about getting a group of people together to deliver a result. The core skill every business owner or manager needs is LEADERSHIP.

Truly sustainable business success happens when a motivated team gets aligned and motivated to achieve a goal that inspires them. It doesn't matter whether you're the CEO, a middle manager, or a key professional – being able to foster innovation is the skill that will make the difference to your career results, your personal results, and the business bottom line.

The research is in – leadership is the key. And the good news for all us “ordinary folk” is that the leadership that works ISN'T charismatic, personality leadership. It ISN'T about becoming a saviour-type hero with all the answers.

Great leaders are those who get out of the way of their ego, and focus on creating a champion team to deliver their results. Empowering, inspiring and enabling a team are the key skills – this takes integrity, discipline and passion – it doesn't need “personality”.

**Do you have passion and integrity?
Are you ready to apply discipline?**

Jim Collins has documented his research results in the book “Good to Great” defines. He defines the process by which good organizations create ongoing great performance:

1. A “Level 5” leader emerges – a paradoxical blend of personal humility and professional will.
2. The leader focuses on “First Who... Then What”, building a great team – the team creates the winning strategy.
3. The leadership team confronts the brutal facts of their business and its environment and take hard action.
4. The business gets very clear on what is at the core of their excellence, passion and economics.
5. The business develops a culture of discipline and entrepreneurship.
6. The business implements relevant, appropriate technology.

The critical items for budding Regenerative Entrepreneurs to note are:

- + Leadership comes first.
- + Technology comes LAST!

Leaping unsupported into an “amazing” technological solution is dangerous to your business and your health. Understand your core value to your customer and leverage off what you already do.

Educate yourself on critical business issues, not fancy technological “solutions”. Skill up your team. Study your supply chain and the consumer at the end of it.

Are you disciplined enough to embed your passion in your business strategy?

APPENDIX: RESOURCES

Starting Points

This book is the result of reading, discussion and experience over many years. It combines what I know as a leadership coach and technology innovator about business development, motivation and success with much research on Positive Sustainability.

The intent in writing this book is “small and simple” – to challenge the myths around sustainability. There are many, many, many books, magazines and web sites full of valuable information.

Once you decide to engage in the process, you will start to find that an abundance of opportunities and resources are already under your nose.

So the following list is purely a starting point for your own exciting voyage of discovery. Have fun!

The Regenerative Economy

“Cradle to Cradle: Remaking the Way We Make Things”
by William McDonough and Michael Braungart

www.mbdc.com

“Mid-Course Correction: Toward a Sustainable Enterprise: The Interface Model” by Ray Anderson

www.interfacesustainability.com

“Natural Capitalism: Creating the Next Industrial Revolution” by Paul Hawken, Amory Lovins, and L. Hunter Lovins

www.natcap.org

Business Breakthrough

“Bigger Isn’t Always Better: The New Mindset for Real Business Growth” by Robert M. Tomasko.

www.roberttomasko.com

“The eMyth Revisited: Why Most Small Businesses Don’t Work and What to Do About It” by Michael Gerber.

www.e-myth.com

“Good to Great. Why Some Companies Make the Leap . . . and Others Don’t” by Jim Collins.

www.jimcollins.com

“Lean Solutions: How Companies and Customers Can Create Value and Wealth Together” by James P Womack and Daniel T. Jones.

www.lean.org